Annual Report 2020
年報

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)
(於開曼群島註冊成立之有限公司) (股份代號: 208)

POLYTEC ASSET HOLDINGS LIMITED

Polytec Asset Holdings Limited (Stock Code: 208) made a strategically important move by acquiring a property development project in Zhongshan in 2018, shifting its main property development focus from Macau to the Guangdong-Hong Kong-Macau Greater Bay Area. It will continue to actively explore good investment opportunities in the Greater Bay Area as well as other regions, aiming to build a solid foundation for sustainable growth for the Group for many years to come. The Group currently focuses on the property market in the Greater Bay Area and also actively explores any good investment opportunities worldwide. It is also engaged in the financial investment activities globally, the ice and cold storage business in Hong Kong as well as the oil business in Kazakhstan.

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CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors

Mr. Or Wai Sheun *(Chairman)*
Mr. Yeung Kwok Kwong
Ms. Wong Yuk Ching
Ms. Chio Koc Ieng

Non-executive Directors

Mr. Lai Ka Fai
Ms. Or Pui Ying, Peranza

Independent Non-executive Directors

Mr. Liu Kwong Sang
Dr. Tsui Wai Ling, Carlye
Prof. Dr. Teo Geok Tien Maurice

Committees

Executive Committee

Mr. Yeung Kwok Kwong *(Chairman)*
Ms. Wong Yuk Ching
Mr. Lai Ka Fai

Audit Committee

Mr. Liu Kwong Sang *(Chairman)*
Dr. Tsui Wai Ling, Carlye
Mr. Lai Ka Fai

Remuneration Committee

Dr. Tsui Wai Ling, Carlye *(Chairman)*
Mr. Liu Kwong Sang
Mr. Yeung Kwok Kwong

Nomination Committee

Mr. Or Wai Sheun *(Chairman)*
Mr. Liu Kwong Sang
Dr. Tsui Wai Ling, Carlye

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary

Mr. Yeung Kwok Kwong
(appointed on 2 April 2021)
Mr. Lee Chi Ming
(resigned on 2 April 2021)

Independent Auditor

KPMG
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance

Authorised Representatives

Mr. Yeung Kwok Kwong
Mr. Lai Ka Fai

CORPORATE AND SHAREHOLDERS' INFORMATION *(continued)*

Principal Share Registrar and Transfer Office

The R&H Trust Co. Ltd.
Windward 1
Regatta Office Park
P.O. Box 897
Grand Cayman KY1-1103
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Website

www.polytecasset.com

Stock Code

The Stock Exchange of Hong Kong Limited: 208

Principal Bankers

Hang Seng Bank
Bank of China

Financial Calendar

Interim results announcement	19 August 2020
Interim dividend paid	30 October 2020
Annual results announcement	31 March 2021
2021 Annual General Meeting	29 June 2021
Closure of Register of Members (2021 Annual General Meeting)	24 June to 29 June 2021 (both dates inclusive)

GROUP'S BUSINESS STRUCTURE

POLYTEC ASSET HOLDINGS LIMITED

(A member of the Polytec Group)
Stock Code: 208

PROPERTY

Property Development

Major development project in Mainland China:

- Zhongshan project

Development Landbank:
294,000 sq.m.

Property Investment

Major investment property in Macau:

- The Macau Square

Investment Landbank:
18,000 sq. m.

ICE & COLD STORAGE

The Hong Kong Ice & Cold Storage Company Limited

one of the largest ice making distributors in Hong Kong

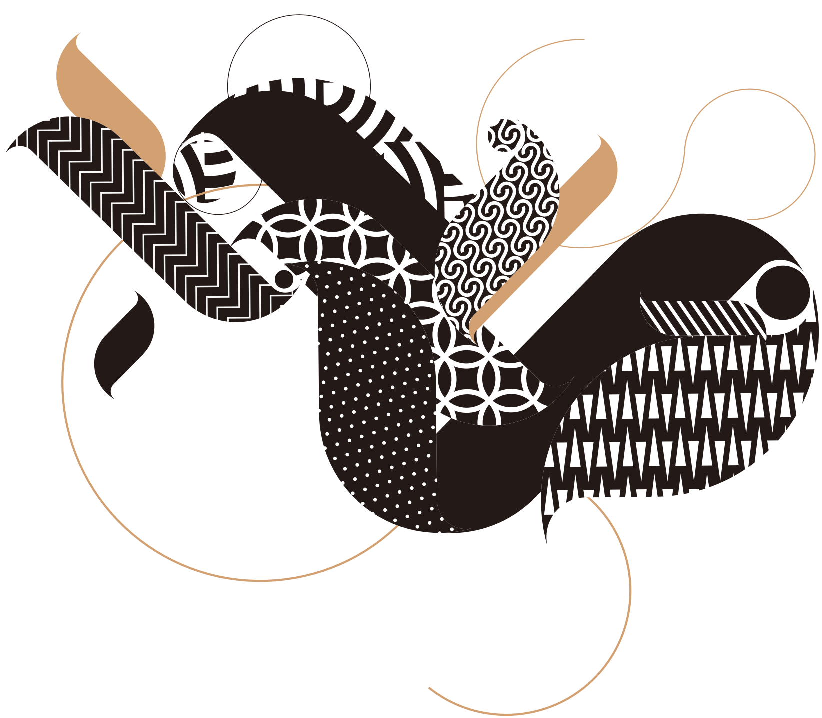
OTHERS

Financial Investments

Fixed-income and equity investments in Hong Kong and other recognised financial markets

Oil

Oil production and exploration in Kazakhstan



FIVE-YEAR FINANCIAL SUMMARY

KEY CONSOLIDATED INCOME STATEMENT DATA

HK$'000	2020	2019	2018	2017	2016
Revenue	**718,475**	906,877	1,592,854	693,884	211,293
Profit/(Loss) from Operations	**488,172**	740,432	1,564,052	268,811	(4,747)
Profit Attributable to Equity Shareholders of the Company	**428,968**	707,329	1,618,545	269,521	59,201
Earnings per Share *(HK cents)*	**9.66**	15.93	36.46	6.07	1.33
Underlying Profit Attributable to Equity Shareholders of the Company *(Note 2)*	**520,797**	446,871	1,402,670	233,441	21,801
Underlying Earnings per Share *(HK cents) (Note 2)*	**11.73**	10.07	31.60	5.26	0.49
Dividends	**62,146**	324,045	421,702	97,657	31,073
Dividends per Share *(HK cents)*	**1.40**	7.30	9.50	2.20	0.70

KEY CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

HK$'000	2020	2019	2018	2017	2016
Non-current Assets	**11,525,285**	13,874,354	14,160,419	12,573,167	14,322,286
Current Assets	**4,738,516**	2,885,909	2,873,240	2,164,527	296,715
Total Assets	**16,263,801**	16,760,263	17,033,659	14,737,694	14,619,001
Current Liabilities	**(1,452,400)**	(194,786)	(208,890)	(1,483,711)	(206,034)
Non-current Liabilities	**(626,409)**	(2,555,684)	(3,073,486)	(979,105)	(1,966,351)
Net Assets	**14,184,992**	14,009,793	13,751,283	12,274,878	12,446,616
Share Capital	**443,897**	443,897	443,897	443,897	443,897
Reserves	**13,727,745**	13,552,237	13,294,806	11,818,308	11,989,713
Equity Attributable to Equity Shareholders of the Company	**14,171,642**	13,996,134	13,738,703	12,262,205	12,433,610
Non-controlling Interests	**13,350**	13,659	12,580	12,673	13,006
Total Equity	**14,184,992**	14,009,793	13,751,283	12,274,878	12,446,616
Net Asset Value per Share *(HK$)*	**3.20**	3.16	3.10	2.77	2.80
Gearing Ratio *(%) (Note 3)*	**11.12**	11.98	11.65	12.46	14.70

Notes:

1. The financial information in this summary is extracted from the published financial statements for the last five years.
2. From 2018 to 2020, underlying profit excludes revaluation changes of the joint venture's investment properties and fair value changes on interests in property development. For 2016 and 2017, underlying profit excludes revaluation change of the joint venture's investment properties.
3. Gearing ratio represents bank borrowings (if any) and amounts due to holding companies/a related company (if any) less amount due from a related company/a fellow subsidiary (if any) and cash and bank balances over total equity attributable to equity shareholders of the Company.

CHAIRMAN'S STATEMENT

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 Polytex 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.

Or Wai Sheun
Chairman

Hong Kong, 31 March 2021

PROPERTY DEVELOPMENT

As at 31 December 2020, the Group's landbank for development amounted to approximately 294,000 sq m of attributable gross floor area. The Group's major property project under planning and development is set out as follows:

ZHONGSHAN PROJECT

The site is located in the South District, Zhongshan. This residential and commercial development project is expected to develop into 38 blocks of high-rise residential building, 4 blocks of high-rise apartment and 150 blocks of villa with a total gross floor area of approximately 587,000 sq m.

Location
Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province, China

Usage
Residential and Commercial

Group's Interest
50%

Approx. Total Site Area
234,802 sq m

Approx. Total Gross Floor Area
587,000 sq m

Status
Site drainage work has completed; application works for building plan and relevant construction approvals in progress

Expected Date of Completion
2024-2026

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).

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).

PROFILE OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Or Wai Sheun, aged 69, joined the Company in April 2006 as the Chairman of the Board and Executive Director. Mr. Or has over 35 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Group. Mr. Or is also the Chairman of the Board of Kowloon Development Company Limited, a fellow subsidiary of the Company, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and a Director of Intellinsight Holdings Limited and New Explorer Developments Limited, both being substantial shareholders of the Company. He is the father of Ms. Or Pui Ying, Peranza.

Mr. Yeung Kwok Kwong, aged 62, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 35 years of experience in finance, accounting, financial and operational management, and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a Non-executive Director of Kowloon Development Company Limited, a fellow subsidiary of the Company.

Ms. Wong Yuk Ching, aged 64, joined the Company in January 2002 as an Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. Ms. Wong is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

Ms. Chio Koc Ieng, aged 54, joined the Group in December 2004 and was appointed as an Executive Director in April 2006. She has attained over 25 years of working experience in various prominent and well-established property development companies in Macau. Ms. Chio is responsible for development of corporate strategies, corporate planning and general management of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Lai Ka Fai, aged 56, joined the Company in September 2000 as an Executive Director, and was re-designated as a Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 30 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in Science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an Executive Director of Kowloon Development Company Limited, being a fellow subsidiary of the Company, and a Director of Intellinsight Holdings Limited, being a substantial shareholder of the Company.

Ms. Or Pui Ying, Peranza, aged 40, joined the Group in September 2009 and was appointed as a Non-executive Director in July 2011. She has attained solid working experience in various companies engaged in property development, financial investment and finance public relations. She is the Director of the Marketing and Sales Department of Kowloon Development Company Limited. Ms. Or graduated from the Imperial College London with a bachelor degree of Mathematics and Management and also attained a master's degree of International Management for China from the School of Oriental and African Studies (SOAS), the University of London. She is the daughter of Mr. Or Wai Sheun.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Kwong Sang, aged 59, joined the Company in July 2000 as an Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 25 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master degree in Business Administration from the University of Lincoln, the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants, the United Kingdom and a fellow member of the Institute of Public Accountants, Australia. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Society of Registered Financial Planners, a fellow member of the Taxation Institute of Hong Kong and a Certified Tax Adviser. Mr. Liu is an Independent Non-executive Director of China National Culture Group Limited and Earthasia International Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. He is also an Independent Non-executive Director of abc Multiactive Limited, a company listed on the GEM Board of the Stock Exchange and ATIF Holdings Limited, a company listed on the Nasdaq Stock Market of the United States. Mr. Liu was also an Independent Non-executive Director of Pine Care Group Limited, a company listed on the Main Board of the Stock Exchange but he resigned on 19 October 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Dr. Tsui Wai Ling, Carlye, BBS, MBE, JP, DProf, FHKIoD, aged 73, joined the Company in December 2012 as an Independent Non-executive Director. She is the Chief Executive Officer of The Hong Kong Institute of Directors. Dr. Tsui graduated from the University of Hong Kong with a Bachelor of Arts degree (Economics) and Middlesex University, UK, with a Doctorate degree in Professional Studies. Dr. Tsui is Fellow of The Hong Kong Institute of Directors, Hong Kong Management Association, Hong Kong Institution of Engineers and British Computer Society; Chartered Information Technology Professional; Hon Fellow of Hong Kong Association for Computer Education; and holder of Professional Diploma in Corporate Governance and Directorship and Diploma in Global Directorship in Corporate Governance and Innovation Leadership. As a Justice of the Peace, Dr. Tsui is active in public service roles, which include, inter alia, Member of Steering Committee, Asian Financial Forum; Member of Audit Committee, the West Kowloon Cultural District Authority and Executive Committee Member of Global Network of Director Institutes. She was formerly a Councillor of the Urban Council, a Councillor of Wan Chai District Council, Member of Communications Authority and Founding Chairman of Hong Kong Chinese Orchestra Limited. Dr. Tsui was awarded one of the Ten Outstanding Young Persons in Hong Kong 1981, IT Achiever of the Year 1992, Member of the Most Excellent Order of the British Empire 1997, Bronze Bauhinia Star 2003 and the most outstanding professional doctorate of Middlesex University 2007.

Prof. Dr. Teo Geok Tien Maurice, aged 73, joined the Company in December 2012 as an Independent Non-executive Director. He is the Chairman of the Council of the International Institute of Management. He has over 40 years of experience in various businesses and industries, including electronics and semiconductors, toys, telecommunications, construction etc.. Prof. Dr. Teo was awarded a PhD (doctor of philosophy) in International Business Administration and a DSc (doctor of science) in Manufacturing. In 2004, he was made Adjunct Professor of Management of Hong Kong Polytechnic University. Later he was invited to become Visiting Professor of Bulaccan State University of Philippines and Tarlac State University. He is currently the Examiner of Overseas Doctorial Candidates in Business Administration for the University.

Senior management of the Group is the Executive Directors of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of good corporate governance practices and believes that maintaining a high standard of corporate governance practices is crucial to the development of the Company.

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

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarised as follows:

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's affairs. The Board formulates the overall strategic direction and reviews and approves major transaction of the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board.

The Board has a balanced composition of Executive and Non-executive Directors. Currently, the Board comprises four Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching and Ms. Chio Koc Ieng, two Non-executive Directors, being Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza, and three Independent Non-executive Directors, being Mr. Liu Kwong Sang, Dr. Tsui Wai Ling, Carlye and Prof. Dr. Teo Geok Tien Maurice. One-third of the Board comprises Independent Non-executive Directors. The profile of the Directors, which is set out on pages 11 to 13, demonstrates a balance of skills, experience and diversity perspectives of the Board. Except as disclosed in the profile of Directors, the Directors have no financial, business, family or other material/relevant relationships with the Group.

Pursuant to Rule 3.13 of the Listing Rules, each Independent Non-executive Director has provided a written annual confirmation of his/her as well as their respective immediate family members' (which is defined under Rule 14A.12(1)(a) of the Listing Rules) independence to the Company. The Company continues to consider them to be independent. The Company has also complied with the requirement of the CG Code on considering the independence of an Independent Non-executive Director who has served more than nine years for his/her further appointment. Mr. Liu Kwong Sang has served on the Board for more than nine years. The Board is of the opinion that he remains independent, notwithstanding the length of his service. He has confirmed to meet the independence criteria as set out in Rule 3.13 of the Listing Rules. He continues to demonstrate the attribute of an Independent Non-executive Director and there is no evidence that his tenure has any impact of his independence. The Board believes that his profound knowledge and invaluable experience could benefit to the Company significantly. Besides, Mr. Liu Kwong Sang was re-elected as an Independent Non-executive Director at the 2018 Annual General Meeting ("AGM") by passing a separate resolution. The re-election of Mr. Liu Kwong Sang as an Independent Non-executive Director will be considered by a separated resolution in the forthcoming 2021 AGM.

BOARD OF DIRECTORS *(continued)*

There was no change in the composition of the Board during the year.

The Board recognises and embraces the benefits of having a diverse Board to enhance the quality of the Company's performance as well as to achieve the business objectives and sustainable development. The Board has established a Board Diversity Policy setting out the approach to achieve diversity on the Board with aims of enhancing its capability of decision making and effectiveness in dealing with organisational changes.

The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually to ensure that the Directors and officers are adequately protected against potential liabilities.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

BOARD PRACTICES

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are circulated to members of the Board not less than 3 days before the date of the board meetings to enable them to make informed decisions.

All Directors are supplied in a timely manner with all relevant documentation and financial information. Monthly updates of the Group's performance, position and prospects are furnished to the Board to enable all members to discharge their duties.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for their inspection.

TIME COMMITMENT

During the year, four Board meetings and one AGM were held. The attendance of each Director at the Board meetings and the AGM were as follows:

Directors	Number of meetings attended/ meetings held	
	Board meetings	2020 AGM
Mr. Or Wai Sheun *(Chairman of the Board)*	4/4	1/1
Mr. Yeung Kwok Kwong	4/4	1/1
Ms. Wong Yuk Ching	4/4	1/1
Ms. Chio Koc Ieng	4/4	0/1*
Mr. Lai Ka Fai	4/4	1/1
Ms. Or Pui Ying, Peranza	4/4	1/1
Mr. Liu Kwong Sang	4/4	1/1
Dr. Tsui Wai Ling, Carlye	4/4	1/1
Prof. Dr. Teo Geok Tien Maurice	4/4	1/1

* Ms. Chio Koc Ieng was unable to attend the 2020 AGM as she was working in Macau at that time.

Apart from the aforesaid regular Board meetings, the Chairman of the Board also held a meeting with the Independent Non-executive Directors without the presence of other Executive Directors and Non-executive Directors during the year.

The Board was satisfied with the attendance of the Directors as they have committed sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in other listed companies or nature of offices held in public companies or organisations and other significant commitments. The Company has also requested Directors to provide any change in such information in a timely manner as well as their time commitment.

CHAIRMAN AND CHIEF EXECUTIVE

The responsibility of the Chairman of the Board, being Mr. Or Wai Sheun, is to lead the Board to provide high-level guidance and oversight to the Group, while the Managing Director, being Mr. Yeung Kwok Kwong, is delegated with the power to implement policies and strategies as set out by the Board.

BOARD COMMITTEES

The Company has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee, for managing and overseeing the particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and they should report to the Board their decisions or recommendations made.

AUDIT COMMITTEE

The current members of the Audit Committee are two Independent Non-executive Directors, being Mr. Liu Kwong Sang and Dr. Tsui Wai Ling, Carlye and one Non-executive Director, being Mr. Lai Ka Fai. A majority of the members are Independent Non-executive Directors. The Chairman of the Audit Committee is Mr. Liu Kwong Sang who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is responsible for assisting the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems. The roles of the Audit Committee include maintaining a close relationship with the external auditor, reviewing financial information of the Company and overseeing the Company's financial reporting, risk management and internal control systems as well as monitoring the whistleblowing policy and system for employees and independent third parties who dealt with the Company to raise concerns about any suspected impropriety, misconduct or malpractice within the Group.

During the year, the Audit Committee performed the following functions:

(a) reviewed the audited financial statements for 2019 and the interim financial statements for 2020 and met with the external auditor and the management of the Company to discuss issues arising from the audit of the financial statements;

(b) met with the external auditor in the absence of management to discuss matters about their independence to ensure they performed their work objectively and any issues arising from the audit; and

(c) reviewed the effectiveness of the risk management and internal control systems of the Group, the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, and relevant training programmes and budgets.

During the year, the Audit Committee held three meetings, in which two of them were in the presence of the Company's external auditor. The attendance of each member at the Audit Committee meetings was as follows:

Members	**Number of meetings attended/meetings held**
Mr. Liu Kwong Sang *(Chairman of the Audit Committee)*	3/3
Dr. Tsui Wai Ling, Carlye	3/3
Mr. Lai Ka Fai	3/3

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are two Independent Non-executive Directors, being Dr. Tsui Wai Ling, Carlye and Mr. Liu Kwong Sang and one Executive Director, being Mr. Yeung Kwok Kwong. A majority of the members are Independent Non-executive Directors.

The Remuneration Committee is responsible for formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, individual performance of the Directors, and implementing the remuneration policy laid down by the Board. The Company has adopted the model for remuneration committee as described in the Code Provision B.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors, including salaries, bonuses and benefits in kind.

During the year, the Remuneration Committee reviewed the remuneration policy of the Company, the Directors' fees of the Non-executive Directors and the remuneration packages of the Executive Directors.

During the year, the Remuneration Committee held three meetings. The attendance of each member at the Remuneration Committee meeting was as follows:

Members	Number of meetings attended/meetings held
Dr. Tsui Wai Ling, Carlye *(Chairman of the Remuneration Committee)*	3/3
Mr. Liu Kwong Sang	3/3
Mr. Yeung Kwok Kwong	3/3

Pursuant to Code Provision B.1.5, the annual remuneration of the members of senior management by band for the year ended 31 December 2020 was set out below:

	Number of Employees
Nil to HK$1,000,000	1
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	1
	4

NOMINATION COMMITTEE

The current members of the Nomination Committee are one Executive Director, being Mr. Or Wai Sheun, and two Independent Non-executive Directors, being Mr. Liu Kwong Sang and Dr. Tsui Wai Ling, Carlye. A majority of the members are Independent Non-executive Directors.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

During the year, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors and considered the re-election of Directors at the 2020 AGM.

Nomination Policy

The Nomination Policy was adopted to describe the process by which the Nomination Committee will select candidates for possible inclusion in the Company's recommended slate of director nominees.

When evaluating an individual for nomination for election to the Board, the assessment parameters considered by the Nomination Committee, may include, but are not limited to:

(a) the composition and diversity of the Board and its committees with due regard to the factors set out in the Board Diversity Policy;

(b) the commitment of devoting sufficient time and attention to the Company's affairs;

(c) the perceived needs and the extent to which the interplay within the Board for particular skill, background and business experience;

(d) the reputation, character and integrity of the nominee;

(e) nominees' background with regard to executive compensation; and

(f) applicable regulatory and listing requirements, including independence requirements for Independent Non-executive Directors and legal considerations.

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

The nomination procedures of selecting suitable individuals by the Nomination Committee are set out as follows:

Appointment of New and Replacement Directors

(i) If the Nomination Committee determines that an additional or a replacement director is required, the Committee may take measures that it considers appropriate in connection with its identification and evaluation of a candidate.

(ii) The Nomination Committee may propose such candidate to the Board for consideration based on the assessment parameters set out in this Policy and such other factors it considers appropriate. The Board has the final authority to determine if the candidate is suitable for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offer himself/herself for re-election, the Board shall consider, if appropriate, recommend such retiring Director for re-election at a general meeting. A circular containing the requisite information of such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

(ii) The Company's website set out the procedures for shareholders to propose a person for election as a Director. For any person that is nominated by a shareholder, the Nomination Committee shall evaluate such candidate based on the assessment parameters set out in this Policy and make recommendation to the Board if appropriate. Recommendation shall then be made to shareholders in a supplementary circular for the proposed election of such candidate at a general meeting.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

Board Diversity Policy

The Board Diversity Policy sets out the approach to achieve diversity on the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with reference to the business models and special needs of the Company in determining the optimum composition of the Board. Appointments to the Board will be made based on merit and contribution that the individual is expected to bring to the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy on an ongoing basis.

NOMINATION COMMITTEE *(continued)*

During the year, the Nomination Committee held one meeting. The attendance of each member at the Nomination Committee meeting was as follows:

Members	Number of meeting attended/meeting held
Mr. Or Wai Sheun *(Chairman of the Nomination Committee)*	1/1
Mr. Liu Kwong Sang	1/1
Dr. Tsui Wai Ling, Carlye	1/1

EXECUTIVE COMMITTEE

The current members of the Executive Committee are two Executive Directors, being Mr. Yeung Kwok Kwong and Ms. Wong Yuk Ching and one Non-executive Director, being Mr. Lai Ka Fai. The Board has established the Executive Committee to delegate its daily management and administration functions and has formalised the functions reserved by the Board and those delegated to the management. Clear direction has also been given as to the power of the management.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company do not have a specific term of appointment, but are subject to rotation in accordance with article 108(A) of the articles of association of the Company. As Non-executive Directors are subject to rotation in accordance with the articles of association of the Company, the Board considers that Non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in Code Provision A.4.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The first sentence of Code Provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company.

As the Director appointed to fill a casual vacancy shall be subject to re-election in the next following annual general meeting of the Company in accordance with the articles of association of the Company which complies with paragraph 4(2) of the Appendix 3 to the Listing Rules, the Board considers that the Directors so appointed subject to election by shareholders at the next following annual general meeting of the Company after their appointment will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in Code Provision A.4.

The Company did not have any deviation from the first sentence of Code Provision A.4.2 during the year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the duties relating to corporate governance functions as set out below:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, the code of conduct of the Company and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) (the "Model Code") as a code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the year and they have all confirmed that they had fully complied with the required standards set out in the Model Code.

DIRECTORS' TRAINING

During the year, the Directors participated in appropriate continuous professional development activities by ways of reading materials and attending seminars regarding latest developments in corporate governance practices and relevant legal and regulatory developments. Records of training received by each Director in 2020 are as follows:

Directors	**Types of training** *(Notes)*
Mr. Or Wai Sheun *(Chairman of the Board)*	A, B
Mr. Yeung Kwok Kwong	A, B
Ms. Wong Yuk Ching	A, B
Ms. Chio Koc Ieng	A, B
Mr. Lai Ka Fai	A, B
Ms. Or Pui Ying, Peranza	A, B
Mr. Liu Kwong Sang	A, B
Dr. Tsui Wai Ling, Carlye	A, B
Prof. Dr. Teo Geok Tien Maurice	A, B

Notes: A: Reading materials
B: Attending seminars

The Board will also provide each newly appointed Director a comprehensive, formal and tailored induction and information to ensure that he/she has a proper understanding of the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations.

COMPANY SECRETARY'S TRAINING

During the year, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training to update his skills and knowledge.

FINANCIAL REPORTING

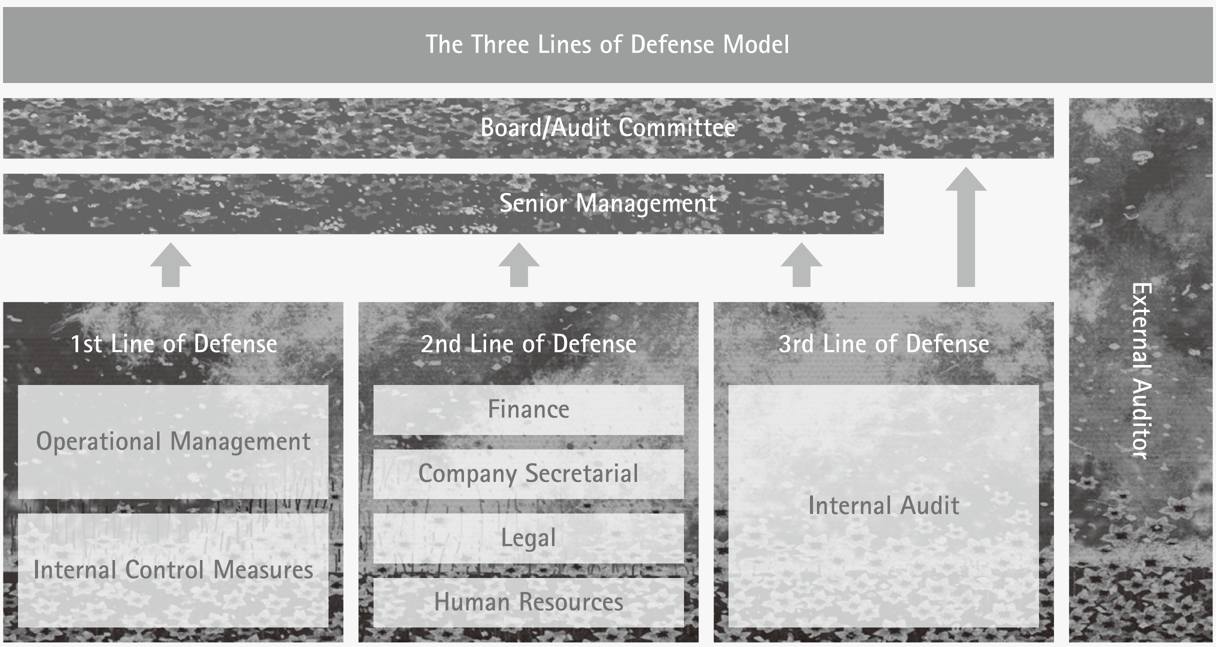
The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, announcements and other disclosures as required under the Listing Rules and other regulatory requirements. The management has provided sufficient explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain the Group's risk management and internal control systems and review their effectiveness on an ongoing basis. The Board has delegated part of this responsibility to the Audit Committee.

The Group's risk management structure meets with the best practice model known as the "Three Lines of Defense Model" with the first line of defense being operational management and internal control measures, the second line of defense being finance, company secretarial, legal and human resources functions, and the third line of defense being internal audit.



RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risks of failure in operational systems. The systems play a key role in the management of risks that are significant to the achievement of corporate objectives, ensuring good corporate practice and safeguarding the shareholders' investments and the Group's assets. The systems comprise the Group's policies and procedures, and standards to ensure effective management, including a well-defined organisational structure with specified authority limits and areas of responsibility, basis for review of financial performance, application of financial reporting standards, maintenance of proper accounting records, assurance of reliable financial information, and compliance with relevant laws and regulations.

The Board and management each has a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. Supported by the Audit Committee, review of the effectiveness of the risk management and internal control systems is conducted at least annually. The review assesses all material controls, including financial, operational and compliance controls. The assessment considers the changes in nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment. It covers the regular reports provided by management on significant issues identified during their daily operation, together with the action plans to resolve material internal control defects, if any. Internal and external auditors also report directly to the Audit Committee regularly on any risks and control issues identified in the course of their audits.

The Board believes that the quality of corporate governance is influenced by the corporate culture. Therefore, the Group is determined to foster and maintain high standards of professional conduct and business ethics. A code of conduct has been provided to all our employees to inform them of the Group's expectations and put them under special obligations in maintaining the highest standard of honesty and trustworthiness in their jobs. The whistleblowing policy, which is posted on the Company's website and the Group's intranet, has established an effective channel allowing employees and other stakeholders of the Group to communicate their concerns and findings to the management. The Group aims to build risk awareness and control responsibility into the corporate culture and regards them as part of the risk management and internal control systems. In addition, the Group has applied relevant controls on the handling of inside information by relevant employees, including controls over the dissemination of such information and their dealings in the Group's shares.

During the year, the Audit Committee has discussed with the senior management and internal audit team of the Group the risk management and internal control systems and made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard the assets of the Group. The internal audit team reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee any findings and measures to address the variances and identified risks. Based on the result of the review for the year ended 31 December 2020, the Board considered that the risk management and internal control systems were effective and adequate.

INSIDE INFORMATION

In view of the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, the Company has developed an Inside Information Policy and guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing instructions which are in place for employees to follow. The Inside Information Policy (for all staff) has been communicated to the staff through the Group's intranet. Senior officers of the Group have been identified and authorised to handle and respond the external enquiries in relation to the published announcement(s). The systems and procedures on publication and handling of inside information are monitored and reviewed on a regular basis.

CONSTITUTIONAL DOCUMENTS

There have been no changes in the constitutional documents of the Company during the year.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditor's Report" in the Annual Report.

During the year, the external auditor performed both audit and non-audit services. A breakdown of their remuneration is set out below:

	2020 ***HK$'000***
Audit services	**2,174**
Non-audit services	
Tax services	**28**

The external auditor have confirmed in writing their independence.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board has established a Shareholders Communication Policy and is dedicated to maintain an on-going dialogue with the shareholders and the investment community. The policy is subject to review regularly to ensure its effectiveness. It aims to ensure the shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company so as to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and investment community to engage actively with the Company. Information is communicated to them mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings, as well as other disclosure on the websites of the Company (www.polytecasset.com) and the Hong Kong Exchanges and Clearing Limited. The Company has also taken its own initiative to disclose the price-sensitive information in a timely manner and to comply with the latest statutory requirement under Part XIVA of the Securities and Futures Ordinance.

General meetings of the Company provide a forum for effective communication with shareholders. The general meeting held in 2020 was the AGM held at Chiu Garden, 4th Floor, Pioneer Centre, 750 Nathan Road, Hong Kong on 10 June 2020.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to propose a person for election as a Director

Pursuant to the articles of association of the Company, a shareholder may propose a person for election as a Director, other than a retiring Director unless recommended by the Directors for election at any general meeting. The notice of the intention to propose a Director and notice by that person of his willingness to be elected shall have been lodged at the Company's head office or registration office at least 7 days before the date of the general meeting. The period for lodgement of the notice shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. Detailed procedures can be found on the Company's website.

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to send enquiries to the Board

Shareholders may at any time send their enquiries or concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Polytec Asset Holdings Limited
23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong
Telephone Number: +852 2380 9682
Fax Number: +852 2380 6310
Email: enquiry@polytec.com.hk

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in page 3 of the Annual Report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 33 to the financial statements. Further discussion and analysis of the principal activities of the Group during the year as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future developments in the Group's businesses, can be found in the "Five-year Financial Summary", "Chairman's Statement", "Financial Review" and "Corporate Governance Report" sections of the Annual Report. This discussion forms part of this Report of the Directors.

Description of the key risks and uncertainties that the Group may be facing can be found below.

KEY RISKS AND UNCERTAINTIES

The Group is exposed to various risks including those related to its specific business nature as well as those that are common to other businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or prospects, but they are by no means exhaustive or comprehensive.

Property development business risk

The Group owns an 80% interest in a property development project in Macau and an 50% interest in a property development project in Zhongshan, Mainland China. The performance of property development business is mainly dependent on local property market conditions and overall economic environment which may be adversely affected by coronavirus disease 2019 ("COVID-19") pandemic and China-US trade dispute. Other risks would include local political stability, governmental policies changes as well as the measures imposed by local government to curb property speculation.

Oil business risk

The Group's oil business in Kazakhstan is exposed to the risk of fluctuation of crude oil prices, which are mainly influenced by global supply and demand, Organisation of the Petroleum Exporting Countries (OPEC) policy and worldwide political events. During the year, the outbreak of COVID-19 pandemic resulted in a sharp downturn in global oil demand. Oil business is also subject to extensive governmental and environmental approvals and regulations in its operating jurisdiction. In addition, the estimation of oil reserves is complex and subject to uncertainty. Other operating risks for oil business include natural disaster, fire, malfunctions of facilities and shortage of electricity supply.

KEY RISKS AND UNCERTAINTIES *(continued)*

Ice manufacturing and cold storage business risk

During the year, the outbreak of COVID-19 pandemic has seriously hindered the normal operation of restaurants and hotels, which in turn depressed the demand for ice products, frozen foods and beverages that supplied by the Group. Ice manufacturing business is exposed to product quality assurance risk. To minimise potential contamination, our packaged edible ice is produced under high sanitary conditions and a concealed environment. The plant is also equipped with an on-line control laboratory to monitor the critical control parameters continuously. Though safety guidelines and protective equipment are provided to the employees, accidents and injuries may occur. The ice manufacturing and cold storage business may also be affected by malfunctions or obsolescence of production facilities and reefer trucks.

Investment risk

The Group engages in business activity involving financial investment, including but not limited to bonds and stocks, in Hong Kong and other recognised financial markets. The Group's financial investments may be subject to default risk and liquidity risk and their market values may be affected by corporate performance of the issuing institutions, economic factors or changes in government policies and regulations in relevant sectors.

Regulatory risk

The Group operates in highly-regulated markets and industries where changes to legal and regulatory requirements may have a significant impact on our businesses. The Group has to ensure that all the regulatory requirements including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Companies Ordinance as well as legal, tax, environmental and any other statutory requirements for our Group's various businesses in different jurisdictions have been compiled with.

People risk

The Group's future development is materially affected by whether it can recruit, retain, develop and motivate competent and qualified staff at various levels. The shortage or loss of key personnel may affect the Group's existing operations and prospects.

Financial risk

The Group is exposed to interest rate risk, credit risk, liquidity risk, price risk and currency risk which arise in the normal course of the Group's businesses. The analysis of these risks is disclosed in the notes to the financial statements in detail.

Information Security Risk

The Group's computer system and data are exposed to unauthorised access or damage caused by cyber threats, especially nowadays the worldwide cybercrime and malware attack become more frequent. Failure in protecting the computer system and data of the Group may lead to loss or leakage of critical data or even disruptions of normal operations of the business.

DIVIDENDS

An interim dividend of HK$0.014 per share (2019: HK$0.013 per share) was paid on 30 October 2020. The Board of Directors recommended not to declare a final dividend in respect of the year ended 31 December 2020 (2019: HK$0.060 per share).

Dividend Policy

The Company is committed to striving for balance between increasing the value of dividends per share and retaining the competitiveness for its future business expansion. The dividend policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the shareholders of the Company provided that there are distributable profits and the normal operations of the Group are not affected. The principles and guidelines are set out below:

(a) The Board has the discretion to declare and distribute dividends to the shareholders by way of cash or scrip or by other means that the Board considers appropriate.

(b) When considering the declaration and payment of dividends, the Board shall take into account a number of factors, including but not limited to:

   (i) actual and expected financial performance of the Group;

   (ii) retained earnings and distributable reserves of the Group;

   (iii) expected working capital requirements, capital expenditure requirements, liquidity position and future business strategies of the Group;

   (iv) general economic conditions and other factors that may have an impact on the business or financial performance and position of the Group;

   (v) the shareholders' interests; and

   (vi) any other factors that the Board considers as relevant.

(c) The Company does not have any pre-determined dividend payout ratio.

(d) The declaration and payment of dividends by the Company will be subject to all applicable laws, rules and regulations and the articles of association of the Company.

(e) Any final dividend will also be subject to the shareholders' approval.

The dividend policy is subject to regular review by the Board and will be amended as and when appropriate.

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 28(b) to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK$1,368,211,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2020, the Company's share premium account amounted to HK$5,912,600,000.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 22 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors
Mr. Or Wai Sheun *(Chairman)*
Mr. Yeung Kwok Kwong
Ms. Wong Yuk Ching
Ms. Chio Koc Ieng

Non-executive Directors
Mr. Lai Ka Fai
Ms. Or Pui Ying, Peranza

Independent Non-executive Directors
Mr. Liu Kwong Sang
Dr. Tsui Wai Ling, Carlye
Prof. Dr. Teo Geok Tien Maurice

In accordance with articles 108(A) and (B) and 112 of the articles of association of the Company, Mr. Or Wai Sheun, Ms. Wong Yuk Ching and Mr. Liu Kwong Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

Particulars of the Directors' emoluments, disclosed pursuant to the Companies Ordinance and Appendix 16 to the Listing Rules, are set out in note 7 to the financial statements.

Brief biographical particulars of all Directors are given on pages 11 to 13 of the Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her as well as their respective immediate family members' (which is defined under Rule 14A.12(1)(a) of the Listing Rules) independence pursuant to Rule 3.13 of the Listing Rules and considers them remain independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests or short positions of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the shares of the Company

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital *(Note 1)*
Mr. Or Wai Sheun *(Note 2)*	Corporate	2,389,916,918	53.84%
Mr. Yeung Kwok Kwong	Personal	2,498,600	0.06%
Ms. Wong Yuk Ching	Personal	9,895,900	0.22%
Ms. Chio Koc Ieng	Personal	893,250	0.02%
Mr. Lai Ka Fai	Personal	2,510,270	0.06%
Ms. Or Pui Ying, Peranza	Personal	7,000,000	0.16%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions in the shares of associated corporations
– Kowloon Development Company Limited ("KDC")

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital *(Note 4)*
Mr. Or Wai Sheun *(Note 3)*	Corporate	831,047,624	70.63%
Mr. Yeung Kwok Kwong	Personal	180,000	0.02%
Ms. Wong Yuk Ching	Personal	1,170,000	0.10%
Ms. Chio Koc Ieng	Personal	225,000	0.02%
Mr. Lai Ka Fai	Personal	751,000	0.06%

Notes:

1. As at 31 December 2020, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.

2. As a result of (a) an overall decrease of 922,708,404 ordinary shares of the Company held by Intellinsight Holdings Limited (a wholly-owned subsidiary of New Explorer Developments Limited which is wholly-owned by Mr. Or Wai Sheun) due to the distribution of special dividend in ordinary shares of the Company by KDC via Marble King International Limited (a wholly-owned subsidiary of KDC) to KDC's qualified shareholders; (b) the sale of 736,122 undistributed shares of the Company and (c) the purchases in a total of 87,915,000 ordinary shares of the Company by Intellinsight Holdings Limited, Mr. Or Wai Sheun was therefore deemed to be interested in 2,389,916,918 ordinary shares of the Company via New Explorer Developments Limited as at 31 December 2020.

3. Intellinsight Holdings Limited held 831,047,624 ordinary shares of KDC. Mr. Or Wai Sheun was therefore deemed to be interested in 831,047,624 ordinary shares of KDC via New Explorer Developments Limited as at 31 December 2020.

4. As at 31 December 2020, the total number of issued shares of KDC was 1,176,631,296 ordinary shares.

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests and short positions of the persons, other than the Directors and Chief Executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions

Substantial shareholder	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital *(Note 1)*
New Explorer Developments Limited *(Note 2)*	Corporate	2,389,916,918	53.84%

Notes:

1. As at 31 December 2020, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.

2. The interests in 2,389,916,918 ordinary shares in the Company as disclosed by New Explorer Developments Limited mentioned in this section and as disclosed by Mr. Or Wai Sheun in note 2 in the section under the heading of "Directors' Interests and Short Positions in Shares and Underlying Shares" were the same interests in the Company.

Save as disclosed above, as at 31 December 2020, no person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

On 22 June 2018, the Group entered into a sale and purchase agreement with Polytec Holdings International Limited ("Polytec Holdings"), under which the Group has conditionally agreed to acquire 60% equity interest together with 60% sale loan of the company holding the property development project in Zhuhai, which covers a site area of approximately 43,656 square metres for a consideration of HK$644,378,000 ("Zhuhai Acquisition").

As one of the conditions precedent to the sale and purchase agreement, having obtained the relevant approval of the People's Republic of China Government regarding the change in use of the northern part of the property development project in Zhuhai from industrial use to commercial use, was not satisfied by the long-stop date of 31 December 2019, the Company decided not to proceed with the Zhuhai Acquisition. On 6 January 2020, the Group served a termination notice in writing to Polytec Holdings to terminate the Zhuhai Acquisition. Details of the termination have been set out in the joint announcement of KDC and the Company dated 6 January 2020.

Directors' Material Interests in Transactions, Arrangements or Contracts

The Directors' interests in contracts with the Group during the year are set out in the section notes 12 and 25(a), (b), (c), (d) and (e) to the financial statements as well as the section headed "Connected Transactions" above.

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CHANGES IN INFORMATION OF A DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of a Director of the Company required to be disclosed are set out below:

Mr. Liu Kwong Sang, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Earthasia International Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 15 June 2020. He resigned as an independent non-executive director of Pine Care Group Limited, a company listed on the Main Board of the Stock Exchange, with effect from 19 October 2020.

Save as disclosed above and the Directors' emoluments which set out in note 7(a) to the financial statements, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RETIREMENT SCHEME

Particulars of the retirement scheme operated by the Group are set out in note 29 to the financial statements.

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 for the year ended 31 December 2020.

SHARE OPTION SCHEME

The Share Option Scheme of the Company expired by effluxion of time on 8 January 2014 and no further new/revised share option scheme has been adopted by the Company since then. The Company did not have any outstanding share options as at 31 December 2020.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of the Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in notes 20 and 25 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5 of the Annual Report.

MANAGEMENT CONTRACTS

Save for the directors' service contracts or employment contracts, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue attributable to the largest customer and the five largest customers in aggregate of the Group, which included distributions from interests in property development, were 70% and 76% respectively. Except for the distributions from interests in property development as disclosed in note 12 to the financial statements, none of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% in the share capital of the Company) has any interest in those customers.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 115 to 116 of the Annual Report.

OIL RESERVES

Except for the production during the year under review, there is no material change in the oil reserves of the Group.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,073,000 (2019: HK$896,000).

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.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 27 of the Annual Report.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditor.

AUDITOR

The Group's consolidated financial statements for the year ended 31 December 2020 have been audited by KPMG, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

SUSTAINABLE DEVELOPMENT

Environmental policies and performances

The Group is keenly aware of and endeavours to ensure the long term sustainability of the environment and communities in which it operates. As such, the Group has sought ways to optimise resources and limit environmental footprints in day-to-day operations through monitoring of environmental performances, upgrading on-site equipment and reviewing improvement measures. Furthermore, the Group strictly operates under compliance with existing local environmental regulations in its respective operation locations in different jurisdictions.

The Group is committed to conserving the environment and seeking continuous improvement in environmental matters. As a corporate member of WWF-Hong Kong, the Group is enthusiastic in supporting the Non-Governmental Organisation's works on conservation and education. To enhance environmental protection awareness at the workplace, we encourage our employees to switch off the lights, air conditioning and other unused office equipment when leaving the office, use recycled paper or doublesided for printing and copying. In support of low-carbon economy transition, the Group has joined the Renewable Energy Feed-in Tariff Scheme launched by the local power companies and installed solar panels on the rooftop of three of its ice plants located at Shek Pai Wan, Tai Po and Castle Peak to provide renewable energy to the society.

Compliance with laws and regulations

As far as the Company is aware, there was no material breach of or non-compliance with all applicable laws and regulations that would have had a significant impact on the businesses and operations of the Group during the year.

Relationships with stakeholders

The Group has an integrated human capital strategy to recruit, develop and motivate employees, making sure that employees are provided with a competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives.

Occupational health and safety of employees should be given first and foremost consideration at work. All employees are required to attend safety training regularly to improve their level of safety awareness of the workplace hazards and the corresponding preventive measures. In particular, new employees are required to fully understand the safety guidelines for handling ammonia and truck drivers are trained to adopt proper driving techniques for the ice manufacturing and cold storage business. Moreover, regarding the oil business in Kazakhstan, an incident prevention programme has been launched to make sure that our employees are all well trained in safety, first aid and emergency procedures.

SUSTAINABLE DEVELOPMENT *(continued)*

Relationships with stakeholders *(continued)*

The Group is also dedicated to providing high quality deliverables to meet its customers' needs. Product responsibility is paramount to the Group. The packaged edible ice is produced under strict sanitary conditions where the entire process is completed in an enclosed environment to minimise potential contamination. To achieve our commitments to our customers, the Group is striving to maintain good relationship and close communication with our business partners, banks, contractors and suppliers.

Additionally, communication with our stakeholders is particularly critical as the Group sets forth its sustainability framework. Therefore, we conduct stakeholder survey annually to further gauge their perspectives on the Group's environmental and social material issues. Based on the accumulated result of the annual survey, we have constructed a systematic materiality assessment as a bridge to better address various stakeholders' concerns. The Group reviews and refines its materiality assessment and matrix in a regular basis, so as to further enhance stakeholder engagement on sustainability.

Apart from the Group's continuous efforts towards improvement in relationship with its stakeholders, the Group is also committed to delivering support to the needs of the community. The Group has been donating and participating in charity activities to various communities and charity organisations.

Response to COVID-19 pandemic

In 2020, due to the outbreak of COVID-19 pandemic, the global economy and public health has been affected severely. In order to minimise the impact and prevent the spread of the virus, the Group has implemented a number of anti-epidemic actions. The Group measured the body temperature of staff and provided personal hygiene products including protective masks, antiseptics, disinfectants and gloves to its staff. Moreover, regular disinfection and preventive measures were carried out in all industrial facilities and office. Express tests of COVID-19 were provided to staff at our oil business office in Kazakhstan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

In accordance with the requirement set out in Appendix 27 to the Listing Rules, a separate Environmental, Social and Governance Report will be published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited to enhance report readability. The report details the environmental and social performances of the Group operations, and reflects on measures the Group has taken to sustain growth while balancing environmental protection, occupational health and safety of employees, and community engagement.

PROPOSED PRIVATISATION OF THE COMPANY BY THE OFFEROR

References are made to the joint announcements issued by Intellinsight Holdings Limited (the "Offeror") and the Company on 21 January 2021, 11 February 2021 and 11 March 2021 (the "Joint Announcements") in relation to, among others, the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act of the Cayman Islands (the "Scheme'). Unless the context otherwise requires, capitalized terms used in this section shall have the same meaning as those defined in the Joint Announcements.

On 17 January 2021, the Offeror requested the Board to put forward the Proposal, which will involve the cancellation and extinguishment of the Scheme Shares, the payment of the Cancellation Price of HK$1.5 per Scheme Share to the Scheme Shareholders, and the withdrawal of the listing of Shares on the Stock Exchange. The Proposal will be carried out by way of the Scheme. Please refer to the Joint Announcements for details.

By Order of the Board

Or Wai Sheun
Chairman

Hong Kong, 31 March 2021

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Shareholders of
Polytec Asset Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 46 to 114, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of interests in property development

Refer to accounting policy 1(k) and notes 2(b) and 12 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020, interests in property development represented the Group's interests in the development of residential and commercial properties located in Macau which were classified as financial assets at fair value through profit or loss and were stated at an aggregate fair value of HK$12,222.9 million. The Group recognised a net deficit on revaluation of these assets of HK$50.6 million in the consolidated income statement for the year ended 31 December 2020. The interests in property development in Macau at 31 December 2020 mainly represented the Lote P property development project. In September 2020, Polytex Corporation Limited, the owner of the Lote P property development project and a wholly-owned subsidiary of Polytec Holdings International Limited ("Polytec Holdings"), a related company of the Group, had withdrawn its civil claim against the Macau Special Administrative Region Government to seek compensation for losses and damages on the development project at Lote P. As a result, Polytec Holdings was required to indemnify the Group in respect of the loss suffered from Lote P property development project according to the indemnity clause of the co-investment agreement. The Group had agreed with Polytec Holdings on the indemnified amount and its repayment schedule accordingly.	Our audit procedures to address the valuation of interests in property development included the following: • obtaining and assessing the discounted cash flow forecast prepared by management and comparing the key estimates and assumptions made in prior years with the current year and current market developments to assess the accuracy of the Group's forecasting process and whether this is any indication of management bias; • with the assistance of our internal valuation specialists and utilising their industry knowledge and experience, discussing with management, assessing the valuation methodology and challenging the key estimates and assumptions adopted, by comparing those relating to expected future selling prices, market rents and yields and the discount rates applied with publicly available market information; • inspecting the relevant information of Polytec Holdings received by the Group and other documentation referred to by management in its assessment of the financial ability of Polytec Holdings to provide the indemnity for any loss suffered by the Group in respect of the Lote P property development project; and

The Key Audit Matter	How the matter was addressed in our audit
The fair values of interests in property development were measured using discounted cash flow models prepared by management. We identified the valuation of interests in property development as a key audit matter because the valuation of interests in property development can be inherently subjective and requires the exercise of significant management judgement and estimation which increases the risk of error or management bias, particularly given the volatility of property prices in Macau.	• re-performing calculations of the discounted cash flows prepared by management in arriving at the year end fair value and comparing the expected profit distribution plan with the latest sales budget plan maintained by management or the repayment schedule in respect of Lote P property development project.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ming.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	3	**718,475**	906,877
Cost of sales		**(48,111)**	(70,670)
Gross profit		**670,364**	836,207
Other net income	4	**43,109**	17,390
Selling and distribution expenses		**(26,027)**	(38,948)
Administrative expenses		**(37,644)**	(44,828)
Other operating expenses		**(51,525)**	(50,121)
Impairment of oil production and exploitation assets	2(a)	**(59,463)**	(231,573)
Fair value changes on interests in property development	12	**(50,642)**	252,305
Profit from operations		**488,172**	740,432
Finance costs	5(a)	**(48,209)**	(69,065)
Share of profits less losses of joint ventures		**(1,819)**	70,442
Profit before taxation	5	**438,144**	741,809
Income tax	6(a)	**(6,535)**	(31,188)
Profit for the year		**431,609**	710,621
Attributable to:			
Equity shareholders of the Company		**428,968**	707,329
Non-controlling interests		**2,641**	3,292
Profit for the year		**431,609**	710,621
Earnings per share – basic and diluted	8	**9.66 HK cents**	15.93 HK cents

The notes on pages 52 to 114 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 *HK$'000*	2019 *HK$'000*
Profit for the year	**431,609**	710,621
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	**(6,203)**	594
Share of other comprehensive income of joint ventures	**81,227**	(24,351)
	75,024	(23,757)
Total comprehensive income for the year	**506,633**	686,864
Attributable to:		
Equity shareholders of the Company	**503,992**	683,572
Non-controlling interests	**2,641**	3,292
Total comprehensive income for the year	**506,633**	686,864

The notes on pages 52 to 114 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	10	**102,818**	166,182
Oil exploitation assets	11	**–**	6,001
Interests in property development	12	**8,293,388**	10,826,000
Interest in joint ventures	13	**2,704,624**	2,694,327
Other financial assets	15	**403,433**	161,050
Deposits for property, plant and equipment	17	**4,028**	–
Deferred tax assets	21	**–**	3,800
Goodwill	14	**16,994**	16,994
		11,525,285	13,874,354
Current assets			
Interests in property development	12	**3,929,463**	1,447,493
Amount due from a related company	25(a)	**220,000**	500,000
Amounts due from joint ventures	25(b)	**250,532**	203,121
Other financial assets	15	**64,408**	15,418
Inventories	16	**85,532**	82,443
Trade and other receivables	17	**42,610**	213,220
Cash and bank balances	18	**145,971**	424,214
		4,738,516	2,885,909
Current liabilities			
Trade and other payables	19	**53,285**	63,866
Bank loans	20	**1,348,000**	78,500
Current taxation		**51,115**	52,420
		1,452,400	194,786
Net current assets		**3,286,116**	2,691,123
Total assets less current liabilities		**14,811,401**	16,565,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Amount due to a related company	25(c)	**124,236**	1,104,364
Other payables		**16,913**	17,688
Bank loans	20	**470,000**	1,418,000
Deferred tax liabilities	21	**15,260**	15,632
		626,409	2,555,684
NET ASSETS		**14,184,992**	14,009,793
CAPITAL AND RESERVES			
Share capital	22	**443,897**	443,897
Reserves		**13,727,745**	13,552,237
Total equity attributable to equity shareholders of the Company		**14,171,642**	13,996,134
Non-controlling interests		**13,350**	13,659
TOTAL EQUITY		**14,184,992**	14,009,793

Approved and authorised for issue by the Board of Directors on 31 March 2021.

Or Wai Sheun
Director

Yeung Kwok Kwong
Director

The notes on pages 52 to 114 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity shareholders of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2019	443,897	5,912,600	–	7,382,206	13,738,703	12,580	13,751,283
Profit for the year	–	–	–	707,329	707,329	3,292	710,621
Other comprehensive income	–	–	(23,757)	–	(23,757)	–	(23,757)
Total comprehensive income	–	–	(23,757)	707,329	683,572	3,292	686,864
Dividends paid to equity shareholders of the Company *(note 9)*	–	–	–	(426,141)	(426,141)	–	(426,141)
Dividends paid to non-controlling interests	–	–	–	–	–	(2,213)	(2,213)
At 31 December 2019	443,897	5,912,600	(23,757)	7,663,394	13,996,134	13,659	14,009,793
At 1 January 2020	**443,897**	**5,912,600**	**(23,757)**	**7,663,394**	**13,996,134**	**13,659**	**14,009,793**
Profit for the year	**–**	**–**	**–**	**428,968**	**428,968**	**2,641**	**431,609**
Other comprehensive income	**–**	**–**	**75,024**	**–**	**75,024**	**–**	**75,024**
Total comprehensive income	**–**	**–**	**75,024**	**428,968**	**503,992**	**2,641**	**506,633**
Dividends paid to equity shareholders of the Company *(note 9)*	**–**	**–**	**–**	**(328,484)**	**(328,484)**	**–**	**(328,484)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(2,950)**	**(2,950)**
At 31 December 2020	**443,897**	**5,912,600**	**51,267**	**7,763,878**	**14,171,642**	**13,350**	**14,184,992**

The notes on pages 52 to 114 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Net cash generated from/(used in) operating activities	23(a)	**3,986**	(42,354)
Investing activities			
Purchase of equity investments		**–**	(31,057)
Proceed from disposal of equity investments		**–**	16,266
Purchase of debt investments		**(262,882)**	(155,923)
Purchases of property, plant and equipment		**(9,678)**	(2,711)
Additions to oil exploitation assets		**–**	(19)
Proceeds from disposal of property, plant and equipment		**5**	338
Dividend received from a joint venture		**69,111**	70,112
Amount advanced to a joint venture		**(10,982)**	–
Net cash used in investing activities		**(214,426)**	(102,994)
Financing activities			
Amount advanced from a related company	23(b)	**246,588**	680,106
Repayments of amount due to a related company	23(b)	**(575,602)**	(385,317)
Amount advanced from a fellow subsidiary	23(b)	**891,002**	619,000
Repayment of amount due to a fellow subsidiary	23(b)	**(614,846)**	(235,854)
Drawdown of bank loans	23(b)	**400,000**	100,000
Repayments of bank loans	23(b)	**(78,500)**	(73,500)
Dividends paid to non-controlling interests		**(2,950)**	(2,213)
Dividends paid to equity shareholders of the Company		**(328,484)**	(426,141)
Net cash (used in)/generated from financing activities		**(62,792)**	276,081
Net (decrease)/increase in cash and cash equivalents		**(273,232)**	130,733
Cash and cash equivalents at 1 January		**424,214**	292,599
Effect of foreign exchange rate changes		**(5,011)**	882
Cash and cash equivalents at 31 December		**145,971**	424,214
Analysis of balance of cash and cash equivalents at 31 December			
Cash and bank balances		**145,971**	424,214

The notes on pages 52 to 114 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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. These 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"). Significant accounting policies adopted by the Group are disclosed below.

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 1(c) 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 these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures. The measurement basis used in the preparation of the financial statements is the historical cost basis, except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(c) 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 the development 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(p)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Joint ventures

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post-acquisition changes in the Group's share of the investee's net assets and any impairment losses relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment in impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associated company, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Oil exploitation assets

Costs incurred for the acquisition and maintenance of the exploitation rights of the Group's oil exploration and production activities are capitalised as oil exploitation assets. Oil exploitation assets are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). The amortisation is calculated based on unit of production method based upon the estimated proved and probable oil reserves.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 1(l)). Future estimated dismantling and restoration costs of property, plant and equipment are discounted at appropriate rates and are capitalised as part of the cost of property, plant and equipment, which is subsequently depreciated. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time, is reflected as an adjustment to the costs.

Except for certain oil production assets as set out below, depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Leasehold land	over the unexpired term of lease
Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Others	2 to 10 years

Oil production assets include all the property, plant and equipment arising from oil exploration and production activities.

Depreciation of certain oil production assets is calculated based on a unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of property, plant and equipment included in profit or loss is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(continued)*

(i) As a lessee *(continued)*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(l)(ii)), except for the following type of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(j).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(w)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Investment properties

Investment properties are land and/or buildings held under leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are valued semi-annually by independent firm of professional valuers on a market value basis.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair values cannot be reliably measured at that time in which case they are stated at cost less any impairment losses. All changes in fair value of investment properties are recognised directly in the consolidated income statement.

(k) Interests in property development

Interests in property development are classified as investments measured at fair value through profit or loss ("FVPL"). Changes in fair value of the investments (including interest) are recognised in profit or loss. The fair value of interests in property development is determined based on the estimated entitlements to the interests in property development.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and amounts due from a related company and joint venture, and loan to a joint venture);

– contract assets as defined in HKFRS 15 (see note 1(n)); and

– debt securities measured at fair value through other comprehensive income ("FVOCI") (recycling).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than properties carried at revalued amounts);
- oil exploitation assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories, other than consumables, are stated at the lower of cost and net realisable value. Consumables are stated at cost less any provision for obsolescence.

Cost of inventories, other than properties, is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of properties mainly comprises costs of acquisition, borrowing costs capitalised, aggregate costs of development, materials and supplies, wages and other direct expenses. Net realisable value of the properties held for sale represents the estimated selling price less costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(w)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(n)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(d). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(w)(vi)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(v).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary difference respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

These financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

(w) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods and crude oil

Revenue arising from the sale of goods and crude oil is recognised at a point in time when the customer takes possession of and accepts the goods and crude oil, which is taken to be the point in time when the customer has obtained control of the goods and crude oil sold.

(ii) Income from interests in property development

Income from interests in property development is recognised when the Group is entitled to a distribution in respect of the investment.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Sale of properties

Revenue arising from the sale of properties is recognised in the income statement on the basis that control over the ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(vii) Service income

Service income is recognised when the related services are rendered and the amount receivables can be measured reliably.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(viii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Borrowings

Borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies (which are described in note 1), management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

(a) Impairment of oil production assets and oil 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 value 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.

2 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(a) Impairment of oil production assets and oil 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).

2 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Estimated fair value of interests in property development

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for the market development and terms provided under the co-investment agreements. Any adverse change in the key assumptions could decrease the fair value.

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 the co-investment agreements with two wholly-owned subsidiaries of Polytec Holdings International Limited ("Polytec Holdings"), a related company.

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.

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 Administrative (the Administrative Court) in Macau on 30 March 2020.

2 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Estimated fair value of interests in property development *(continued)*

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 to be 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.

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	2019
	HK$'000	*HK$'000*
Under the scope of HKFRS 15, *Revenue from contracts with customers:*		
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
Revenue from other sources:		
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

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date with performance obligation is part of a contract that has an original expected duration of one year or less.

(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 *HK$'000*	Oil *HK$'000*	Ice and cold storage *HK$'000*	Financial investments *HK$'000*	2020 Total *HK$'000*
Revenue	500,280	33,550	116,131	68,514	718,475
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					(20,805)
Profit from operations					488,172
Finance costs					(48,209)
Share of profits less losses of joint ventures	(1,819)	–	–	–	(1,819)
Profit before taxation					438,144
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					153,008
					16,263,801
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	–	59,463	–	–	59,463

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	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)*

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	**684,925**	845,338	**2,824,436**	2,816,798
Kazakhstan	**33,550**	61,539	**–**	66,706
	718,475	906,877	**2,824,436**	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	**9,507**	9,101
Bank and other interest income	**34,290**	6,560
Government grants *(note)*	**7,100**	–
Fair value changes on equity investments	**(2,023)**	(175)
Provision for loss allowance of debt investments	**(7,643)**	–
Others	**1,878**	1,904
	43,109	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 *HK$'000*	2019 *HK$'000*
(a)	**Finance costs**		
	Interest expense on		
	– Bank loans	**40,793**	44,596
	– Amounts due to related companies *(note 25(c))*	**4,555**	12,646
	– Amounts due to fellow subsidiaries *(note 25(c))*	**2,001**	10,965
		47,349	68,207
	Other finance costs	**860**	858
		48,209	69,065
(b)	**Staff costs**		
	Staff costs (excluding directors' remuneration)#:		
	Wages and salaries	**51,149**	53,745
	Contributions to retirement benefit scheme	**1,569**	1,677
		52,718	55,422
(c)	**Other items**		
	Depreciation of property, plant and equipment#	**14,780**	29,657
	Amortisation of oil exploitation assets#	**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

Cost of sales include 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

(a) Taxation in the consolidated income statement represents:

	2020 HK$'000	2019 HK$'000
Current tax		
– 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)
	3,107	(6,788)
Deferred tax	**3,428**	37,976
	6,535	31,188

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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 HK$'000	2019 HK$'000
Profit before taxation	**438,144**	741,809
Tax charge at the applicable income tax rate	**64,685**	109,978
Tax effect of share of profits less losses of joint ventures	**9,080**	(7,153)
Tax effect of expenses not deductible in determining taxable profit	**9,880**	13,148
Tax effect of income not taxable in determining taxable profit	**(94,912)**	(163,083)
Utilisation of tax losses previously not recognised	**–**	(135)
Tax effect of temporary differences not recognised	**11,987**	46,315
Tax effect of temporary differences derecognised	**3,800**	38,427
Tax effect of tax losses not recognised	**2,088**	4,047
Over-provision in respect of prior years	**(218)**	(10,464)
Others	**145**	108
Actual tax expense	**6,535**	31,188

7 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related bonuses *HK$'000*	Provident fund contributions *HK$'000*	2020 Total *HK$'000*
Mr. Or Wai Sheun	**–**	**–**	**–**	**–**	**–**
Mr. Yeung Kwok Kwong	**–**	**2,590**	**510**	**239**	**3,339**
Ms. Wong Yuk Ching	**–**	**1,654**	**270**	**152**	**2,076**
Ms. Chio Koc Ieng	**–**	**1,678**	**360**	**–**	**2,038**
Mr. Lai Ka Fai	**200**	**–**	**–**	**–**	**200**
Ms. Or Pui Ying, Peranza	**200**	**–**	**–**	**–**	**200**
Mr. Liu Kwong Sang	**200**	**–**	**–**	**–**	**200**
Dr. Tsui Wai Ling, Carlye	**200**	**–**	**–**	**–**	**200**
Prof. Dr. Teo Geok Tien Maurice	**200**	**–**	**–**	**–**	**200**
	1,000	**5,922**	**1,140**	**391**	**8,453**

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related bonuses *HK$'000*	Provident fund contributions *HK$'000*	2019 Total *HK$'000*
Mr. Or Wai Sheun	–	–	–	–	–
Mr. Yeung Kwok Kwong	–	2,560	500	236	3,296
Ms. Wong Yuk Ching	–	1,624	250	150	2,024
Ms. Chio Koc Ieng	–	1,648	350	–	1,998
Mr. Lai Ka Fai	200	–	–	–	200
Ms. Or Pui Ying, Peranza	200	–	–	–	200
Mr. Liu Kwong Sang	200	–	–	–	200
Dr. Tsui Wai Ling, Carlye	200	–	–	–	200
Prof. Dr. Teo Geok Tien Maurice	200	–	–	–	200
	1,000	5,832	1,100	386	8,318

7 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

In addition to the directors' emoluments disclosed above, the Group pays a management fee to a fellow subsidiary, part of which is for the services provided by certain directors/management of a fellow subsidiary who are Directors of the Company. Details of the amount of fee payable are disclosed in note 25. No apportionment of this management fee has been made as the Directors do not believe that it is practicable to apportion this amount between the qualifying services provided by the Directors and all other services provided by a fellow subsidiary.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2019: three) are directors whose emoluments are disclosed in note 7(a). The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other benefits	**2,285**	2,207
Performance related bonuses	**580**	710
Provident fund contributions	**18**	18
	2,883	2,935

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

	2020	2019
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$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.

9 DIVIDENDS

(a) Dividends attributable to the year:

	2020 *HK$'000*	2019 *HK$'000*
Interim dividend declared and paid of HK$0.014 (2019: HK$0.013) per share	**62,146**	57,707
Final dividend proposed after the end of the reporting period of HK$Nil (2019: HK$0.060) per share	**–**	266,338
	62,146	324,045

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

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2020 *HK$'000*	2019 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.060 (2019: HK$0.083) per ordinary share	**266,338**	368,434

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land *HK$'000*	Buildings *HK$'000*	Oil production assets *HK$'000*	Other assets *HK$'000*	Total *HK$'000*
Cost:					
At 1 January 2020	**120,210**	**32,790**	**1,503,684**	**47,849**	**1,704,533**
Additions	**–**	**–**	**2,537**	**3,113**	**5,650**
Disposals	**–**	**–**	**(86)**	**(262)**	**(348)**
At 31 December 2020	**120,210**	**32,790**	**1,506,135**	**50,700**	**1,709,835**
At 1 January 2019	120,210	32,790	1,504,049	45,223	1,702,272
Additions	–	–	68	2,643	2,711
Disposals	–	–	(433)	(17)	(450)
At 31 December 2019	120,210	32,790	1,503,684	47,849	1,704,533
Accumulated depreciation and impairment losses:					
At 1 January 2020	**42,655**	**10,601**	**1,442,979**	**42,116**	**1,538,351**
Charge for the year	**2,820**	**807**	**9,014**	**2,139**	**14,780**
Impairment loss *(note 2(a))*	**–**	**–**	**54,214**	**–**	**54,214**
Disposals	**–**	**–**	**(72)**	**(256)**	**(328)**
At 31 December 2020	**45,475**	**11,408**	**1,506,135**	**43,999**	**1,607,017**
At 1 January 2019	39,835	9,794	1,208,858	39,565	1,298,052
Charge for the year	2,820	807	23,465	2,565	29,657
Impairment loss *(note 2(a))*	–	–	210,731	–	210,731
Disposals	–	–	(75)	(14)	(89)
At 31 December 2019	42,655	10,601	1,442,979	42,116	1,538,351
Net book value:					
At 31 December 2020	**74,735**	**21,382**	**–**	**6,701**	**102,818**
At 31 December 2019	77,555	22,189	60,705	5,733	166,182

Key sources of estimation uncertainty relating to oil production assets are disclosed in note 2(a).

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Analysis of the carrying values of right-of-use assets by class of underlying asset:

	2020	2019
	HK$'000	*HK$'000*
Ownership interests in leasehold land and buildings held for own use in Hong Kong with remaining lease term of		
– between 10 and 50 years	**96,117**	99,744

Analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**3,627**	3,627

Ownership interests in leasehold land and buildings held for own use

The Group holds a building for its ice and storage business. The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

11 OIL EXPLOITATION ASSETS

	2020	2019
	HK$'000	*HK$'000*
Cost:		
At 1 January	**130,589**	130,570
Additions	**–**	19
At 31 December	**130,589**	130,589
Accumulated amortisation and impairment losses:		
At 1 January	**124,588**	103,054
Amortisation for the year	**752**	692
Impairment loss *(note 2(a))*	**5,249**	20,842
At 31 December	**130,589**	124,588
Net book value	**–**	6,001

Key sources of estimation uncertainty relating to oil exploitation assets are disclosed in note 2(a).

12 INTERESTS IN PROPERTY DEVELOPMENT

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

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. 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. The basis and estimations for arriving at the fair value of the interests in property development are further described in note 2(b).

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.

13 INTEREST IN JOINT VENTURES

	2020 **HK$'000**	2019 HK$'000
Investment cost	**1,003,664**	1,003,664
Share of post acquisition profits less losses	**1,502,544**	1,492,247
Share of net assets	**2,506,208**	2,495,911
Loan to a joint venture	**198,416**	198,416
	2,704,624	2,694,327

The loan to a joint venture is unsecured, interest bearing at a fixed rate with reference to bank lending rate and is not expected to be repaid within one year.

Details of the Group's material interest in the joint ventures, which is accounted for using the equity method in the consolidated financial statements are as follows:

Joint venture	Form of business structure	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Principal activities
South Bay Centre Company Limited ("South Bay")	Corporate	Macau	50%	Property investment and trading
Smart Rising Limited ("Smart Rising")	Corporate	British Virgin Islands/ Mainland China	50%	Investment holding and property development

13 INTEREST IN JOINT VENTURES *(continued)*

Summarised financial information of joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	Smart Rising		South Bay	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**–**	–	**81,396**	193,995
(Loss)/profit for the year	**(64,041)**	(13,613)	**60,403**	154,496
Other comprehensive income	**162,455**	(48,702)	**–**	–
Total comprehensive income	**98,414**	(62,315)	**60,403**	154,496
Dividend received	**–**	–	**69,112**	70,112
Depreciation	**–**	–	**386**	1,203
Income tax (credit)/expense	**–**	–	**(2,149)**	17,177
Current assets	**7,016,490**	6,554,286	**33,478**	34,151
Non-current assets	**120,721**	113,591	**3,342,725**	3,434,508
Current liabilities	**(501,048)**	(406,597)	**(64,776)**	(68,180)
Non-current liabilities	**(4,716,937)**	(4,440,469)	**(342,415)**	(353,647)
Equity	**1,919,226**	1,820,811	**2,969,012**	3,046,832
Reconciliation to the Group's interest in joint ventures:				
Group's share of net assets	**959,613**	910,406	**1,484,506**	1,523,416
Goodwill	**62,089**	62,089	**–**	–
Group's share of carrying amount in the consolidated financial statements	**1,021,702**	972,495	**1,484,506**	1,523,416

The above unlisted investments in joint ventures are indirectly held by the Company.

14 GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. At 31 December 2020, management of the Group determined that there is no impairment of the CGU containing goodwill.

15 OTHER FINANCIAL ASSETS

	2020 *HK$'000*	2019 *HK$'000*
Non-current		
Debt investments measured at amortised cost		
Listed debt securities in Hong Kong	**34,989**	34,401
Listed debt securities outside Hong Kong	**368,444**	126,649
	403,433	161,050
Current		
Debt investments measured at amortised cost		
Listed debt securities outside Hong Kong	**37,383**	–
Unlisted debt securities	**13,630**	–
Equity investments measured at FVPL		
Listed equity securities in Hong Kong	**13,395**	15,418
	64,408	15,418
Total	**467,841**	176,468
Market value of listed debt securities	**511,700**	167,298

16 INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Properties held for sale	**73,345**	73,196
Crude oil	**7,006**	3,561
Consumables	**3,688**	4,065
Others	**1,493**	1,621
	85,532	82,443

The analysis of carrying value of land under inventories is as follows:

	2020	2019
	HK$'000	*HK$'000*
In Hong Kong, with remaining lease term of:		
– between 10 and 50 years	**26,118**	26,118
Outside Hong Kong, with remaining lease term of:		
– Freehold	**6,034**	6,034
	32,152	32,152

17 TRADE AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 *HK$'000*
Ageing analysis (based on the due date) of trade receivables:		
Current	**12,553**	17,691
Within 3 months	**7,584**	2,770
More than 3 months	**23**	55
Trade receivables	**20,160**	20,516
Deposits for property, plant and equipment	**4,028**	–
Other receivables	**22,450**	192,704
	46,638	213,220
Representing:		
Non-current assets	**4,028**	–
Current assets	**42,610**	213,220
	46,638	213,220

Other receivables of the Group of HK$3,147,000 (2019: HK$3,146,000) are expected to be recovered after more than one year.

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.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which are calculated at a provision matrix. Given the Group has not experienced any significant credit losses in the past, the allowance for ECLs is therefore insignificant.

The fair value of the Group's trade and other receivables at the end of the reporting period approximates the corresponding carrying amount.

18 CASH AND BANK BALANCES

The carrying amounts of cash and bank balances approximates their fair value at the end of the reporting period.

19 TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Ageing analysis (based on the due date) of trade payables:		
Current	**716**	600
Within 3 months	**419**	29
More than 3 months	**3**	3
Trade payables	**1,138**	632
Other payables		
– Government fees and levies	**2,003**	2,722
– Others	**50,144**	60,512
	52,147	63,234
	53,285	63,866

All of the trade and other payables are expected to be settled or recognised as income within one year.

20 BANK LOANS

As at 31 December 2020, the bank loans were secured and repayable as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 year	**1,348,000**	78,500
After 1 year but within 2 years	**470,000**	1,328,000
After 2 years but within 5 years	**–**	90,000
	470,000	1,418,000
	1,818,000	1,496,500

The bank loans are subject to fulfilment of covenants relating to certain of the Group's ratios of the statement of financial position, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facility would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(c). As at 31 December 2020, none of the covenants relating to the drawn down facilities had been breached (2019: Nil).

21 DEFERRED TAXATION

The following are the components of deferred tax (assets)/liabilities recognised and movements during the current year and the prior year:

Deferred tax arising from:	Accelerated depreciation allowances *HK$'000*	Revaluation of assets *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2020	**(2,377)**	**14,209**	**–**	**11,832**
Charged/(credited) to the profit or loss	**3,618**	**(190)**	**–**	**3,428**
At 31 December 2020	**1,241**	**14,019**	**–**	**15,260**
At 1 January 2019	(26,165)	14,634	(14,613)	(26,144)
Charged/(credited) to the profit or loss	23,788	(425)	14,613	37,976
At 31 December 2019	(2,377)	14,209	–	11,832

	2020 ***HK$'000***	2019 *HK$'000*
Representing:		
Deferred tax assets	**–**	(3,800)
Deferred tax liabilities	**15,260**	15,632
	15,260	11,832

No deferred tax asset has been recognised in respect of tax losses and temporary difference due to the unpredictability of future profit streams. At the end of the reporting period, the Group has unrecognised tax losses of HK$180,530,000 (2019: HK$167,516,000) and unrecognised temporary difference of HK$1,332,174,000 (2019: HK$1,253,700,000) available for offset against future profits, of which tax losses of HK$144,291,000 (2019: HK$134,756,000) will expire within ten years from the year in which they arose and the remaining losses may be carried forward indefinitely.

22 SHARE CAPITAL AND RESERVES

	2020 **HK$'000**	2019 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
5,000,000,000 convertible preference shares of HK$0.01 each	**50,000**	50,000
	1,050,000	1,050,000
Issued:		
4,438,967,838 fully paid ordinary shares of HK$0.1 each	**443,897**	443,897

(a) Share premium

The application of the share premium account is governed by Section 34 of the Cayman Islands Companies Law.

(b) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, borrowings from a related company/ immediate holding company, amount due from a related company, cash and cash equivalents and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (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. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2020 was 11.1% (2019: 12.0%).

(c) Distribution of reserves

As at 31 December 2020, the retained profits of the Company available for cash distribution and/ or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK$1,368,211,000 (2019: HK$1,811,739,000). Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2020, the Company's share premium account amounted to HK$5,912,600,000 (2019: HK$5,912,600,000).

23 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operating activities:

	2020 *HK$'000*	2019 *HK$'000*
Operating activities		
Profit before taxation	**438,144**	741,809
Adjustments for:		
Share of profits less losses of joint ventures	**1,819**	(70,442)
Distributions from interests in property development	**(500,000)**	(720,000)
Impairment of oil production and exploitation assets	**59,463**	231,573
Fair value changes on interests in property development	**50,642**	(252,305)
Gain on disposal of equity investments	**–**	(802)
Fair value changes on equity investments	**2,023**	175
Dividend income from equity investments	**(819)**	(519)
Interest income from debt investments	**(67,695)**	(6,518)
Bank and other interest income	**(34,290)**	(6,560)
Depreciation and amortisation	**15,532**	30,349
Loss allowance on debt investments	**7,643**	–
Loss on disposal of property, plant and equipment	**15**	23
Finance costs	**48,209**	69,065
Operating cash flow before working capital changes	**20,686**	15,848
(Increase)/decrease in inventories	**(3,089)**	3,553
Decrease/(increase) in trade and other receivables	**9,515**	(6,457)
Decrease in trade and other payables	**(11,356)**	(11,307)
Cash generated from operations	**15,756**	1,637
Interest received	**33,476**	1,715
Interest paid	**(41,653)**	(45,454)
Dividends received from equity investments	**819**	519
Tax paid	**(4,412)**	(771)
Net cash generated from/(used in) operating activities	**3,986**	(42,354)

23 NOTE TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows financing activities.

	Bank loans *HK$'000* *(Note 20)*	Amount due to a related company *HK$'000* *(Note 25(c))*	Amount due to a fellow subsidiary *HK$'000* *(Note 25(c))*	Total *HK$'000*
At 1 January 2020	1,496,500	1,104,364	–	2,600,864
Changes from financing cash flows:				
Amount advanced from a related company	–	246,588	–	246,588
Amount advanced from a fellow subsidiary	–	–	891,002	891,002
Drawdown of bank loans	400,000	–	–	400,000
Repayments of bank loans	(78,500)	–	–	(78,500)
Repayment of amount due to a related company	–	(575,602)	–	(575,602)
Repayment of amount due to a fellow subsidiary	–	–	(614,846)	(614,846)
Total changes from financing cash flows	321,500	(329,014)	276,156	268,642
Other changes:				
Non-cash repayment of amount due to a related company/ a fellow subsidiary *(notes 23(c)(iii), 23(c)(iv) and 23(c)(v))*	–	(675,156)	(294,239)	(969,395)
Non-cash drawdown of amount due to a related company/ a fellow subsidiary *(notes 23(c)(i) and 23(c)(ii))*	–	19,596	16,082	35,678
Interest expenses *(note 5(a))*	–	4,555	2,001	6,556
Exchange adjustments	–	(109)	–	(109)
Total other changes	–	(651,114)	(276,156)	(927,270)
At 31 December 2020	1,818,000	124,236	–	1,942,236

23 NOTE TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans *HK$'000* *(Note 20)*	Amounts due to related companies *HK$'000* *(Note 25(c))*	Amount due to a fellow subsidiary *HK$'000* *(Note 25(c))*	Total *HK$'000*
At 1 January 2019	1,470,000	–	1,643,453	3,113,453
Changes from financing cash flows:				
Amount advanced from a fellow subsidiary	–	–	619,000	619,000
Amount advanced from a related company	–	680,106	–	680,106
Drawdown of bank loans	100,000	–	–	100,000
Repayments of bank loans	(73,500)	–	–	(73,500)
Repayment of amount due to a fellow subsidiary	–	–	(235,854)	(235,854)
Repayment of amount due to a related company	–	(385,317)	–	(385,317)
Total changes from financing cash flows	26,500	294,789	383,146	704,435
Other changes:				
Non-cash repayment of amount due to a related company/a fellow subsidiary	–	(240,274)	(2,037,564)	(2,277,838)
Non-cash drawdown of amount due to a related company	–	1,037,203	–	1,037,203
Interest expenses *(note 5(a))*	–	12,646	10,965	23,611
Total other changes	–	809,575	(2,026,599)	(1,217,024)
At 31 December 2019	1,496,500	1,104,364	–	2,600,864

23 NOTE TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Non-cash transactions

(i) During 2020, the Group through a related company has made advances to a joint venture of HK$19,596,000 (2019: HK$Nil).

(ii) During 2020, the Group through a fellow subsidiary has made advances to a joint venture of HK$16,082,000 (2019: HK$Nil).

(iii) During 2020, the Group has repaid the amount due to a related company by distribution from interests in property development of HK$500,000,000 (2019: HK$220,000,000) and interest income received of HK$14,061,000 (2019: HK$3,209,000).

(iv) During 2020, the Group has repaid the amount due to a fellow subsidiary by distribution from interests in property development of HK$280,000,000 (2019: HK$Nil) and interest income received of HK$14,239,000 (2019: HK$Nil).

(v) On 22 June 2018, a wholly owned subsidiary of the Group had entered into an agreement with Polytec Holdings for the proposed acquisitions of certain equity interest of a owned subsidiaries of Polytec Holdings ("target company") together with the assignment of a loan from Polytec Holdings for an consideration of HK$644,378,000. The asset held by the subsidiary comprised of a development project located in Zhuhai, Mainland China.

The proposed acquisition was terminated in January 2020 as disclosed in note 17 and the deposit of HK$161,095,000 was refunded to the Group through a related company.

24 OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS

(a) Operating lease arrangements

As lessor

The Group leases certain of its inventories under operating lease arrangements with lease terms for not exceeding five years. As at 31 December 2020, undiscounted lease payments under non-cancellable operating leases in place will be receivable by the Group in future period as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**8,144**	8,168
After 1 year but within 2 years	**8,218**	7,762
After 2 years but within 3 years	**8,458**	8,218
After 3 years but within 4 years	**3,172**	8,458
After 4 years but within 5 years	**–**	3,172
	27,992	35,778

(b) Capital commitments

As at 31 December 2020, the Group had capital commitments contracted but not provided for in the amount of HK$2,876,000 (2019: HK$1,600,000).

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed above, the Group also entered into the following material related party transactions:

(a) The amount due from a related company was arisen from the distribution received from the interests in property development (note 12). The amount was unsecured, interest free and subsequently settled against the amount due to a related company after the year end date (2019: the amount was subsequently settled against the amount due to a related company after the year end date).

(b) The amounts due from joint ventures were unsecured, interest-free and recoverable on demand.

(c) The amounts due to a related company and fellow subsidiaries were unsecured, interest bearing at a premium over Hong Kong Interbank Offered Rate ("HIBOR") and repayable after more than one year. During the year, interest of HK$4,555,000 (2019: HK$12,646,000) and HK$2,001,000 (2019: HK$10,965,000) were payable to related companies and fellow subsidiaries respectively.

(d) During the year, the Group paid rental expenses and building management fees amounting to HK$1,085,000 (2019: HK$1,085,000) in aggregate to a fellow subsidiary of the Company for the leasing of administrative offices in Hong Kong.

(e) During the year, management fees totalling HK$4,826,000 (2019: HK$3,281,000) were payable to a fellow subsidiary of the Company for the administrative expenses shared by the Group.

(f) Applicability of the Listing Rules relating to connected transactions.

The related party transactions in respect of notes 25(c), (d) and (e) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, they are exempt from the disclosure requirements of Chapter 14A of the Listing Rules.

26 PLEDGE OF ASSETS

As at 31 December 2020, the banking facilities granted to the Group were secured by legal charge over:

(a) all of the Group's ownership interests in leasehold land with an aggregate net book value of HK$74,735,000 (2019: HK$77,555,000);

(b) all of the Group's ownership interests in buildings with an aggregate net book value of HK$21,382,000 (2019: HK$22,189,000); and

(c) the joint venture's investment properties with an aggregate book value of HK$1,660,000,000 (2019: HK$1,711,000,000).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to interest rate, credit, liquidity, price and currency risks arising in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by financial policies and practices undertaken by the Group.

(a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowing from a related company. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in Hong Kong dollar interest rates arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate risk is managed by the Group's senior management with defined policies through regular review to determine the strategy as to funding in floating/fixed rate mix appropriate to its current business profile, and engaging in relevant hedging arrangements at appropriate times.

If interest rates had increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity shareholders of the Company and retained profits would have decreased/increased by HK$18,710,000 (2019: HK$25,256,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rates is used when reporting interest rate risk. The analysis has been performed on the same basis as for 2019.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2020 and 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

Cash at bank and deposits placed with financial institutions are with counterparties with sound credit ratings to minimise credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

All of the Group's debt investments measured at amortised cost of HK$454,446,000 (2019: HK$161,050,000) at 31 December 2020 represent listed and unlisted debt securities. Management assessed the credit risk of each of the Group's investment in debt securities with reference to the grading by market credit rating agencies, where available, and default probability analysis performed by external agencies. As at the end of the reporting period, no significant increase in credit risk was identified since the initial recognition of each investment, based on changes in credit rating since investments made, and the loss allowance recognised during the period was therefore limited to 12 months ECLs.

The Group estimated credit loss based on respective 12 months default risks rate as at 31 December 2020 for the issuer of each listed debt securities, which are obtained from external agencies and considered that the allowance for ECLs is HK$7,643,000 (2019: HK$Nil).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Liquidity risk

Cash management of the Group is centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows					
	Within 1 year or on demand *HK$'000*	**Over 1 year but within 2 years** *HK$'000*	**Over 2 years but within 5 years** *HK$'000*	**Undated** *HK$'000*	**Total** *HK$'000*	**Statement of financial position carrying amount** *HK$'000*
At 31 December 2020						
Trade and other payables	**53,285**	**–**	**–**	**16,913**	**70,198**	**70,198**
Bank loans	**1,368,268**	**475,617**	**–**	**–**	**1,843,885**	**1,818,000**
Amount due to a related company	**–**	**–**	**–**	**124,236**	**124,236**	**124,236**
	1,421,553	**475,617**	**–**	**141,149**	**2,038,319**	**2,012,434**

	Contractual undiscounted cash flows					
	Within 1 year or on demand *HK$'000*	Over 1 year but within 2 years *HK$'000*	Over 2 years but within 5 years *HK$'000*	Undated *HK$'000*	Total *HK$'000*	Statement of financial position carrying amount *HK$'000*
At 31 December 2019						
Trade and other payables	63,866	–	–	17,688	81,554	81,554
Bank loans	135,886	1,370,240	93,012	–	1,599,138	1,496,500
Amount due to a related company	–	–	–	1,104,364	1,104,364	1,104,364
	199,752	1,370,240	93,012	1,122,052	2,785,056	2,682,418

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Price risk

At the end of the reporting period, the Group has the following financial instruments measured at fair value across the three levels of fair value hierarchy based on the degree to which the fair value is observable:

	2020	2019
	HK$'000	*HK$'000*
Assets		
Level 1 *(Notes)*		
Other financial assets		
– Listed equity securities in Hong Kong	**13,395**	15,418
Level 3 *(Notes)*		
– Interests in property development	**12,222,851**	12,273,493

During the year there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements are set out in note 12 to the financial statements.

Notes:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: Fair values using quoted prices in active markets for similar financial instruments or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: Fair values measured using valuation techniques in which any significant input is not based on observable market data

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Price risk *(continued)*

The Group is exposed to property price risk through its interests in property development. The Group has a team reporting to the senior management which performs the valuation of the interests in property development required for financial reporting purposes. Discussions of valuation processes and results are held between the senior management and the team at least once every six months, in line with the Group's half-yearly reporting dates. The key unobservable market data used in the model of development project at Lotes T+T1 includes estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of residential properties in Macau, with certain adjustments to reflect the impact of those factors on the development. The adjustments to the average market selling price range from –10% to +10%. The fair value measurement is positively correlated to adjustments to the selling prices of the underlying properties. At 31 December 2020, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying properties at Lotes T+T1 of the Group's interests in property development, with all other variables held constant, would have increased/decreased the Group's retained profits by HK$110,479,000/HK$110,479,000 (2019: HK$196,383,000/HK$196,383,000).

The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the end of the reporting period and had been applied to the exposure to property price risk in existence at that date. The analysis has been performed on the same basis as for 2019 and taken into amount of the expiration of the land concession as set out in note 2(b).

(e) Currency risk

The Group conducts its oil exploration and production business primarily in Kazakhstan. Currency exposure arises from sales of crude oil in a currency other than the local currency of the domicile of the Group entity making the sale. The sales are substantially denominated in United States dollars, whilst the costs are substantially denominated in Kazakhstan Tenge.

Management considers this risk is insignificant to the Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND ITS NOTES

(a) Company-Level Statement of Financial Position

	Note	2020 HK$'000	2019 HK$'000
Non-current asset			
Investments in subsidiaries		**1**	1
Current assets			
Amounts due from subsidiaries		**10,405,235**	11,460,797
Amount due from a joint venture		**50,818**	4,158
Other receivables		**747**	778
Cash and cash equivalents		**8,968**	9,720
		10,465,768	11,475,453
Current liabilities			
Other payables		**3,247**	6,209
Amounts due to subsidiaries		**2,613,578**	2,196,645
		2,616,825	2,202,854
Net current assets		**7,848,943**	9,272,599
Total assets less current liabilities		**7,848,944**	9,272,600
Non-current liability			
Amount due to a related company		**124,236**	1,104,364
NET ASSETS		**7,724,708**	8,168,236
CAPITAL AND RESERVES			
Share capital	*22*	**443,897**	443,897
Reserves	*28(b)*	**7,280,811**	7,724,339
TOTAL EQUITY		**7,724,708**	8,168,236

Approved and authorised for issue by the Board of Directors on 31 March 2021

Or Wai Sheun
Director

Yeung Kwok Kwong
Director

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND ITS NOTES *(continued)*

(b) Reserves of the Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	**5,912,600**	**1,811,739**	**7,724,339**
Loss and other comprehensive income for the year	**–**	**(115,044)**	**(115,044)**
Dividends paid *(note 9)*	**–**	**(328,484)**	**(328,484)**
At 31 December 2020	**5,912,600**	**1,368,211**	**7,280,811**
At 1 January 2019	5,912,600	1,131,235	7,043,835
Profit and other comprehensive income for the year	–	1,106,645	1,106,645
Dividends paid *(note 9)*	–	(426,141)	(426,141)
At 31 December 2019	5,912,600	1,811,739	7,724,339

29 STAFF RETIREMENT SCHEME

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of eligible employees. Contributions to the Mandatory Provident Funds of HK$1,961,000 (2019: HK$2,062,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year. Contributions to the scheme vest immediately.

30 PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2020, the Directors consider the parent company and ultimate holding company to be Intellinsight Holdings Limited (2019: Marble King International Limited) and New Explorer Developments Limited (2019: New Explorer Developments Limited), which are both incorporated in the British Virgin Islands. Neither entity produces financial statements available for public use.

31 EVENT AFTER THE REPORTING PERIOD

On 17 January 2021, the offeror, Intellinsight Holdings Limited, requested the Board of Directors to put forward to the shareholders of the Company the proposal (the "Proposal") which will involve the cancellation and extinguishment of the Company's shares other than those directly or indirectly held by the offeror ("Scheme Share"), the payment of the cancellation price of HK$1.50 per Scheme Share to the holders of the Scheme Shares, and the withdrawal of the listing of the shares on the Stock Exchange of Hong Kong Limited. Further details of the Proposal are set out in the joint announcement dated 21 January 2021.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16, *COVID-19-Related Rent Concessions*	1 June 2020
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

33 PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2020 are as follows:

Subsidiaries	Place of incorporation/ operations	Particulars of issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Noble Prime International Limited	British Virgin Islands	US$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US$1	100%	Investment holding
Power Mighty Limited	British Virgin Islands	US$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US$1	100%	Investment holding
Indirectly held:				
Aquatic & Agriculture (HK) Company Limited	Hong Kong	HK$1	100%	General trading
Caspi Neft TME	Kazakhstan	50,000,000 Tenge	100%	Oil exploration and production
Coöperatieve Power Mighty U.A.	Netherlands	Euro30,000	100%	Investment holding
Eastford Development Limited	Hong Kong	HK$100	100%	Property development and investment
Equal Talent Limited	British Virgin Islands	US$1	100%	Investment holding
Glentech International Company Limited	Hong Kong	HK$2	100%	Provision of consultancy services
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Melosa Limited	British Virgin Islands	US$1	100%	Financial investment
New Bedford Properties Limited	British Virgin Islands	US$1	100%	Investment holding

33 PARTICULARS OF SUBSIDIARIES *(continued)*

Subsidiaries	Place of incorporation/ operations	Particulars of issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
New Cosmos Holdings Limited	British Virgin Islands	US$100	58%	Investment holding
Noble Gainer Limited	Hong Kong	HK$2	100%	Ice manufacturing and trading
Power Giant Limited	British Virgin Islands/ Macau	US$1	100%	Property trading and investment
Power Mighty A N.V.	Curacao	US$6,000	100%	Investment holding
Power Mighty B N.V.	Curacao	US$6,000	100%	Investment holding
Power Mighty B.V.	Netherlands	Euro18,000	100%	Investment holding
Profit Sphere International Limited	British Virgin Islands	US$1	100%	Investment holding
Richstone International Limited	Hong Kong	HK$1	100%	Property development and investment
Sheen Concord Enterprises Limited	Hong Kong	HK$2	100%	Investment holding
Success Ever Limited	British Virgin Islands	US$1	100%	Investment holding
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK$500,000	100%	Ice manufacturing and provision of cold storage services
Think Bright Limited	British Virgin Islands/ Macau	US$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US$1	100%	Investment holding

33 PARTICULARS OF SUBSIDIARIES *(continued)*

Subsidiaries	Place of incorporation/ operations	Particulars of issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Wide Universe International Limited	British Virgin Islands	US$1	100%	Inactive
瀋陽景裕建設管理有限公司 *(Remark 2)*	Mainland China	HK$10,000,000 *(Remark 1)*	100%	Investment holding

Remarks:

(1) The amount represented the registered capital not yet paid up.

(2) Wholly foreign owned enterprise incorporated in Mainland China

PARTICULARS OF PROPERTIES

31 DECEMBER 2020

Properties	Purpose	Gross floor area	Group's interest (%)	Stage of completion
Land held for future development of the joint venture:				
Property development project at Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province, Mainland China	Residential/ Commercial	587,004 square metres	50	Pending for future development
Properties held for sale of the Group:				
2 car parking spaces of Pacifica Garden at Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Commercial	2 car parking spaces	58	Completed
35 shop units and 57 car parking spaces at China Plaza Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6 – B, Macau	Commercial	1,940 square metres and 57 car parking spaces	70.5	Completed
4 car parking spaces at Va long Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259 Macau	Commercial	4 car parking spaces	100	Completed
Lot no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122 square metres	100	Completed

PARTICULARS OF PROPERTIES

31 DECEMBER 2020

Properties	Purpose	Gross floor area	Group's interest *(%)*	Category of lease
Investment properties of the joint venture:				
208 shop units, 208 office units and 265 car parking spaces at The Macau Square Rua do Dr. Pedro Jose Lobo No. 2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113 Macau	Commercial	36,553 square metres and 265 car parking spaces	50	Short term lease

Properties	Purpose	Gross floor area/ site area	Group's interest *(%)*	Status	Expected completion date
Interests in property development of the Group:					
La Marina The Orient Pearl District Novos Aterros da Areia Preta Macau*	Residential/ Commercial	182,000 square metres/ 17,969 square metres	80	Completed	N/A

* The development of this property is under the co-investment agreement with a wholly-owned subsidiary of a related company of the Company.

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