



INTERIM REPORT
中期報告 2016



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)



001 VITALITY 生命力



003 VITALITY 生命力



005 VITALITY 生命力





POLYTEC ASSET HOLDINGS LIMITED

Polytec Asset Holdings Limited (Stock Code: 208) currently focuses on the property market in Macau. In 2004, the Group started to invest in the Macau property market and acquired certain property interests, including a 50%-owned investment property in the central district, The Macau Square. In 2006, the Group acquired an 80% interest in three property development projects in the Orient Pearl District of Macau, with its total attributable gross floor area of the remaining two property projects currently under development exceeding 700,000 sq.m.. The Group is also engaged in the oil business in Kazakhstan and the ice and cold storage business in Hong Kong.

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02 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

Mr. Siu Leung Yau

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*)

Mr. Siu Leung Yau

Mr. Lai Ka Fai

Remuneration Committee

Mr. Siu Leung Yau (*Chairman*)

Mr. Liu Kwong Sang

Mr. Yeung Kwok Kwong

Nomination Committee

Mr. Or Wai Sheun (*Chairman*)

Mr. Liu Kwong Sang

Mr. Siu Leung Yau

Corporate and Shareholders' Information

Company Secretary

Mr. Lee Chi Ming

Independent Auditor

KPMG

Certified Public Accountants

Authorised Representatives

Mr. Yeung Kwok Kwong

Mr. Lai Ka Fai

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 22, 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

Corporate and Shareholders' Information *(continued)*

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 for Interim Results 2016

Interim results announcement	24 August 2016
Ex-dividend date for interim dividend	24 November 2016
Closure of Register of Members	28 November 2016 – 29 November 2016 (both dates inclusive)
Interim dividend payable	13 December 2016



04 Highlights

- The Group's unaudited net profit attributable to equity shareholders of the Company for the first half of 2016 rose to HK\$42.7 million, an increase of 3.6% over the corresponding period in 2015.
- Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first half of 2016 amounted to HK\$19.0 million, compared to underlying net profit of HK\$21.9 million for the corresponding period in 2015. The underlying net interim earnings per share for 2016 was 0.43 HK cent compared to the underlying net interim earnings per share of 0.49 HK cent in 2015.
- Interim dividend per share for 2016 amounted to 0.20 HK cent (2015: 0.20 HK cent).



05 Group's Business Structure



06 Chairman's Statement

Interim Results and Dividends

For the six months ended 30 June 2016, the unaudited net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK\$42.7 million, an increase of 3.6% over the corresponding period of 2015. The interim earnings per share for 2016 amounted to 0.96 HK cent compared to 0.93 HK cent in 2015.

Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first six months of 2016 amounted to HK\$19.0 million compared to the net underlying profit of HK\$21.9 million for the first six months of 2015. The underlying net interim earnings per share for 2016 was 0.43 HK cent compared to the underlying net interim earnings per share of 0.49 HK cent in 2015.

The Board of Directors has declared an interim dividend per share for 2016 of 0.20 HK cent (2015: 0.20 HK cent). The interim dividend will be payable on Tuesday, 13 December 2016 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 29 November 2016.

Business Review

For the period under review, the Group's underlying net profit amounted to HK\$19.0 million compared to HK\$21.9 million for the same period in 2015. The decrease in the Group's underlying earnings in the first half of 2016 was primarily due to the increase in operating loss of the oil segment with persistently low international oil prices during the period.

With respect to the Lote P development project (Pearl Horizon) in Macau, the piling work was completed. However, due to a significant delay in granting various requisite approvals and permits for the project over the past years, the overall construction work could not be completed before the expiry date of the related land concession. An application for an extension of the expiry date for the land concession was made to relevant government departments but it was declined and

therefore the construction work was suspended. Polytec Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has therefore applied to the Courts of Macau to claim for compensation of time. If the applications are ultimately declined, the Macau Government would have a right to resume the land without any compensation to the owner of the land. Nevertheless, based on the opinions provided by the Group's legal counsel, PCL has strong legal grounds to obtain a confirmation from the Court of Macau that the administrative delays had been caused by the relevant government authorities and therefore PCL is entitled to obtain compensation of time to enable it to complete the project. Currently, the Group is still awaiting a hearing date to be fixed by the Courts of Macau for the legal proceedings.

In respect of the Lotes T+T1 development project in Macau, the foundation work was completed in February 2016 and the superstructure work is progressing smoothly.

Property Investment

For the period under review, the Group's share of gross rental income generated from its investment properties rose to HK\$39.4 million, an increase of 26.4% over the same period in 2015. The improvement in income was mainly due to an increase in rents from The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of the property attributable to the Group rising to HK\$36.5 million for the first half of 2016 compared to HK\$29.0 million for the corresponding period in 2015.

Oil

For the six months ended 30 June 2016, the segment recorded a loss of HK\$6.9 million. The loss was due to the further decline in crude oil prices in the first quarter, with the Brent crude oil prices having reached a recent low of approximately US\$26 per barrel in January 2016. However, such loss was partially offset by the reduction of local expenses arising from the significant depreciation of the Tenge, the Kazakhstan currency, which was allowed to float freely on 20 August 2015.

The Group will continue to work out a solution to tackle the gas flaring issue of the oilfield in Kazakhstan before the permits expire on 31 December 2016. Various viable options are currently being evaluated.

Ice Manufacturing and Cold Storage

During the period under review, total operating profit for the combined cold storage and ice manufacturing segment rose to HK\$14.8 million, an increase of 32.2% over the same period in 2015. The increase in operating profit was attributable to an improvement in the ice manufacturing sector.

PROSPECTS

In Macau, the economy has been undergoing a deep structural adjustment, with real gross domestic product (GDP) shrinking 13.3% year-on-year in the first quarter of 2016 following a contraction of 20.3% in 2015. But gross gaming revenues will likely stabilise at the current level following a decline of 10.5% year-on-year in the first seven months of 2016 and a plunge of 34% in 2015. In addition, the property market appears to be bottoming, with overall transacted residential prices having stabilised in the first quarter and rising 7.6% quarter-on-quarter in the second quarter 2016 based on the latest official data. More encouragingly, residential transaction volume rebounded significantly, rising approximately 40% year-on-year in the first half of 2016. Therefore, the Macau economy is likely to be bottoming out in the second half of this year and GDP may even return to positive growth in the next few quarters. Indeed, the government's continuous efforts to develop Macau into a world-class leisure destination and tourism hub, together with the completion of cross-border infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the new ferry terminal in Taipa, will undoubtedly continue to support its tourism industry and enhance its sustainable economic growth over the long-run.

With respect to the lawsuit relating the Lote P development project (Pearl Horizon), it is expected that a hearing date will be fixed by the Courts of Macau in

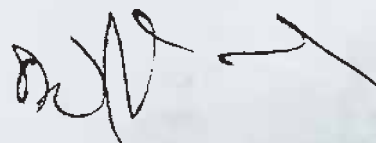
the near future. The construction work will be resumed subject to and as soon as practicable after obtaining a favourable judgement from the Court and the relevant approvals from the Macau Government. It will endeavour to complete the project and deliver the flats to the waiting buyers as soon as it possibly can.

Regarding the Lotes T+T1 development project, the construction work is being expedited and the progress is satisfactory, with the topping out of the superstructure being expected before end-December 2016. The Group is making every effort to ensure the construction work to be completed and an occupation permit to be obtained by the middle of 2017.

The Group expects its investment property portfolio in Macau and its cold storage and ice manufacturing business in Hong Kong will continue to generate stable income for the second half of 2016.

The Group's oil business in Kazakhstan will hardly make any contribution to its earnings for the second half of 2016 if the crude oil prices continue to hover at the current low levels.

The Group is currently facing a tough challenge in Macau. I would like to take this opportunity to express my heartfelt gratitude and appreciation to my fellow directors for their support and all staff for their dedication, hard work and contribution during these critical times.



Or Wai Sheun
Chairman

Hong Kong, 24 August 2016

08 Financial Review

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a sound financial liquidity position for the period under review. As at 30 June 2016, the Group maintained a balance of cash and bank of HK\$511.4 million (31 December 2015: HK\$575.3 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.24 times (31 December 2015: 1.39 times).

As at 30 June 2016, the Group had bank borrowings of HK\$1,421.6 million (31 December 2015: HK\$1,421.6 million), with HK\$376.6 million being repayable within one year, HK\$55 million being repayable between one year and two years, and HK\$990 million being repayable between two years and five years. The amount due to ultimate holding company was HK\$931.4 million (31 December 2015: HK\$1,014.8 million), which was unsecured, denominated in Hong Kong dollars, interest bearing at prevailing market rates and repayable after more than one year.

The Group had banking facilities of HK\$1,421.6 million (31 December 2015: HK\$1,421.6 million), which were fully utilised as at 30 June 2016 (31 December 2015: fully utilised). The banking facilities were secured by the Group's leasehold land and buildings and the joint venture's investment properties, denominated in Hong Kong dollars and interest bearing at prevailing market rates, which are subject to review from time to time.

As at 30 June 2016, total equity attributable to equity shareholders of the Company amounted to HK\$10,896.7 million (31 December 2015: HK\$11,164.2 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and amount due to ultimate holding company) over the equity attributable to equity shareholders of the Company, slightly decreased from 21.8% as at 31 December 2015 to 21.6% as at 30 June 2016.

Treasury Policies

Apart from the Group's oil business, the majority of the Group's sales and purchases are denominated in Hong Kong dollars and Macau Patacas. Due to the fact that the Macau Pataca is pegged to the Hong Kong dollar, the Group's exposure to this foreign exchange risk is relatively low. In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 30 June 2016, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

Capital Commitments

As at 30 June 2016, the Group had no capital commitments contracted but not provided for (31 December 2015: Nil).

Charges On Assets

As at 30 June 2016, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK\$112 million (31 December 2015: HK\$113.5 million) and HK\$3,189 million (31 December 2015: HK\$3,135 million), were pledged to secure the banking facilities of the Group.

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

09 Consolidated Income Statement

	Note	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	105,122	197,992
Cost of sales		(37,029)	(73,921)
Gross profit		68,093	124,071
Other income		7,165	4,223
Selling and distribution expenses		(24,575)	(68,432)
Administrative expenses		(20,307)	(27,174)
Other operating expenses		(24,714)	(18,782)
Profit from operations		5,662	13,906
Finance costs	4	(16,141)	(16,719)
Share of profit of joint venture		55,798	45,229
Profit before taxation	5	45,319	42,416
Income tax	6	(1,305)	(394)
Profit for the period		44,014	42,022
Attributable to:			
Equity shareholders of the Company		42,724	41,230
Non-controlling interests		1,290	792
Profit for the period		44,014	42,022
Earnings per share – basic/diluted	7	0.96 HK cent	0.93 HK cent

The notes on pages 15 to 26 form part of these interim financial statements.

10 Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period	44,014	42,022
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Changes in fair value of interests in property development	(287,969)	8,374
Other comprehensive income for the period, net of tax	(287,969)	8,374
Total comprehensive income for the period	(243,955)	50,396
Attributable to:		
Equity shareholders of the Company	(245,245)	49,604
Non-controlling interests	1,290	792
Total comprehensive income for the period	(243,955)	50,396

The notes on pages 15 to 26 form part of these interim financial statements.

11 Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	674,370	693,754
Oil exploitation assets	9	48,504	49,325
Interests in property development	10	10,531,539	10,819,508
Interest in joint venture		1,420,373	1,396,225
Deferred tax assets		105,727	105,727
Goodwill		16,994	16,994
		12,797,507	13,081,533
Current assets			
Inventories		79,985	80,694
Trade and other receivables	11	61,986	50,448
Cash and bank balances		511,373	575,288
		653,344	706,430
Current liabilities			
Trade and other payables	12	90,602	75,189
Bank loans		376,600	376,600
Current taxation		58,631	56,966
		525,833	508,755
Net current assets		127,511	197,675
Total assets less current liabilities		12,925,018	13,279,208

	<i>Note</i>	At 30 June 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
Non-current liabilities			
Amount due to ultimate holding company		931,418	1,014,759
Other payables		21,953	23,342
Bank loans		1,045,000	1,045,000
Deferred tax liabilities		18,012	18,372
		2,016,383	2,101,473
NET ASSETS			
		10,908,635	11,177,735
CAPITAL AND RESERVES			
Share capital		443,897	443,897
Reserves		10,452,813	10,720,253
Total equity attributable to equity shareholders of the Company			
		10,896,710	11,164,150
Non-controlling interests			
		11,925	13,585
TOTAL EQUITY			
		10,908,635	11,177,735

Approved and authorised for issue by the Board of Directors on 24 August 2016.

13 Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2016	443,897	5,912,600	3,523,508	1,284,145	11,164,150	13,585	11,177,735
Profit for the period	-	-	-	42,724	42,724	1,290	44,014
Other comprehensive income for the period	-	-	(287,969)	-	(287,969)	-	(287,969)
Total comprehensive income for the period	-	-	(287,969)	42,724	(245,245)	1,290	(243,955)
Dividends approved in respect of the previous year	-	-	-	(22,195)	(22,195)	-	(22,195)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,950)	(2,950)
At 30 June 2016 (unaudited)	443,897	5,912,600	3,235,539	1,304,674	10,896,710	11,925	10,908,635
At 1 January 2015	443,897	5,912,600	3,624,923	1,263,545	11,244,965	11,782	11,256,747
Profit for the period	-	-	-	41,230	41,230	792	42,022
Other comprehensive income for the period	-	-	8,374	-	8,374	-	8,374
Total comprehensive income for the period	-	-	8,374	41,230	49,604	792	50,396
Dividends approved in respect of the previous year	-	-	-	(22,195)	(22,195)	-	(22,195)
At 30 June 2015 (unaudited)	443,897	5,912,600	3,633,297	1,282,580	11,272,374	12,574	11,284,948

The notes on pages 15 to 26 form part of these interim financial statements.

14 Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash generated from operating activities	18,487	228
Net cash generated from investing activities	31,043	23,851
Net cash used in financing activities	(113,457)	(29,195)
Net decrease in cash and cash equivalents	(63,927)	(5,116)
Cash and cash equivalents at 1 January	567,855	226,503
Cash and cash equivalents at 30 June	503,928	221,387
Analysis of balance of cash and cash equivalents at 30 June		
Cash and bank balances	511,373	221,387
Less: Bank deposits with maturity more than 3 months	(7,445)	-
Cash and cash equivalents	503,928	221,387

The notes on pages 15 to 26 form part of these interim financial statements.

15 Notes to the Unaudited Interim Financial Statements

1. Basis of Preparation

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. Change in Accounting Policies

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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 operating segments for the period which comprise properties investment, trading and development related activities ("Properties"), oil exploration and production related activities ("Oil"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and other miscellaneous operations ("Others").

3. Segment Reporting (continued)

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 share of profit of joint venture, finance costs and head office and corporate expenses.

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

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

	Six months ended 30 June 2016				Total HK\$'000
	Properties HK\$'000	Oil HK\$'000	Ice and Cold Storage HK\$'000	Others HK\$'000	
Revenue	–	48,366	56,756	–	105,122
Reportable segment result	3,340	(6,941)	14,794	–	11,193
Head office and corporate expenses					(5,531)
Profit from operations					5,662
Finance costs					(16,141)
Share of profit of joint venture	55,798	–	–	–	55,798
Profit before taxation					45,319

	At 30 June 2016				Total HK\$'000
	Properties HK\$'000	Oil HK\$'000	Ice and Cold Storage HK\$'000	Others HK\$'000	
Reportable segment assets	10,616,030	629,582	166,964	–	11,412,576
Interest in joint venture	1,420,373	–	–	–	1,420,373
Head office and corporate assets					617,902
					13,450,851

3. Segment Reporting (continued)

	Six months ended 30 June 2015				Total HK\$'000
	Properties HK\$'000	Oil HK\$'000	Storage HK\$'000	Others HK\$'000	
Revenue	–	132,002	55,128	10,862	197,992
Reportable segment result	2,314	8,096	11,191	1,423	23,024
Head office and corporate expenses					(9,118)
Profit from operations					13,906
Finance costs					(16,719)
Share of profit of joint venture	45,229	–	–	–	45,229
Profit before taxation					42,416

	At 31 December 2015				Total HK\$'000
	Properties HK\$'000	Oil HK\$'000	Storage HK\$'000	Others HK\$'000	
Reportable segment assets	10,905,538	636,411	167,676	–	11,709,625
Interest in joint venture	1,396,225	–	–	–	1,396,225
Head office and corporate assets					682,113
					13,787,963

4. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest expense on		
Bank borrowings wholly repayable within five years	10,608	2,724
Amount due to ultimate holding company repayable after more than one year	4,970	13,244
	15,578	15,968
Other finance costs	563	751
	16,141	16,719

5. Profit Before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Depreciation and amortization [#]	20,874	46,409

[#] Cost of sales includes HK\$16,544,000 (six months ended 30 June 2015: HK\$41,435,000) relating to depreciation and amortisation expenses.

6. Income Tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	1,380	1,160
– Overseas income tax	285	896
Deferred tax	(360)	(1,662)
	1,305	394

The provision for Hong Kong Profits Tax for the six months ended 30 June 2016 is calculated at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$42,724,000 (six months ended 30 June 2015: HK\$41,230,000) and 4,438,967,838 (six months ended 30 June 2015: 4,438,967,838) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2016 and 2015.

8. Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period of 0.20 HK cent (six months ended 30 June 2015: 0.20 HK cent) per share	8,878	8,878

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

(b) Dividends attributable to the previous financial year and approved during the interim period

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the interim period, of 0.50 HK cent (six months ended 30 June 2015: 0.50 HK cent) per share	22,195	22,195

9. Oil Production Assets and Oil Exploitation Assets

As at 30 June 2016, the Group had oil production assets of HK\$548,842,000 (31 December 2015: HK\$564,417,000) (included in property, plant and equipment) and oil exploitation assets of HK\$48,504,000 (31 December 2015: HK\$49,325,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

Oil production and exploitation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which is considered to be the higher of the fair value less costs of disposal and value in use. The fair value for 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 estimates and judgments such as the future crude oil prices, the discount rate used in discounting the projected cash flows and production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumption that all relevant licences and permits are obtained. However, the business environment, such as the crude oil price, is affected by a wide range of global and domestic factors, which are all beyond the control of the Group. Any adverse change in the key assumptions could increase the impairment provision.

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly-owned subsidiary of the Company, in Kazakhstan will expire on 31 December 2016. Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 31 December 2016 and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on advice received from its technical experts and external legal advisor and the alternatives under consideration, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

As at 30 June 2016, the Group reassessed the operation and the risk exposures of its oil exploration and production business as a whole. As the recoverable amounts of the oil production and exploitation assets exceeded their carrying values, no impairment loss is considered necessary for the period ended 30 June 2016. The recoverable amounts of oil production and exploitation assets were determined based on value in use calculations applying a discount rate of 12.5% (31 December 2015: 12.5%).

Crude oil price assumptions were based on market expectations. At 30 June 2016, it is estimated that an increase/decrease of 20% (31 December 2015: 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\$252,128,000/HK\$303,492,000 (31 December 2015: HK\$281,621,000/HK\$332,135,000). 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 (31 December 2015: 200 basis points) in the discount rate used in the assessment, with all other variables held constant would have decreased/increased the carrying amounts of the oil production and exploitation assets by HK\$71,135,000/HK\$80,355,000 (31 December 2015: HK\$62,478,000/HK\$70,144,000).

10. Interests in Property Development

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau under two co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, the two wholly-owned subsidiaries of the ultimate holding company will pay to the Group cash flows from the 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 are disclosed in the Company's Circular dated 23 May 2006. Interests in property development are stated at fair value at the end of the reporting period.

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the land use was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ending on 25 December 2015 (the "Expiry Date"). If the project had been completed on or before the Expiry Date, it would have become a definite land concession which is renewable every 10 years until 2049. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau New Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but was declined by the relevant department of the Macau SAR Government.

Based on a legal opinion received by the Group, Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has sufficient grounds to apply to the Courts of the Macau SAR for remedies in all aspects to continue and complete the project. A few legal actions have been initiated by the legal representatives of PCL and are now in progress. Based on the opinion of the legal expert, the Courts will consider and judge on the essential points regarding the delays caused by the Macau SAR Government and the right of PCL to claim for compensation of time in order to allow the completion of the construction work of the Lote P development project and deliver the properties to the respective purchasers. Currently, the Group is still awaiting a hearing date to be fixed by the Courts of the Macau SAR for the legal proceedings.

As the outcome of these court proceedings is still uncertain, management of the Company have taken into account all available evidence, including the opinion of legal experts, in preparing the discounted cash flow model in order to assess the fair value of the project. Management of the Company believe that PCL has strong legal grounds to obtain a favourable judgment so that the Lote P development project can be re-activated and completed. The construction work will be resumed as soon as practicable subject to a favourable judgment being obtained and relevant approvals being given by the Macau SAR Government. No impairment for the interests in property development was considered necessary at 30 June 2016.

10. Interests in Property Development *(continued)*

In respect of the development project at Lotes T+T1, the expiry date of the land concession is 5 July 2017. Based on the current status of the development, management of the Company consider that the Lotes T+T1 project will be completed before the expiry date.

One of the key assumptions for the discounted cash flow model used to measure the fair value of the interest in property development of Lote P is the completion date. As at 30 June 2016, it is estimated that deferring the completion date of the Lote P development project by six months (31 December 2015: six months), with all other variables held constant, would have decreased the fair value of the interest in property development by HK\$775,897,000 (31 December 2015: HK\$898,783,000).

11. Trade and Other Receivables

The following is an ageing analysis of trade receivables:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	30,096	14,669
31 days to 60 days past due	6,461	4,644
61 days to 90 days past due	1,140	4,038
Over 90 days past due	214	1,471
Amounts past due	7,815	10,153
Trade receivables	37,911	24,822
Other receivables	24,075	25,626
	61,986	50,448

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

12. Trade and Other Payables

The following is an ageing analysis of trade payables:

	At 30 June 2016 <i>HK\$'000</i>	At 31 December 2015 <i>HK\$'000</i>
Ageing analysis of trade payables:		
Within 30 days	960	643
31 days to 60 days past due	412	143
Over 90 days past due	3	3
Amounts past due	415	146
Trade payables	1,375	789
Other payables		
– Government fees and levies	10,241	11,294
– Others	78,986	63,106
	89,227	74,400
	90,602	75,189

13. 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 to ultimate holding company was unsecured, interest bearing at a premium over HIBOR and repayable after more than one year. During the period, interest of HK\$4,970,000 (six months ended 30 June 2015: HK\$13,244,000) was payable to the ultimate holding company.
- (b) During the period, the Group paid rental expenses and building management fees amounting to HK\$542,000 (six months ended 30 June 2015: HK\$554,000) in aggregate to an intermediate holding company of the Company for the leasing of administrative offices in Hong Kong.
- (c) Applicability of the Listing Rules relating to connected transactions.

The related party transactions in respect of notes 13(a) and (b) 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.

14. Fair Value Measurement

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Assets		
Level 3 (Notes)		
– Interests in property development	10,531,539	10,819,508

Notes:

- Level 1: Assets/liabilities carrying at fair values measured using unadjusted quoted prices in active markets for identical financial instruments
- Level 2: Assets/liabilities carrying at 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: Assets/liabilities carrying at fair values measured using valuation techniques in which any significant input is not based on observable market data

14. Fair Value Measurement *(continued)*

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.

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 valuation model include 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 selling price range from -10% to +10%. The fair value measurement is positively correlated to adjustments to the selling price of the underlying properties. As at 30 June 2016, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, would have increased/decreased the Group's fair value reserve by HK\$579,158,000/HK\$579,163,000 (31 December 2015: HK\$574,726,000/HK\$574,726,000).

15. Capital Commitments

As at 30 June 2016, the Group had no capital commitments contracted but not provided for (31 December 2015: Nil).

16. Pledges of Assets

As at 30 June 2016, the banking facilities granted to the Group were secured by legal charge over:

- (a) all of the Group's medium term leasehold land with an aggregate net book value of HK\$87,425,000 (31 December 2015: HK\$88,836,000);
- (b) all of the Group's buildings with an aggregate net book value of HK\$24,559,000 (31 December 2015: HK\$24,647,000); and
- (c) the joint venture's investment properties with an aggregate book value of HK\$3,189,000,000 (31 December 2015: HK\$3,135,000,000).

17. Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

27 Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities of the Stock Exchange (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 (Notes 2 and 4)	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Personal	2,000,000	0.05%
Ms. Wong Yuk Ching	Personal	6,655,000	0.15%
Ms. Chio Koc Ieng	Personal	270,000	0.01%
Mr. Lai Ka Fai	Personal	430,000	0.01%
Ms. Or Pui Ying, Peranza (Notes 3 and 4)	Beneficiary of a trust	3,260,004,812	73.44%
	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 <i>(Note 6)</i>
Mr. Or Wai Sheun <i>(Notes 2 and 5)</i>	Founder and beneficiary of a trust	830,770,124	72.20%
	Corporate	277,500	0.02%
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	0.07%
Ms. Or Pui Ying, Peranza <i>(Notes 3 and 5)</i>	Beneficiary of a trust	830,770,124	72.20%

– Ors Holdings Limited

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital
Mr. Or Wai Sheun <i>(Note 7)</i>	Founder and beneficiary of a trust	1	100.00%
Ms. Or Pui Ying, Peranza <i>(Note 7)</i>	Beneficiary of a trust	1	100.00%

Directors' Interests and Short Positions in Shares and Underlying Shares *(continued)*

Notes:

1. As at 30 June 2016, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 830,770,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.
3. Ms. Or Pui Ying, Peranza was deemed to be interested in 830,770,124 ordinary shares in KDC as one of the beneficiaries of a discretionary family trust.

Ms. Or Pui Ying, Peranza was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through her interest in KDC.
4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in this section and as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in the section under the heading of "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" were the same interests in the Company.
5. The interest in 830,770,124 ordinary shares in KDC as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in KDC.
6. As at 30 June 2016, the total number of issued shares of KDC was 1,150,681,275 ordinary shares.
7. The interest in 1 ordinary share in Ors Holdings Limited as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in Ors Holdings Limited.

Save as disclosed above, as at 30 June 2016, 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 Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, 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 Shareholders	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital (Note 1)
Ors Holdings Limited (Notes 2 and 4)	Corporate	3,260,004,812	73.44%
HSBC International Trustee Limited (Notes 3 and 4)	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited (Notes 4 and 5)	Corporate	3,260,004,812	73.44%

Notes:

- As at 30 June 2016, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.
- Ors Holdings Limited held 830,770,124 ordinary shares in KDC (being 72.20% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- Based on information available to the Company, HSBC International Trustee Limited held 831,617,074 ordinary shares in KDC (being 72.27% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in this section and as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in the section under the heading of "Directors' Interests and Short Positions in Shares and Underlying Shares" were the same interests in the Company.
- According to the register of the Company, as at 30 June 2016, KDC was interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary shares of the Company). On specific enquiries made, KDC had confirmed that as at 30 June 2016, it was interested in 3,260,004,812 ordinary shares in the Company. There was a difference of 15,000,000 ordinary shares between the actual number of shares interested in of KDC and the number of shares interested in as disclosed by KDC because KDC did not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2016, 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Compliance with the Model Code

The Company has adopted 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 during the period under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Review of Interim Report

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2016.

Human Resources

As at 30 June 2016, the total number of employees of the Group was about 370 (31 December 2015: 370). Staff costs (excluding directors' emoluments) during the period totalled HK\$26,981,000 (six months ended 30 June 2015: HK\$32,179,000). 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.

Compliance with the Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016, save for the following exceptions.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The 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 the Non-executive Directors of the Company are subject to rotation in accordance with the articles of association of the Company, the Board of Directors considers that the Non-executive Directors of the Company 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 A.4 of the CG Code.

Code Provision A.6.7 of the CG Code stipulates that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. A Non-executive Director of the Company was unable to attend the Annual General Meeting of the Company held on 28 June 2016 since she was overseas at that time.

Changes in Information of Directors

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

The monthly salary of the following Directors has been changed as follows with effect from 1 July 2016:

	Before change	After change
Mr. Yeung Kwok Kwong	HK\$179,500	HK\$186,700
Ms. Wong Yuk Ching	HK\$109,300	HK\$113,700
Ms. Chio Koc Ieng	HK\$110,800	HK\$115,300

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Closure of Register of Members

For the purpose of determining members who qualify for the interim dividend, the Register of Members of the Company will be closed from Monday, 28 November 2016 to Tuesday, 29 November 2016, both dates inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 25 November 2016.



where there is hope,
there is faith.
where there is faith,
miracles happen.

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