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)

2016 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- For the year ended 31 December 2016, the Group's net profit attributable to equity shareholders rose to HK$59.2 million from HK$51.7 million in 2015.
- Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK$21.8 million in 2016, compared with an underlying net loss of HK$122.6 million in 2015.
- Full year dividend per share for 2016 amounts to 0.70 HK cent, with a final dividend per share of 0.50 HK cent.

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2016, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK$59.2 million compared to HK$51.7 million in 2015. The basic earnings per share for 2016 amounted to 1.33 HK cents compared to 1.16 HK cents in 2015.

Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK$21.8 million in 2016, compared with an underlying net loss of HK$122.6 million in 2015.

The Board of Directors has recommended the payment of a final dividend per share for 2016 of 0.50 HK cent (2015: 0.50 HK cent). Together with the interim dividend of 0.20 HK cent per share (2015: 0.20 HK cent), the full year dividend for 2016 amounted to 0.70 HK cent per share (2015: 0.70 HK cent). The final dividend will be payable on Wednesday, 5 July 2017 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 June 2017, subject to the approval of the shareholders at the 2017 Annual General Meeting.

BUSINESS REVIEW

For the year ended 31 December 2016, excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit amounted to HK$21.8 million in 2016, compared with an underlying net loss of HK$122.6 million in 2015. The underlying net loss in 2015 was due to an impairment provision of HK$170 million made for the Group's Kazakhstan oil assets but no such impairment provision was considered necessary in 2016.

Property Development

With respect to the Lote P development project (Pearl Horizon) in Macau, 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 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 confirmation from the Courts 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 hearing dates to be fixed by the Courts of Macau for the legal proceedings.

In respect of the Lotes T+T1 development project (La Marina) in Macau, the topping-out of the superstructure work was completed in the fourth quarter of 2016 and the façade and interior fitting-out works are being expedited.

Property Investment

For the year under review, the Group's share of gross rental income generated from its investment properties rose to HK$79.3 million, representing an increase of 16.1% over 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$73.4 million in 2016 from HK$63.2 million in 2015.

Oil

The oil segment recorded an operating loss of HK$30.2 million in 2016 compared to an operating loss of HK$164 million in 2015. While the operating loss in 2015 was mainly due to the impairment provision of HK$170 million made for the Group's oil assets in Kazakhstan, the operating loss for 2016 was attributable to a further decline in crude oil prices, with the average benchmark Brent crude oil prices for the full year of 2016 falling over 15% from 2015 to approximately US$45 per barrel. No further impairment was made for the Group's oil assets in Kazakhstan in 2016 because for the year under review the international oil prices rose from their lows in the first quarter and reached above US$50 per barrel as at 31 December 2016, anticipating the trend of international oil prices to gradually recover from its current lows in the coming years.

Ice Manufacturing and Cold Storage

During the year, the total operating profit for the combined ice manufacturing and cold storage segment rose to HK$34.2 million, an increase of 21.5% over 2015. The increase in operating profit was attributable to an overall improvement in operations and business expansion.

PROSPECTS

Following the economic contraction since the second half of 2014, the Macau economy started recovering in the third quarter of 2016, with real gross domestic product (GDP) returning to positive growth of 5.7% year-on-year in the second half of 2016. For the whole year of 2016, real GDP fell 2.1% year-on-year, a significant improvement from a contraction of 21.5% in 2015. The gaming industry has stabilised as well, with gross gaming revenues falling 3.3% year-on-year in 2016 after a plunge of 34% in 2015. More encouragingly, following a two-year downturn, the housing activity saw a noticeable rebound, with the average transacted residential prices rising over 20% in the second half of 2016 from the trough in the first half and more importantly the overall residential transaction volume surged remarkably, up an average of 70% in 2016 following a decline of 37% and 22% in 2014 and 2015 respectively.

Undoubtedly, the Macau economy will continue to be challenged by the uncertainties over the global economy and political environment. Nevertheless, the completion of the Hong Kong-Zhuhai-Macau Bridge, which is expected in 1-2 years, will greatly improve the road transport connecting the three regions and effectively shorten the travelling time between the cities, and hence help further promote the city to become a world-class leisure destination and tourism hub. This will enhance sustainable economic growth in Macau for many years to come. The Group remains optimistic about the prospects of Macau over the medium- to long-term.

With respect to the Lote P development project (Pearl Horizon), all possible approaches will be actively explored in order to be able to resume the construction work as soon as possible.

Regarding the Lotes T+T1 development project (La Marina), the topping-out of superstructure work was completed in the fourth quarter of 2016. The Group is making best efforts to expedite the façade and interior fitting-out works and the progress is satisfactory. The Group will endeavour to ensure an occupation permit is obtained by the middle of 2017 and the completed residential units will be delivered to the buyers in the fourth quarter of 2017. The related sales from the project are expected to be recognised from 2017 onwards.

The Group expects its investment property portfolio in Macau will continue to generate stable income in 2017.

The Group has attempted to diversify its ice manufacturing and cold storage business in Hong Kong over the past couple of years, aiming to grow its business and hence increase its future earnings contribution to the Group.

The Group believes that the rate of increase in crude oil prices will slow down in 2017 and therefore the oil business in Kazakhstan is not expected to make a contribution to its earnings.

The Group will carry out a complete assessment to all its businesses this year coming up with strategies and development plans for sustainable earnings growth.

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.

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures of 2015 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	Note	**2016** **_HK$'000_**	2015 *HK$'000*
Revenue	*3*	**211,293**	357,517
Cost of sales		**(79,300)**	(132,757)
Gross profit		**131,993**	224,760
Other income	*4*	**15,072**	11,747
Selling and distribution expenses		**(47,735)**	(111,105)
Administrative expenses		**(49,440)**	(55,071)
Other operating expenses		**(54,637)**	(42,632)
Impairment of oil production and exploitation assets	*5*	**-**	(170,000)
Loss from operations		**(4,747)**	(142,301)
Finance costs	*6*	**(32,838)**	(33,902)
Share of profit of joint venture		**103,414**	232,758
Profit before taxation	*6*	**65,829**	56,555
Income tax	*7*	**(4,257)**	(3,079)
Profit for the year		**61,572**	53,476
Attributable to:			
– Equity shareholders of the Company		**59,201**	51,673
– Non-controlling interests		**2,371**	1,803
Profit for the year		**61,572**	53,476
Earnings per share – basic/diluted	*8*	**1.33 HK cents**	1.16 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**61,572**	53,476
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Changes in fair value of interests in property development	**1,241,332**	(101,415)
Other comprehensive income for the year, net of tax	**1,241,332**	(101,415)
Total comprehensive income for the year	**1,302,904**	(47,939)
Attributable to:		
– Equity shareholders of the Company	**1,300,533**	(49,742)
– Non-controlling interests	**2,371**	1,803
Total comprehensive income for the year	**1,302,904**	(47,939)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Non-current assets			
Property, plant and equipment	*5*	**657,173**	693,754
Oil exploitation assets	*5*	**48,156**	49,325
Interests in property development	*10*	**12,060,840**	10,819,508
Interest in joint venture		**1,433,396**	1,396,225
Deferred tax assets		**105,727**	105,727
Goodwill		**16,994**	16,994
		14,322,286	13,081,533
Current assets			
Inventories		**86,905**	80,694
Trade and other receivables	*11*	**39,549**	50,448
Cash and bank balances		**170,261**	575,288
		296,715	706,430
Current liabilities			
Trade and other payables	*12*	**77,666**	75,189
Bank loans		**70,200**	376,600
Current taxation		**58,168**	56,966
		206,034	508,755
Net current assets		**90,681**	197,675
Total assets less current liabilities		**14,412,967**	13,279,208

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Non-current liabilities			
Amount due to ultimate holding company		**572,507**	1,014,759
Other payables		**21,409**	23,342
Bank loans		**1,354,800**	1,045,000
Deferred tax liabilities		**17,635**	18,372
		1,966,351	2,101,473
NET ASSETS		**12,446,616**	11,177,735
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**11,989,713**	10,720,253
Total equity attributable to equity shareholders of the Company		**12,433,610**	11,164,150
Non-controlling interests		**13,006**	13,585
TOTAL EQUITY		**12,446,616**	11,177,735

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Annual Improvements to *HKFRSs 2012-2014 Cycle*

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 (2015: four) operating segments for the year which comprise property 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").

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.

3. **SEGMENT REPORTING** *(continued)*

Segment assets include all tangible, intangible assets and current assets with exception of interest in joint venture, 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 exceptional items, corporate administrative and financing expenses and corporate financial assets respectively.

Information regarding the Group's reportable segments as provided to the Group's senior management for the purpose 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$'000*	**Others** *HK$'000*	**2016 Total** *HK$'000*
Revenue	–	**77,377**	**133,916**	–	**211,293**
Reportable segment result	**5,586**	**(30,238)**	**34,248**	**(10)**	**9,586**
Head office and corporate expenses					**(14,333)**
Loss from operations					**(4,747)**
Finance costs					**(32,838)**
Share of profit of joint venture	**103,414**	–	–	–	**103,414**
Profit before taxation					**65,829**
Reportable segment assets	**12,144,003**	**605,925**	**158,337**	–	**12,908,265**
Interest in joint venture	**1,433,396**	–	–	–	**1,433,396**
Head office and corporate assets					**277,340**
					14,619,001
Capital expenditure incurred	–	**1,461**	**2,560**	**3**	**4,024**
Depreciation and amortisation	–	**33,333**	**8,089**	**106**	**41,528**

During the year ended 31 December 2016, the Group had one customer in the oil segment with sales amounting to HK$68,898,000, which exceeded 10% of the Group's revenue.

3. SEGMENT REPORTING *(continued)*

	Properties *HK$'000*	Oil *HK$'000*	Ice and cold storage *HK$'000*	Others *HK$'000*	2015 Total *HK$'000*
Revenue	2,000	214,724	129,931	10,862	357,517
Reportable segment result	4,173	(164,364)	28,189	1,415	(130,587)
Head office and corporate expenses					(11,714)
Loss from operations					(142,301)
Finance costs					(33,902)
Share of profit of joint venture	232,758	–	–	–	232,758
Profit before taxation					56,555
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
Capital expenditure incurred	–	2,957	3,187	84	6,228
Depreciation and amortisation	–	63,571	9,198	98	72,867
Impairment of oil production and exploitation assets	–	170,000	–	–	170,000

During the year ended 31 December 2015 the Group had one customer in the oil segment with sales amounting to HK$189,094,000, which exceeded 10% of the Group's revenue.

3. 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 instruments 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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**133,916**	142,793	**1,573,911**	1,542,556
Kazakhstan	**77,377**	214,724	**581,808**	613,742
	211,293	357,517	**2,155,719**	2,156,298

In addition to the above non-current assets, the Group has interests in property development of HK$12,060,840,000 (2015: HK$10,819,508,000) in the People's Republic of China.

4. OTHER INCOME

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

	2016	2015
	HK$'000	*HK$'000*
Rental income from properties held for sale	**8,197**	7,141
Bank and other interest income	**5,144**	2,967
Others	**1,731**	1,639
	15,072	11,747

5. OIL PRODUCTION AND EXPLOITATION ASSETS

As at 31 December 2016, the Group had oil production assets of HK$533,652,000 (2015: HK$564,417,000) (included in property, plant and equipment) and oil exploitation assets of HK$48,156,000 (2015: HK$49,325,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly-owned subsidiary of the Company, in Kazakhstan will expire on 30 June 2017. Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 30 June 2017 and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on the above, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

As at 31 December 2016, management reassessed the operation and the risk exposures of the Group's oil exploration and production business as a whole and estimated that the estimated recoverable amounts of the oil production and exploitation assets exceeded their carrying values. No further impairment is considered necessary for the year ended 31 December 2016. In 2015, in view of the significant drop in crude oil prices, the carrying amounts of oil production and exploitation assets exceeded their estimated recoverable amounts. Accordingly, impairment for oil production assets and oil exploitation assets amounting to HK$156,400,000 and HK$13,600,000 respectively, was recognised in the Group's consolidated income statement. The recoverable amounts of oil production and exploitation assets were determined based on value in use calculations applying a discount rate of 12.5% (2015: 12.5%).

6. PROFIT BEFORE TAXATION

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

	2016	2015
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on		
– Bank borrowings wholly repayable within five years	**21,705**	7,914
– Amount due to ultimate holding company repayable after more than one year	**9,998**	24,598
	31,703	32,512
Other finance costs	**1,135**	1,390
	32,838	33,902
(b) Staff costs		
Staff costs (excluding directors' remuneration)#:		
Wages and salaries	**57,712**	62,393
Contributions to retirement benefit scheme	**1,716**	1,678
	59,428	64,071
(c) Other items		
Depreciation of property, plant and equipment#	**40,359**	69,535
Amortisation of oil exploitation assets#	**1,169**	3,332
Minimum lease payments under operating leases in respect of land and buildings	**1,604**	1,561
Auditors' remuneration	**2,132**	1,858
Exchange loss/(gain)	**10,134**	(216)
Net realised gain on disposal of held for trading investments	**-**	(1,457)
(Gain)/loss on disposal of property, plant and equipment	**(490)**	2,190
Share of taxation of joint venture (included in share of profit of joint venture)	**11,910**	29,557

Cost of sales includes HK$39,220,000 (2015: HK$$73,267,000) 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 6(b) for each of these types of expenses.

7. INCOME TAX

Taxation in the consolidated income statement represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**3,751**	3,453
– Overseas income tax	**1,954**	2,052
– (Over)/under provision in respect of prior years	**(711)**	10
	4,994	5,515
Deferred tax	**(737)**	(2,436)
	4,257	3,079

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

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK$59,201,000 (2015: HK$51,673,000) and 4,438,967,838 ordinary shares (2015: 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 2016 and 2015.

9. DIVIDENDS

Dividends attributable to the year:

	2016	2015
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.002 (2015: HK$0.002) per share	**8,878**	8,878
Final dividend proposed after the end of the reporting period of HK$0.005 (2015: HK$0.005) per share	**22,195**	22,195
	31,073	31,073

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

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 the 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 arrangements and other key terms of the co-investment agreements were disclosed in the Company's Circular dated 23 May 2006. Interests in property development are stated at fair value at the end of the reporting period.

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the land use was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ending on 25 December 2015 (the "Expiry Date"). If the project had been completed on or before the Expiry Date, it would have become a definite land concession which would be renewable every 10 years until 2049. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau New Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to the delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but 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 hearing dates 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 will 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 31 December 2016.

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.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Ageing analysis of trade receivables (based on the due date):		
Current	**10,287**	14,669
Within 3 months	**6,258**	10,102
Over 3 months	**152**	51
Trade receivables	**16,697**	24,822
Other receivables	**22,852**	25,626
	39,549	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

	2016	2015
	HK$'000	*HK$'000*
Ageing analysis of trade payables (based on the due date):		
Current	**675**	643
Within 3 months	**399**	143
Over 3 months	**3**	3
Trade payables	**1,077**	789
Other payables		
– Government fees and levies	**9,436**	11,294
– Others	**67,153**	63,106
	76,589	74,400
	77,666	75,189

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 2016, the Group maintained a balance of cash and bank of HK$170.3 million (2015: HK$575.3 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.44 times (2015: 1.39 times).

As at 31 December 2016, the Group had bank borrowings of HK$1,425.0 million (2015: HK$1,421.6 million), with HK$70.2 million being repayable within one year and HK$1,354.8 million being repayable between one year and two years. The amount due to ultimate holding company was HK$572.5 million (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$1,425.0 million (2015: HK$1,421.6 million), which were fully utilised as at 31 December 2016 (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 31 December 2016, total equity attributable to equity shareholders of the Company amounted to HK$12,433.6 million (2015: HK$11,164.2 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to ultimate holding company) over the equity attributable to equity shareholders of the Company, decreased to 16.1% as at 31 December 2016 from 21.8% as at 31 December 2015.

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

CHARGES ON ASSETS

As at 31 December 2016, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK$110.6 million (2015: HK$113.5 million) and HK$3,220 million (2015: HK$3,135 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

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

OTHER INFORMATION

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and discussed with the Group's independent auditor, KPMG, the consolidated financial statements of the Group for the year ended 31 December 2016 including critical accounting policies and practices adopted by the Group.

SCOPE OF WORK OF KPMG

The financial figures in this announcement have been agreed by the Group's independent auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2016. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Public Accountants, and consequently no assurance has been expressed by KPMG on this announcement.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 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 (the "Board") 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on Wednesday, 7 June 2017 and the Notice of 2017 Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who entitle to attend and vote at the 2017 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2017 Annual General Meeting, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 1 June 2017.

For the purpose of determining members who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Monday, 19 June 2017 to Tuesday, 20 June 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 16 June 2017.

PUBLICATION OF ANNUAL REPORT

The 2016 Annual Report containing all the information as required by the Listing Rules will be published on the Company's website at www.polytecasset.com and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders in due course.

By Order of the Board
Polytec Asset Holdings Limited
Or Wai Sheun
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, Mr. Or Wai Sheun (Chairman), Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching and Ms. Chio Koc Ieng are Executive Directors of the Company; Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza are Non-executive Directors of the Company and Mr. Liu Kwong Sang, Mr. Siu Leung Yau, Dr. Tsui Wai Ling, Carlye and Prof. Dr. Teo Geok Tien Maurice are Independent Non-executive Directors of the Company.

* *For identification purpose only*