



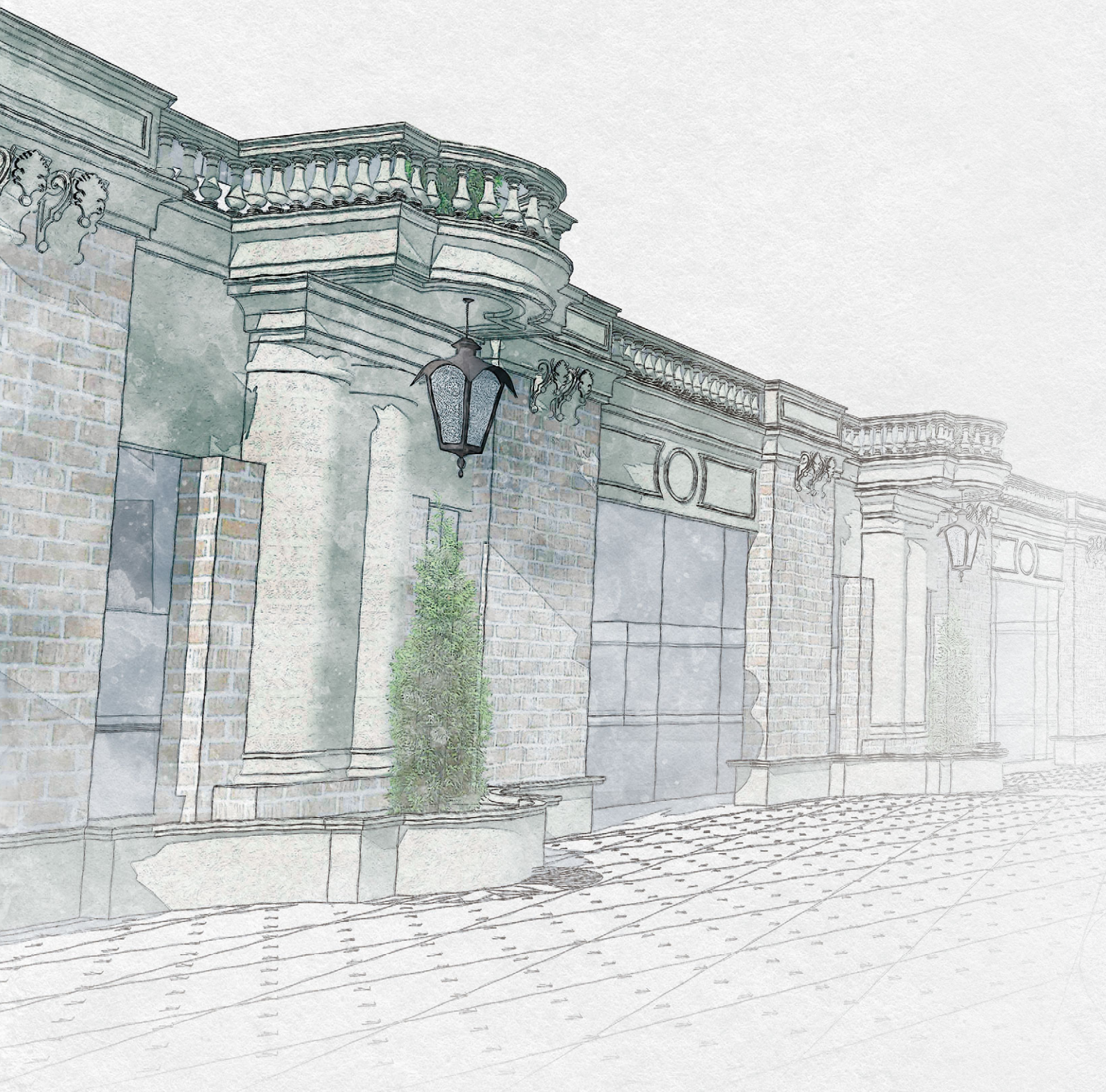
2017

INTERIM REPORT 中期報告



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) 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 leng

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. 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

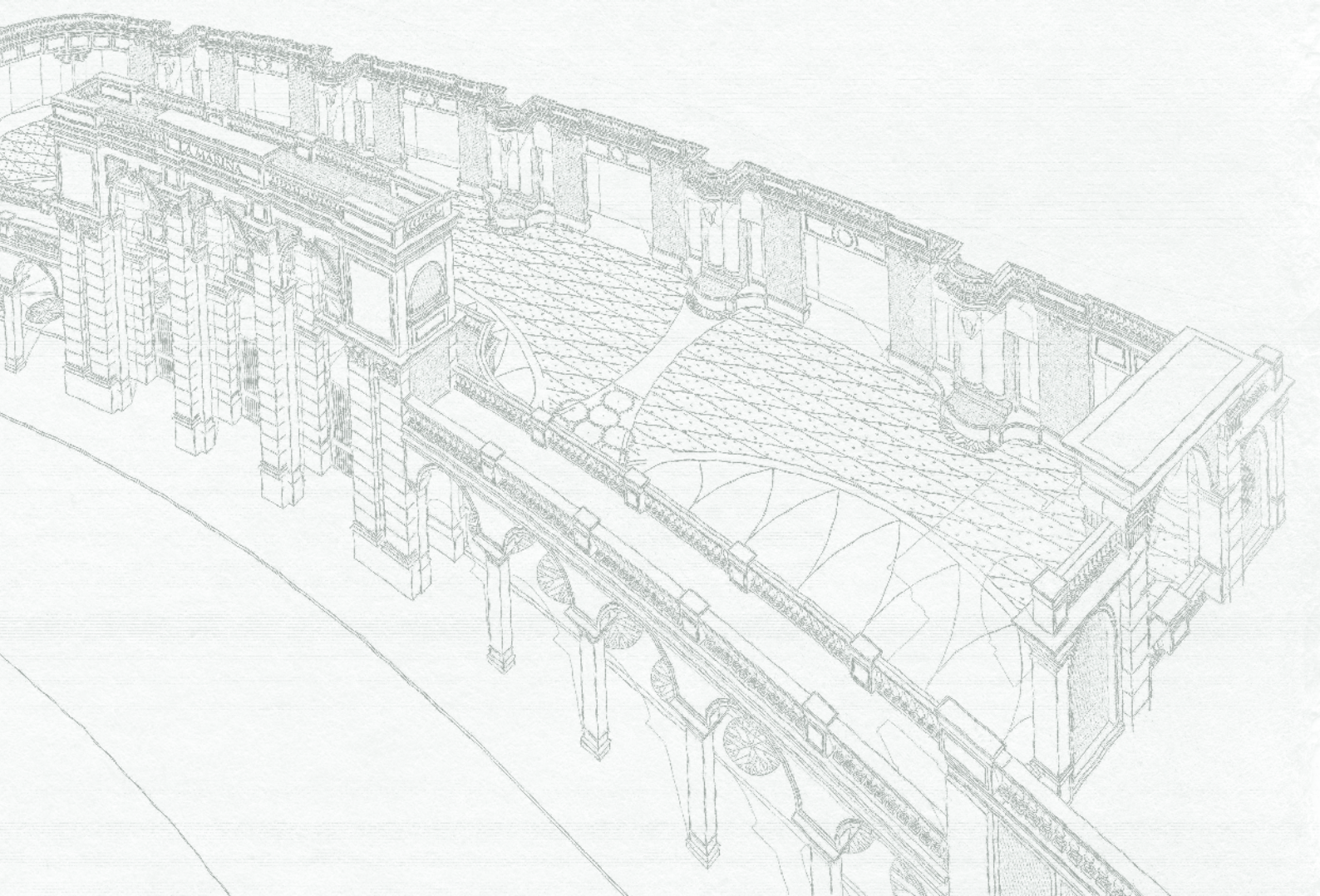
The Stock Exchange of Hong Kong Limited: 208

Principal Bankers

Hang Seng Bank
Bank of China

Financial Calendar for Interim Results 2017

Interim results announcement	23 August 2017
Ex-dividend date for interim dividend	23 November 2017
Closure of Register of Members	27 November 2017 – 28 November 2017 (both dates inclusive)
Interim dividend payable	13 December 2017



04 Group's Business Structure

POLYTEC ASSET HOLDINGS LIMITED

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

MACAU PROPERTY

Property Development

Major development projects:

- Pearl Horizon[#]
- La Marina[#]

Development Landbank:
715,000 sq.m.

Property Investment

Major investment property:

- The Macau Square

Investment Landbank:
18,000 sq. m.

ENERGY BUSINESS

Oil

Oil production and exploration in Kazakhstan

OTHERS

Ice & Cold Storage

The Hong Kong Ice & Cold Storage Company Limited is one of the largest ice making distributors in Hong Kong

[#] The development of these projects is under the co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company of the Company.

05 Highlights

- The Group's unaudited net profit attributable to equity shareholders of the Company for the first half of 2017 rose to HK\$48.6 million, an increase of 13.7% over the corresponding period in 2016.
- Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first half of 2017 amounted to HK\$10.7 million, compared to the underlying net profit of HK\$19.0 million for the corresponding period in 2016. The underlying net interim earnings per share for 2017 was 0.24 HK cent compared to the underlying net interim earnings per share of 0.43 HK cent in 2016.
- Interim dividend per share for 2017 amounted to 0.20 HK cent (2016: 0.20 HK cent).



06 Chairman's Statement

Interim Results and Dividends

For the six months ended 30 June 2017, the unaudited net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK\$48.6 million, an increase of 13.7% over the corresponding period of 2016. The interim earnings per share for 2017 amounted to 1.09 HK cents compared to 0.96 HK cent in 2016.

Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first six months of 2017 amounted to HK\$10.7 million compared to the underlying net profit of HK\$19.0 million for the first six months of 2016. The underlying net interim earnings per share for 2017 was 0.24 HK cent compared to the underlying net interim earnings per share of 0.43 HK cent in 2016.

The Board of Directors has declared an interim dividend per share for 2017 of 0.20 HK cent (2016: 0.20 HK cent). The interim dividend will be payable on Wednesday, 13 December 2017 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 28 November 2017.

Business Review

For the period under review, the Group's underlying net profit amounted to HK\$10.7 million compared to HK\$19.0 million for the same period in 2016. The decrease in the Group's underlying earnings in the first half of 2017 was primarily due to the increase in non-recurring expenses of its ice manufacturing and cold storage segment and the strategically reduction in production volume in its oil segment during the period.

With respect to the Pearl Horizon development project (Lote P) in Macau, 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 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 its owner. Nevertheless, based on the opinions provided by the Group's legal counsel, it is believed that 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 La Marina development project (Lotes T+T1) in Macau, with continuing efforts in expediting construction works, all works were completed and the occupation permit was obtained on 3 July 2017. Refinement works for the project have been carried out and are currently making good progress.

Property Investment

For the period under review, the Group's share of gross rental income generated from its investment properties rose to HK\$42.6 million, an increase of 8.1% over the same period in 2016. 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\$39.6 million for the first half of 2017 compared to HK\$36.5 million for the corresponding period in 2016.

Oil

For the six months ended 30 June 2017, the segment recorded a loss of HK\$9.5 million, representing an increase of approximately HK\$2.6 million in operating loss over the same period in 2016. The increase in operating loss was primarily because the Group strategically lowered the current oil production during the period to preserve its oil reserves considering that no profit would have been generated at persistently low oil prices. As a result, oil sales revenue was reduced significantly and, with substantial fixed operating costs associated with production, the segment's operating loss widened.

Ice Manufacturing and Cold Storage

During the period under review, the total operating profit for the combined ice manufacturing and cold storage segment amounted to HK\$10.6 million compared to HK\$14.8 million for the corresponding period in 2016. While segment revenue remained stable for the period, the decrease in operating profit was attributable to the increase in non-recurring expenses relating to replacement and maintenance of machinery.

Prospects

The Macau economy continued to gather momentum in the first half of 2017, with its real gross domestic product (GDP) rising 10.3% year-on-year in the first quarter of 2017 after returning to positive growth since the second half of 2016. The recovery appears to be sustainable, mainly supported by the gaming industry, with gross gaming revenues rising for the twelve consecutive months in July 2017. In addition, overall sentiment and sales activity in both commercial and residential property markets continue to improve, with particularly the residential transaction volumes and transacted prices recording considerable increases in the first half of 2017.

However, the Monetary Authority of Macau tightened mortgage lending in May 2017 to prevent the property market from overheating, with guidelines issued to banks on a reduction of the mortgage coverage ratios for purchasers. As a result, the residential transaction volumes fell substantially in June 2017 from the levels in previous months. In addition, lawmakers have just passed certain amendments to its Rental Bill which will likely reduce property investors' appetite. Nevertheless, the Group expects the cooling measures imposed on the property market will only affect the property market adversely over a short period of time as a majority of purchasers would likely adopt a wait-and-see attitude. As the Group is cautiously optimistic about the outlook for the economy, it believes that the residential transaction volumes as well as the prices will steadily pick up later this year when the above uncertainties gradually fade out.

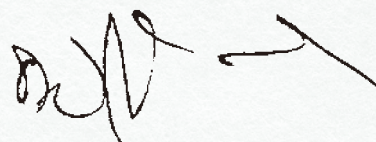
With respect to the Pearl Horizon development project, in addition to taking the legal route to protect the Group's as well as the buyers' interest, all other practicable approaches have been actively explored in order to be able to resume construction if and as soon as this becomes possible.

In respect of the La Marina development project, as its refinement works are currently progressing well and therefore it is expected that the pre-sold residential units could be delivered to the buyers in the fourth quarter of 2017 as previously scheduled and the remaining residential units will be put on the market for sale in phases.

The Group projects that the international oil prices for the rest of 2017 appear unlikely to change substantially from the current levels and therefore its oil business in Kazakhstan is not expected to make a contribution to earnings for the second half of 2017. Nevertheless, its investment property portfolio in Macau and its ice manufacturing and cold storage business in Hong Kong are expected to continue to generate stable income for the second half of 2017.

As La Marina is a relatively sizeable development project situated in a prime area, it is expected to make an important contribution to the Group's earnings in the coming years.

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.



Or Wai Sheun
Chairman

Hong Kong, 23 August 2017

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 2017, the Group maintained a balance of cash and bank of HK\$215.1 million (31 December 2016: HK\$170.3 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.59 times (31 December 2016: 1.44 times).

As at 30 June 2017, the Group had bank borrowings of HK\$1,425.0 million (31 December 2016: HK\$1,425.0 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. As at 30 June 2017, the Group has no amount due to ultimate holding company (31 December 2016: HK\$572.5 million); whereas the amount due to immediate holding company was HK\$612.0 million (31 December 2016: Nil). Both amounts due were unsecured, denominated in Hong Kong dollars, interest bearing at prevailing market rates and repayable after more than one year.

The Group had banking facilities of HK\$1,425.0 million (31 December 2016: HK\$1,425.0 million), which were fully utilised as at 30 June 2017 (31 December 2016: 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 2017, total equity attributable to equity shareholders of the Company amounted to HK\$12,540.6 million (31 December 2016: HK\$12,433.6 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to holding companies) over the total equity attributable to equity shareholders of the Company, slightly increased from 16.1% as at 31 December 2016 to 16.2% as at 30 June 2017.

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 2017, 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 2017, the Group had no capital commitments contracted but not provided for (31 December 2016: Nil).

Charges on Assets

As at 30 June 2017, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK\$108.6 million (31 December 2016: HK\$110.6 million) and HK\$3,306 million (31 December 2016: HK\$3,220 million), were pledged to secure the banking facilities of the Group.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

09 Consolidated Income Statement

	Note	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	89,021	105,122
Cost of sales		(27,385)	(37,029)
Gross profit		61,636	68,093
Other income		4,931	7,165
Selling and distribution expenses		(22,944)	(24,575)
Administrative expenses		(20,865)	(20,307)
Other operating expenses		(26,650)	(24,714)
(Loss)/Profit from operations		(3,892)	5,662
Finance costs	4	(17,332)	(16,141)
Share of profit of joint venture		72,054	55,798
Profit before taxation	5	50,830	45,319
Income tax	6	(1,205)	(1,305)
Profit for the period		49,625	44,014
Attributable to:			
Equity shareholders of the Company		48,581	42,724
Non-controlling interests		1,044	1,290
Profit for the period		49,625	44,014
Earnings per share – Basic/Diluted	7	1.09 HK cents	0.96 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	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	49,625	44,014
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	80,616	(287,969)
Other comprehensive income for the period, net of tax	80,616	(287,969)
Total comprehensive income for the period	130,241	(243,955)
Attributable to:		
Equity shareholders of the Company	129,197	(245,245)
Non-controlling interests	1,044	1,290
Total comprehensive income for the period	130,241	(243,955)

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

11 Consolidated Statement of Financial Position

		At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	644,143	657,173
Oil exploitation assets	9	47,656	48,156
Interests in property development	10	12,141,456	12,060,840
Interest in joint venture		1,471,800	1,433,396
Deferred tax assets		105,727	105,727
Goodwill		16,994	16,994
		14,427,776	14,322,286
Current assets			
Inventories		84,649	86,905
Trade and other receivables	11	46,281	39,549
Cash and bank balances		215,075	170,261
		346,005	296,715
Current liabilities			
Trade and other payables	12	87,267	77,666
Bank loans		70,200	70,200
Current taxation		59,847	58,168
		217,314	206,034
Net current assets		128,691	90,681
Total assets less current liabilities		14,556,467	14,412,967

	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
<i>Note</i>		
Non-current liabilities		
Amount due to ultimate holding company	–	572,507
Amount due to immediate holding company	611,980	–
Other payables	20,224	21,409
Bank loans	1,354,800	1,354,800
Deferred tax liabilities	17,161	17,635
	2,004,165	1,966,351
NET ASSETS	12,552,302	12,446,616
CAPITAL AND RESERVES		
Share capital	443,897	443,897
Reserves	12,096,715	11,989,713
Total equity attributable to equity shareholders of the Company	12,540,612	12,433,610
Non-controlling interests	11,690	13,006
TOTAL EQUITY	12,552,302	12,446,616

Approved and authorised for issue by the Board of Directors on 23 August 2017.

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 2017	443,897	5,912,600	4,764,840	1,312,273	12,433,610	13,006	12,446,616
Profit for the period	-	-	-	48,581	48,581	1,044	49,625
Other comprehensive income	-	-	80,616	-	80,616	-	80,616
Total comprehensive income	-	-	80,616	48,581	129,197	1,044	130,241
Dividends approved in respect of the previous year	-	-	-	(22,195)	(22,195)	-	(22,195)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,360)	(2,360)
At 30 June 2017 (unaudited)	443,897	5,912,600	4,845,456	1,338,659	12,540,612	11,690	12,552,302
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	-	-	(287,969)	-	(287,969)	-	(287,969)
Total comprehensive income	-	-	(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

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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(21,130)	18,487
Net cash generated from investing activities	39,688	31,043
Net cash generated from/(used in) financing activities	32,692	(113,457)
Net increase/(decrease) in cash and cash equivalents	51,250	(63,927)
Cash and cash equivalents at 1 January	163,825	567,855
Cash and cash equivalents at 30 June	215,075	503,928
Analysis of balance of cash and cash equivalents at 30 June		
Cash and bank balances	215,075	511,373
Less: Bank deposits with maturity more than 3 months	–	(7,445)
Cash and cash equivalents	215,075	503,928

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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 judgements, 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 2016 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. Changes in Accounting Policies

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

3. 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 2017				
	Properties HK\$'000	Oil HK\$'000	Ice and Cold Storage HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	–	31,469	57,552	–	89,021
Reportable segment result	3,118	(9,515)	10,629	–	4,232
Head office and corporate expenses					(8,124)
Loss from operations					(3,892)
Finance costs					(17,332)
Share of profit of joint venture	72,054	–	–	–	72,054
Profit before taxation					50,830

	At 30 June 2017				
	Properties HK\$'000	Oil HK\$'000	Ice and Cold Storage HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	12,223,185	594,873	162,206	–	12,980,264
Interest in joint venture	1,471,800	–	–	–	1,471,800
Head office and corporate assets					321,717
					14,773,781

3. Segment Reporting (continued)

	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 31 December 2016				Total HK\$'000
	Properties HK\$'000	Oil HK\$'000	Ice and Cold Storage HK\$'000	Others HK\$'000	
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

4. Finance Costs

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest expense on		
Bank borrowings wholly repayable within five years	12,358	10,608
Amount due to ultimate holding company repayable after more than one year	3,441	4,970
Amount due to immediate holding company repayable after more than one year	980	-
	16,779	15,578
Other finance costs	553	563
	17,332	16,141

5. Profit Before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Depreciation and amortization*	13,926	20,874

* Cost of sales includes HK\$9,521,000 (six months ended 30 June 2016: HK\$16,544,000) relating to depreciation and amortisation expenses.

6. Income Tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	703	1,380
– Overseas income tax	976	285
Deferred tax	(474)	(360)
	1,205	1,305

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017. 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\$48,581,000 (six months ended 30 June 2016: HK\$42,724,000) and 4,438,967,838 (six months ended 30 June 2016: 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 2017 and 2016.

8. Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of 0.20 HK cent (six months ended 30 June 2016: 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	
	2017	2016
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the interim period, of 0.50 HK cent (six months ended 30 June 2016: 0.50 HK cent) per share	22,195	22,195

9. Oil Production Assets and Oil Exploitation Assets

As at 30 June 2017, the Group had oil production assets of HK\$524,772,000 (31 December 2016: HK\$533,652,000) (included in property, plant and equipment) and oil exploitation assets of HK\$47,656,000 (31 December 2016: HK\$48,156,000). 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 judgements in estimating future crude oil prices, the discount rate used in discounting the projected cash flows and the production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumptions that all relevant licences and permits are obtained. However, the business environment, including crude oil prices, 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 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 31 December 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 30 June 2017, 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 impairment loss is considered necessary for the period ended 30 June 2017. 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 2016: 12.5%).

Crude oil price assumptions were based on market expectations. At 30 June 2017, it is estimated that an increase/decrease of 20% (31 December 2016: 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\$272,816,000/HK\$294,853,000 (31 December 2016: HK\$285,252,000/HK\$269,746,000). 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 2016: 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\$59,815,000/HK\$66,991,000 (31 December 2016: HK\$54,421,000/HK\$61,203,000).

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 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 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 has 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 believes that PCL has strong legal grounds to obtain a favourable judgement 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 judgement 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 2017.

10. Interests in Property Development *(continued)*

One of the key assumptions for the discounted cash flow model to measure the fair value of the interest in property development of Lote P is the completion date. As at 30 June 2017, it is estimated that deferring the completion date of the Lote P development project by one year (31 December 2016: one year), with all other variables held constant, would have decreased the fair value of the interest in property development by HK\$947,099,000 (31 December 2016: HK\$951,535,000).

In respect of the development project at Lotes T+T1, the occupation permit had been obtained on 3 July 2017 which was before the expiry date of its land concession on 5 July 2017. Based on the current status, it is expected that the pre-sold residential units could be delivered to the buyers in the fourth quarter of 2017.

11. Trade and Other Receivables

The following is an ageing analysis (based on the due date) of trade receivables:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Current	17,471	10,287
Within 3 months	8,921	6,258
More than 3 months	80	152
Trade receivables	26,472	16,697
Other receivables	19,809	22,852
	46,281	39,549

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

12. Trade and Other Payables

The following is an ageing analysis (based on the due date) of trade payables:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Current	702	675
Within 3 months	676	399
More than 3 months	3	3
Trade payables	1,381	1,077
Other payables		
– Government fees and levies	9,987	9,436
– Others	75,899	67,153
	85,886	76,589
	87,267	77,666

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\$3,441,000 (six months ended 30 June 2016: HK\$4,970,000) was payable to the ultimate holding company.
- (b) The amount due to immediate holding company was unsecured, interest bearing at a premium over HIBOR and repayable after more than one year. During the period, interest of HK\$980,000 (six months ended 30 June 2016: Nil) was payable to the immediate holding company.
- (c) During the period, the Group paid rental expenses and building management fees amounting to HK\$529,000 (six months ended 30 June 2016: HK\$542,000) in aggregate to an intermediate holding company of the Company for the leasing of administrative offices in Hong Kong.
- (d) Applicability of the Listing Rules relating to connected transactions.

The related party transactions in respect of notes 13(a), (b) and (c) 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 instruments 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 2017 HK\$'000	At 31 December 2016 HK\$'000
Assets		
Level 3 (Notes)		
– Interests in property development	12,141,456	12,060,840

Notes:

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

Level 2: Fair values measured 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

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 management 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 model 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 impacts 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 2017, 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\$716,540,000/HK\$713,525,000 (31 December 2016: HK\$668,520,000/HK\$668,518,000).

15. Capital Commitments

As at 30 June 2017, the Group had no capital commitments contracted but not provided for (31 December 2016: Nil).

16. Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

17. Pledges of Assets

As at 30 June 2017, 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\$84,605,000 (31 December 2016: HK\$86,016,000);
- (b) all of the Group's buildings with an aggregate net book value of HK\$24,044,000 (31 December 2016: HK\$24,549,000); and
- (c) the joint venture's investment properties with an aggregate book value of HK\$3,306,000,000 (31 December 2016: HK\$3,220,000,000).

27 Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, 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 to 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

Director	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")

Director	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

Director	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 2017, 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 2017, 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 2017, 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 2017, 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)
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 2017, 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 2017, 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 2017, 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 2017, 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 2017.

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 2017.

Human Resources

As at 30 June 2017, the total number of employees of the Group was about 310 (31 December 2016: 370). Staff costs (excluding directors' emoluments) during the period totalled HK\$27,851,000 (six months ended 30 June 2016: HK\$26,981,000). 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 to the Listing Rules throughout the six months ended 30 June 2017, 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.

Compliance with the Corporate Governance Code *(continued)*

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. An Independent Non-executive Director of the Company was unable to attend the Annual General Meeting of the Company held on 7 June 2017 since he was overseas at that time.

Changes in Composition of the Board and Board Committees

1. During the period under review, Mr. Siu Leung Yau resigned as an Independent Non-executive Director of the Company on 24 May 2017. He was also ceased to be the chairman of the remuneration committee, the member of both the audit committee and the nomination committee of the Company with effect from 24 May 2017.
2. Dr. Tsui Wai Ling, Carlye has been appointed as the chairman of the remuneration committee, the member of both the audit committee and the nomination committee of the Company with effect from 24 May 2017.

Change 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 2017:

	Before change	After change
Mr. Yeung Kwok Kwong	HK\$186,700	HK\$190,400
Ms. Wong Yuk Ching	HK\$113,700	HK\$118,200
Ms. Chio Koc Ieng	HK\$115,300	HK\$119,900

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, 27 November 2017 to Tuesday, 28 November 2017, 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, 24 November 2017.



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