



# POLYTEC ASSET HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 208)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2004

The board of directors (“Board”) of Polytec Asset Holdings Limited (formerly Kin Don Holdings Limited) (“Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 31 May 2004.

### RESULT

		For the six months ended 31 May	
	Notes	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
TURNOVER	1	34,458	13,488
Cost of sales		(30,187)	(13,074)
Gross profit		4,271	414
Other revenue		2,037	1,676
Selling and distribution costs		(126)	(48)
Administrative expenses		(4,524)	(5,336)
Other operating expenses		(11)	(342)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		1,647	(3,636)
Finance costs		(1)	(892)
PROFIT/(LOSS) BEFORE TAX	2	1,646	(4,528)
Tax	3	—	—
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		1,646	(4,528)
Minority interests		—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,646	(4,528)
EARNINGS/(LOSS) PER SHARE	4		
— Basic		HK0.55 cent	HK(1.52) cent
— Diluted		HK0.33 cent	N/A

Notes:

**1. Segment information**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Geographical segment information has not been disclosed as over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China, including Hong Kong.

For the six months ended 31 May 2004, the Group has two business segments, namely the securities investment and trading, and trading of garments. The securities investment and trading constitutes more than 90% of the Group's revenue. Moreover, the segment assets for the trading of garments are less than 10% of the total assets of all segments. Therefore, no business segment analysis is presented.

**2. Profit/(loss) before tax**

Profit/(loss) before tax is arrived at after charging:—

	<b>For the six months ended 31 May</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<u>7</u>	<u>180</u>

**3. Tax**

No tax has been provided for the six months ended 31 May 2004 (2003: Nil), as the Group either had no assessable profits or had sufficient tax losses brought forward from the prior year to offset the assessable profits during the period.

Deferred tax has not been provided for the six months ended 31 May 2004 (2003: Nil), as the Group has no material timing difference in the recognition of revenue and expenses for tax and for financial reporting purposes.

**4. Earnings/(loss) per share**

The calculation of basic earnings per share for the six months ended 31 May 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$1,646,000 (2003: loss of HK\$4,528,000) and the weighted average of 300,321,982 (2003: 297,518,622) ordinary shares in issue during the period. The comparative amount of basic loss per share has been restated, as the number of ordinary shares in prior period has been adjusted for the consolidation of every 20 ordinary shares in issue into 1 ordinary share during the current period.

The calculation of diluted earnings per share for the six months ended 31 May 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$1,646,000 and the weighted average of 494,076,857 ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares. The diluted loss per share for the six months ended 31 May 2003 is not presented because the Company's outstanding convertible preference shares were anti-dilutive.

### *Number of ordinary shares*

Weighted average number of ordinary shares used in calculating basic earnings per share	300,321,982
Effect of dilutive potential ordinary shares in respect of convertible preference shares	<u>193,754,875</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>494,076,857</u></u>

## **5. Interim dividends**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 May 2004 (2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group recorded a net profit of approximately HK\$1.6 million for the six months ended 31 May 2004, a turnaround from a net loss of approximately HK\$4.5 million in the corresponding period last year, with its turnover rising by 155% to approximately HK\$34.5 million. We are confident that the Group's profit will improve significantly with its new vision.

### **New Company Name and New Vision**

The name of the Company has been changed to "Polytec Asset Holdings Limited 保利達資產控股有限公司" with effect from 21 January 2004. The change of name reflects a rejuvenated group with new strategies and a clear direction for its future. Its mission is to deliver high growth and solid earnings to its shareholders through asset acquisitions and investments.

### **New Business Strategy**

As the new name indicated, the Company is now an asset holding company. It essentially holds or invests in any asset class which offers an immediate or long-term potentially satisfactory rate of returns. Currently, we focus on asset acquisitions and investments in the markets that we are familiar with, the Greater China, where we are confident that we have niches and expertise to enhance the value of every acquired asset as well as to realize it at a higher than acquired value. We intend to extend our strategy to other markets in Asia or in other regions in the future.

### **Business Review**

In June 2004, the Group raised over HK\$152 million through a rights issue to broaden its capital base. The fund was used as a partial payment for the acquisition of a 50% interest in a substantial part of Han Van San Commercial Building, which is situated at Av. Do Infante D. Henrique, the central district in Macao, for the consideration of HK\$212.5 million. The building will soon be renamed as "The Macau Square 澳門廣場". The acquired properties cover an aggregate gross floor area ("GFA") of approximately 45,453 m<sup>2</sup> of retail, office and car parking spaces, representing about 76% of the estimated aggregate

GFA of the whole building. While they are still under renovations, they will likely generate a steady rental income to the Group from 2005. The management believes that the Macao economy will likely sustain a high rate of growth in the next few years and the value of properties in Macao will likely appreciate further.

On 2 July 2004, the Group entered into another sale and purchase agreement for the acquisition of a parcel of properties in Macao for the consideration of HK\$84.6 million of such 70.5% interest effectively. The acquired properties cover mainly an estimated aggregate GFA of approximately 15,934 m<sup>2</sup> of retail and office spaces of China Plaza, which is situated at Avenida da Praia Grande, the central district in Macao. We intend to retain the China Plaza properties in our property investment portfolio to generate a steady rental income to the Group and dispose of other properties in the parcel to realise immediate profits.

In Hong Kong, the development work of joint venture project of low-rise houses in Kau To Shan, Shatin, has started. As the management is optimistic about the outlook for the economy and believes the demand for the low-rise deluxe houses will rise significantly in the next few years, it now intends to expand the project to a larger than initially planned scale. As a result, the completion date of the project will be extended.

Our securities investment business continued to post a satisfactory performance, contributing a significant portion to the Group's revenues in the first half of the year. Securities purchased are mainly blue-chip shares in Hong Kong and are held for capital appreciation and dividend income.

## **Financial Review**

### *Liquidity, financial resources and capital structure*

In the period under review, the Group's liquidity and financial resources positions were sound. As at 31 May 2004, the Group had cash and bank balances of approximately HK\$1.7 million and other liquid assets of approximately HK\$52.5 million. Although it had been entering into temporary short-term loan arrangements which were denominated in Hong Kong dollars and borne cost fixed at the prevailing market interest rate during the first half of its financial year 2004, the Group had no outstanding external debt as at 31 May 2004.

### *Capital reorganisation*

On 6 May 2004, the Company completed a capital reorganisation scheme to facilitate the future dividend distribution of the Company. The capital reorganisation scheme involved:

- cancellation of the share premium and the capital reserve of HK\$118.8 million and HK\$59.8 million respectively;
- reduction of the par value of ordinary share of HK\$0.01 ("Share") in issue to HK\$0.005 each ("Reduced Share") which gave rise a credit of approximately HK\$30.5 million;
- application of the credit arising from the above to eliminate the accumulated losses of the Company and

- consolidation of every 20 Reduced Shares into one consolidated share (“Consolidated Share”) of which par value is HK\$0.1 each in issue and every 10 unissued Shares into one unissued Consolidated Share.

Despite the fact that the issued capital of the Company has reduced from approximately HK\$64.8 million to approximately HK\$34.3 million upon completion of this scheme, it would not affect any assets and liabilities positions of the Group or the shareholders’ equity as a whole. A total credit of approximately HK\$209.1 million was resulted from the capital reorganisation. After offsetting the credit with the accumulated losses, the Company has a retained profit of approximately HK\$11.5 million as at 31 May 2004.

#### *Rights issue and capital base*

On 13 April 2004, the Company announced to proceed a rights issue (“Rights Issue”) on the basis of one rights share for every one Consolidated Share held by the shareholders at a price of HK\$0.5 each. This was aimed to broaden the capital base of the Group and to finance the acquisition of the properties at Han Van San Commercial Building. The Rights Issue was completed on 16 June 2004 and resulted in the issue of 304,953,621 New Consolidated Shares with the total proceeds of approximately HK\$152.5 million, before related expenses. After the completion of the Rights Issue, the issued capital of the Company returned to the same level as immediate before the completion of the capital reduction of approximately HK\$64.8 million.

#### *Post balance sheet date transactions*

Subsequent to the balance sheet date, the Group has completed the acquisitions of the 50% interest in a significant part of the Han Van San Commercial Building and the 70.5% interest in a parcel of properties in Macao including a significant part of the China Plaza. The two acquisitions, which amounted to approximately HK\$297 million, were mainly financed by the proceeds from the Rights Issue and the loans from the Company’s ultimate holding company.

#### **Pledge of assets**

As at 31 May 2004, certain assets of the Group with an aggregate net book value of approximately HK\$52,512,000 were pledged to secure credit facilities granted to the Group.

#### **Employees**

As at 31 May 2004, the total number of employees of the Group was 7. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

#### **AUDIT COMMITTEE**

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 31 May 2004 and discussed with the Board the internal control and financial reporting matters of the Group.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report of the Group for the six months ended 31 May 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

By order of the Board  
**Polytec Asset Holdings Limited**  
**Yeung Kwok Kwong**  
*Chairman*

Hong Kong, 23 August 2004

*As at the date of this announcement, Mr. Yeung Kwok Kwong and Ms. Wong Yuk Ching are executive directors, Mr. Lai Ka Fai is a non-executive director and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are independent non-executive directors of the Company.*

Please also refer to the published version of this announcement in The Standard.