



POLYTEC ASSET HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 208)

ANNOUNCEMENT OF THE SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2004

The board of directors (“Board”) of Polytec Asset Holdings Limited (“Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the twelve months ended 30 November 2004, as the Company changed its financial year end from 30 November to 31 December with effect from 12 November 2004.

RESULTS

		For the twelve months ended 30 November	
	Notes	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Audited)
TURNOVER	1	151,221	17,672
Cost of sales		<u>(121,402)</u>	<u>(17,166)</u>
Gross profit		29,819	506
Other revenue and gains		6,412	9,074
Selling and distribution costs		(3,399)	(63)
Administrative expenses		(9,564)	(10,411)
Other operating expenses, net		<u>(896)</u>	<u>449</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		22,372	(445)
Finance costs		(187)	(2,362)
Gain on disposal of subsidiaries		<u>—</u>	<u>18,397</u>
PROFIT BEFORE TAX	2	22,185	15,590
Tax	3	<u>(3,693)</u>	<u>—</u>
PROFIT BEFORE MINORITY INTERESTS		18,492	15,590
Minority interests		<u>(3,510)</u>	<u>—</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>14,982</u>	<u>15,590</u>
EARNINGS PER SHARE	4		
— Basic		<u>HK3.41 cents</u>	<u>HK5.24 cents</u>
— Diluted		<u>HK2.14 cents</u>	<u>HK3.13 cents</u>

Notes:

1. Segment information

	Turnover for the twelve months ended 30 November		Profit/(loss) from operating activities for the twelve months ended 30 November	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
— Properties	39,469	—	14,442	—
— Ice and cold storage	2,183	—	980	—
— Investments and others	109,569	17,672	13,264	(455)
	<u>151,221</u>	<u>17,672</u>	<u>28,686</u>	<u>(455)</u>
Unallocated group expenses, net			(6,314)	—
			<u>22,372</u>	<u>(455)</u>

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 and Macao.

2. Profit before tax

Profit before tax is arrived at after charging:—

	For the twelve months ended 30 November	
	2004	2003
	HK\$'000	HK\$'000
Depreciation	183	328
Goodwill amortisation	36	—
	<u>219</u>	<u>328</u>

3. Tax

	For the twelve months ended 30 November	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	1,490	—
Overseas income tax	2,224	—
Deferred tax	(21)	—
	<u>3,693</u>	<u>—</u>

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits of the period. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

4. Earnings per share

The calculation of basic earnings per share for the twelve months ended 30 November 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$14,982,000 (2003: HK\$15,590,000) and the weighted average of 439,244,354 (2003: 297,518,622) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the twelve months ended 30 November 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$14,982,000 (2003: HK\$15,590,000) and the weighted average of 699,978,359 (2003: 497,518,622) ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares.

Number of ordinary shares

Weighted average number of ordinary shares used in calculating basic earnings per share	439,244,354
Effect of dilutive potential ordinary shares in respect of convertible preference shares	<u>260,734,005</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>699,978,359</u></u>

The comparative amount of earnings 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.

5. Interim dividends

The Board does not recommend the payment of an interim dividend in respect of the twelve months ended 30 November 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded a turnover and net profit of HK\$151.2 million and HK\$15.0 million respectively for the twelve months ended 30 November 2004. These results reflect a significant increase in turnover and gross profit of HK\$133.5 million and HK\$29.3 million respectively and represent a turnaround from an operating loss of HK\$0.4 million to an operating profit of 22.4 million compared with last year. Despite these substantial improvements, net profit of the Group has shown a slight decline of 3.9% compared with last year due mainly to the absence of an exceptional gain on disposal of subsidiaries of HK\$18.4 million recorded in 2003.

In January 2004, the Company changed its name to Polytec Asset Holdings Limited. This change of name signified management's confidence that it could reinvigorate the Group's performance. As stated in our recent circular dated 27 January 2005, it is the Company's strategy to explore opportunities in different sectors. To date, in order to quickly improve the Group's position, management has acquired interests in properties in Macao as well as 100% ownership of a Hong Kong based business making ice and providing cold storage. Management believes the property activities should result over the next two years in a substantial improvement to the Group's balance sheet and profitability. During the course of 2005,

management hopes to source non-property investment opportunities offering prospects for substantial asset growth. A summary of the Group's activities follows.

During the period, the Group acquired two subsidiaries for the purpose of acquiring certain properties interests situated at the central district in Macao at a total consideration of HK\$297.1 million. These interests consist of a 50% interest in a substantial part of a commercial building which will soon be renamed "The Macau Square 澳門廣場" ("The Macau Square") situated at Avenida do Infante D. Henrique, Rua do Dr. Pedro Jose Lobo and Avenida Doutor Mario with an aggregate gross floor area of 45,453 square metres of retail, office and car parking spaces and 70.5% interest in a parcel of properties which mainly comprises a substantial part of China Plaza situated at Avenida da Praia Grande with a gross floor area of 15,934 square metres of retail and office spaces. The turnover and results of the property activities were mainly attributable to the sale of some of the properties acquired during the period. Currently, the property related segment is the Group's principal profit earner, contributing an operating profit of HK\$14.4 million.

Subsequent to the balance sheet date, the Group has further acquired a 58% interest in a site situated at Lots TN25b and TN26d, near Estrada Coronel Nicolau de Mesquita, Taipa, Macao with a site area of 5,207.7 square metres for a consideration of HK\$78.3 million of which HK\$70 million was financed by bank borrowings.

The Group has also acquired the leading crushed tube ice manufacturer in Hong Kong, namely The Hong Kong Ice & Cold Storage Company Limited ("HKICS") during the period, which should provide a stable recurrent income to the Group. Since the acquisition was only completed shortly before the period end, the full operating results of HKICS are effectively not reflected in the period.

During the period, the turnover derived from the investment and other activities was HK\$109.6 million, representing an increase of 5.2 times compared with last year, which generated an operating profit of HK\$13.3 million to the Group.

As at 30 November 2004, the total number of employees of the Group increased to about 70 due mainly to the acquisition of HKICS. The Group remunerates its employees by means of salary and bonus based on their respective performance, working experience, degree of hardship and prevailing market practice.

Financial review

Liquidity, financial resources and capital structure

In the period, the Group's overall financial position including liquidity was sound. As at 30 November 2004, the Group had cash and bank balances of HK\$44.9 million and other liquid assets of HK\$72.3 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings of HK\$20.0 million over the total equity of HK\$551.2 million, increased slightly to 3.6% as compared with last year which had no external borrowings. The bank borrowings of the Group as at 30 November 2004 are repayable over 5 years by monthly instalments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates. The Group had also entered into temporary short-term loan arrangements which were denominated in Hong Kong dollars and bore cost at prevailing market interest rates during the period.

The Company completed a capital reorganisation on 6 May 2004 to facilitate future dividend distributions, details of which were set out in our interim report for the six months end 31 May 2004.

The Company also completed two rights issues during the period under review. For the first rights issue, the Company issued 304,953,621 ordinary shares at a subscription price of HK\$0.5 each on the basis of one rights share for every one ordinary share held by the shareholders on 28 May 2004 and, for the second rights issue, 609,907,242 ordinary shares at a subscription price of HK\$0.55 each on the basis of one rights share for every one ordinary share held by the shareholders on 9 November 2004. The total proceeds from the two rights issues of HK\$487.9 million, before related expenses, were received by the Company. The main purpose of the two rights issues was to increase the capital base of the Group to finance the acquisition of The Macau Square and HKICS and the repayment of the loans from the ultimate holding company of the Company and to provide additional working capital to the Group.

Commitments

As at 30 November 2004, the Group had a capital commitment of HK\$3.4 million which had been authorised but not contracted for and would be financed by the Group's working capital.

Pledge of assets

As at 30 November 2004, certain assets of the Group with an aggregate net book value of HK\$236,232,000 were pledged to secure credit facilities granted to the Group.

Prospects

The Group will continue to explore new potential markets and other business opportunities to further broaden the income and asset base and to strengthen the growth potential of the Group and hence to continue to deliver high earnings and asset growth to the shareholders of the Company.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements of the Group for the twelve months ended 30 November 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 twelve months ended 30 November 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, 24 February 2005

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 South China Morning Post.