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POLYTEC ASSET HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

LOSSES IN THE FINANCIAL INVESTMENT ACTIVITIES OF THE GROUP AND RESUMPTION OF TRADING

This announcement is made by Polytec Asset Holdings Limited pursuant to rule 13.09(1) of the Listing Rules.

The Board informs the shareholders of the Company and potential investors that the results of the Group for the financial year ending 31 December 2008 will be affected by losses arising from its financial investment activities.

Polytec Holdings International Limited, the ultimate holding company of the Company and wholly owned by Or Family Trustee Limited Inc., a discretionary trust of which Mr. Or Wai Sheun, the chairman of the Board and an executive director of the Company, is a founder and beneficiary, has confirmed that it is firmly committed to continue its financial support to the Company in order to strengthen the financial and liquidity position of the Group.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 24 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 28 October 2008.

This announcement is made by Polytec Asset Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to rule 13.09(1) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

LOSSES IN THE FINANCIAL INVESTMENT ACTIVITIES OF THE GROUP

As disclosed in the Company's interim report for the six months ended 30 June 2008, the Group has engaged in financial investment activities and as at 30 June 2008, the Group held certain equity securities for short-term trading and long-term investment purpose.

It was also disclosed in the interim report that the Group entered into certain over-the-counter contingent forward agreements to purchase certain listed equity securities at a fixed price over a year from the date of the relevant agreements. According to the agreements, the purchase commitments of the Group will be terminated when the market price of the equity securities rises to a pre-determined price level.

It was also disclosed in the interim report that the Group entered into certain over-the-counter contingent forward agreements to sell certain listed equity securities at a fixed price over a year from the date of the relevant agreements for the hedging of the Group's exposure to equity security price risk through its investments in equity securities and derivative financial instruments. According to the agreements, the sale commitments of the Group will be terminated when the market price of the equity securities drops to a pre-determined price level.

Owing to the recent uncertainty in the financial market, the Group has reviewed and assessed the market exposure of its investment portfolio and outstanding commitments under the over-the-counter contingent forward agreements. In order to reduce the risk associated with its equity securities and derivative financial instruments and contain its exposure to the market fluctuations, the Group has liquidated a majority of its equity securities and unwound a substantial portion of its forward agreements in October 2008.

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company and potential investors that the Group's remaining equity securities were estimated to have a market value of approximately HK\$97 million as of 22 October 2008 and the Group's aggregate maximum purchase commitments of the remaining forward agreements as at 22 October 2008 were estimated to be approximately HK\$258 million. The aggregate losses of the financial investment activities of the Group for the period from 1 January 2008 to 22 October 2008 were estimated to be approximately HK\$1,114 million (including fair value changes in respect of the Group's long-term financial investments) (the "**Losses**"), of which the losses of HK\$36 million and losses of HK\$216 million have already been accounted for in the unaudited consolidated income statement (for short-term financial investments) and the fair value reserve (for long-term financial investments) respectively in the Group's unaudited interim financial statements for the six months ended 30 June 2008. Losses of approximately HK\$862 million (including fair value changes of the Group's long-term financial investments as compared with 30 June 2008) are attributable for the period from 1 July 2008 to 22 October 2008. Included in the Losses, amounts of HK\$88 million are in relation to the fair value losses of the remaining forward agreements. If the remaining forward agreements to purchase certain listed equity securities were unwound as of 22 October 2008, there would not have been any material adjustment to the Losses as reported above as the unwinding costs of these agreements are expected to approximate to the fair value losses. The unwinding of these forward agreements will cause a negative impact on the Group's cash flow but will have no material adverse impact to the Group's operations. The Board confirms that the Group had no outstanding sale commitments for over-the-counter contingent forward agreements as at 22 October 2008. The results of the Group for the financial year ending 31 December 2008 will be affected by the Losses.

The Board confirms that save for the forward agreements disclosed above, the Group does not have any other derivative financial instruments in place.

The management of the Company confirms that the overall operation of the Group as a whole remains sound and its financial position remains solid and other principal business activities of the Group will not be affected by the Losses. Based on the Group's unaudited interim financial statements for the six months ended 30 June 2008, the Losses represent approximately 10% of the Group's unaudited net assets as at 30 June 2008 and after deducting the Losses from the unaudited net assets (approximately HK\$2.54 per share) as at 30 June 2008, the adjusted unaudited net assets of the Group represent approximately HK\$2.29 per share.

This announcement is issued by the Company based on a preliminary estimate performed by the management of the Company and is not based on figures or information audited or reviewed by the Company's auditors.

Support of the controlling shareholder of the Company

Polytec Holdings International Limited ("PHIL"), the ultimate holding company of the Company and wholly owned by Or Family Trustee Limited Inc., a discretionary trust of which Mr. Or Wai Sheun, the chairman of the Board and an executive director of the Company, is a founder and a beneficiary, has confirmed that it is firmly committed to continue its financial support to the Company in order to strengthen the financial and liquidity position of the Group. It is confirmed that the amount due to PHIL amounted to approximately HK\$884 million as at 30 June 2008.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 24 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 28 October 2008.

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

Hong Kong, 27 October 2008

As at the date of this announcement, the Board comprises Mr. Or Wai Sheun (Chairman), Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng as executive directors of the Company, Mr. Lai Ka Fai as non-executive director of the Company and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang as independent non-executive directors of the Company.