



# POLYTEC ASSET HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the “Board”) of Polytec Asset Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Note	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
TURNOVER	1	1,340,423	869,881
Cost of sales		(1,023,576)	(757,898)
Gross profit		316,847	111,983
Other revenue and gains		87,058	136,883
Selling and distribution costs		(4,814)	(5,741)
Administrative expenses		(7,620)	(6,395)
Other operating expenses		(192,739)	(12,219)
PROFIT FROM OPERATIONS	1	198,732	224,511
Finance costs		(16,592)	(61,452)
Share of results of jointly controlled entities		10,087	7,430
PROFIT BEFORE TAX		192,227	170,489
Tax	2	7,639	(34,460)
PROFIT AFTER TAX		199,866	136,029
ATTRIBUTABLE TO:			
Equity holders of the Company		235,040	111,748
Minority interests		(35,174)	24,281
		199,866	136,029
EARNINGS PER SHARE	3		
— Basic		HK5.29 cents	HK2.58 cents
— Diluted		N/A	HK2.57 cents
DIVIDEND PER SHARE	4	HK0.70 cent	HK0.60 cent

## UNAUDITED CONSOLIDATED BALANCE SHEET

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	35,412	36,678
Prepaid lease payments	107,167	108,577
Investment properties	150,000	150,000
Interests in jointly controlled entity	423,798	413,711
Interests in property development	12,421,803	12,013,954
Other financial investments	434,926	—
Deferred taxation	19,688	—
Goodwill	16,994	16,994
	<u>13,609,788</u>	<u>12,739,914</u>
<b>CURRENT ASSETS</b>		
Amounts due from jointly controlled entity	207,503	216,431
Held for trading investments	671,336	518,847
Derivative financial instruments	94,175	13,813
Inventories	354,501	311,627
Trade and other receivables	57,042	30,729
Prepaid lease payments	2,820	2,820
Margin deposits	182,068	291,446
Cash and cash equivalents	103,626	310,248
	<u>1,673,071</u>	<u>1,695,961</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	592,222	520,289
Derivative financial instruments	220,581	78,218
Bank loans — current portion	18,000	18,000
Current taxation	101,601	89,041
Amount due to minority shareholder	1,712	4,913
	<u>934,116</u>	<u>710,461</u>
<b>NET CURRENT ASSETS</b>	<u>738,955</u>	<u>985,500</u>

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>14,348,743</b>	13,725,414
NON-CURRENT LIABILITIES		
Bank loans — non-current portion	<b>27,700</b>	36,700
Amount due to immediate holding company	<b>400,083</b>	512,868
Amount due to ultimate holding company	<b>884,308</b>	902,020
Amount received from property development	<b>1,700,161</b>	1,508,000
Deferred taxation	<b>47,085</b>	47,612
	<u><b>3,059,337</b></u>	<u>3,007,200</u>
NET ASSETS	<u><b>11,289,406</b></u>	<u>10,718,214</u>
CAPITAL AND RESERVES		
Share capital	<b>443,897</b>	443,897
Reserves	<b>10,842,680</b>	10,206,525
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<b>11,286,577</b>	10,650,422
MINORITY INTERESTS	<u><b>2,829</b></u>	<u>67,792</u>
TOTAL EQUITY	<u><b>11,289,406</b></u>	<u>10,718,214</u>

Notes:

## 1. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group had three business segments which included properties investment, trading and development related activities (“Properties”), manufacturing of ice and provision of cold storage and related services (“Ice and Cold Storage”) and financial investment and other miscellaneous activities (“Investment and Others”). 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 Macau, further segment information has not been disclosed in respect of the Group’s geographical segments.

### Business segments

	Turnover		Profit/(loss)	
	For the six months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Properties	240,068	27,006	234,701	20,539
Ice and Cold Storage	21,166	20,189	4,620	3,931
Investments and Others	1,079,189	822,686	(35,855)	203,523
Consolidated	<u>1,340,423</u>	<u>869,881</u>	<u>203,466</u>	<u>227,993</u>
Unallocated			(4,734)	(3,482)
Profit from operations			<u>198,732</u>	<u>224,511</u>

## 2. Tax

	For the six months ended 30 June	
	2008	2007
	HK\$’000	HK\$’000
Current tax		
— Hong Kong Profits Tax	10,379	32,207
— Overseas income tax	2,197	2,589
Deferred tax	(20,215)	(336)
	<u>(7,639)</u>	<u>34,460</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the six months ended 30 June 2008. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

### 3. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following information:

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share	<u>235,040</u>	<u>111,748</u>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,438,967,838	4,328,567,433
Effect of dilutive potential ordinary shares:		
Warrants	<u>—</u>	<u>21,834,820</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,438,967,838</u>	<u>4,350,402,253</u>

No diluted earnings per share for the six months ended 30 June 2008 is shown because the Company has no outstanding dilutive potential ordinary shares during the period.

### 4. Dividends

Subsequent to the balance sheet date, the Board has declared an interim dividend of HK0.7 cent (2007: HK0.6 cent) per ordinary share, totalling HK\$31,073,000 (2007: HK\$26,634,000), in respect of the six months ended 30 June 2008.

During the six months ended 30 June 2008, a final dividend of HK1.2 cents (2007: HK0.5 cent) per ordinary share, totalling HK\$53,268,000 (2007: HK\$21,586,000), attributable to the previous financial year was approved and paid.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Results and Dividends

The Group's unaudited net profit attributable to the shareholders rose to HK\$235 million for the six months ended 30 June 2008, representing an increase of 110% over the first half of 2007. Interim earnings per share amounted to HK5.29 cents, an increase of 105% over the same period last year.

The Board of Directors has declared an interim dividend of HK0.7 cent per share for the six months ended 30 June 2008. The interim dividend will be payable on 27 November 2008 to the shareholders registered on 20 November 2008.

## **Business Review**

The imminent corrections in the global financial markets since the start of the year, triggered by the sub-prime problem in the US, had adversely impacted the Group's finance and investment activities, which we recorded a loss of HK\$35.9 million for the first six months ended June 2008. However, our core property business has performed well during the period under review.

The combined profit recognition from the Group's investment in the Macau development project Villa de Mer, and the disposal of retail units at China Plaza amounted to HK\$235 million for the first six months of 2008 compared to HK\$20.5 million over the same period last year. Gross rental income from our property investment portfolio rose to HK\$33.8 million for the first half of the year, an increase of 18.2% over the same period of 2007.

## ***Property Development***

We have sold over 90% of residential units at Villa de Mer, the Group's development project in the Orient Pearl District, Macau. Both the master layout plan of the development project at Lote P and the architectural plan of the project at Lotes T & T1 were submitted to the relevant government authorities for approval and we will start the construction work once we obtain the approvals.

All residential units at Pacifica Garden, the Group's development project in Taipa, Macau were sold during the pre-sale period in 2006-2007. This project is expected to be completed by the end of 2008 or early 2009.

Details of the Group's major development projects in Macau are as follows.

### *Villa de Mer, The Orient Pearl District*

Villa de Mer, the development project which is held by the Group with an 80% interest under a co-investment agreement, covers a gross floor area of approximately 128,100 sq.m. and comprises 5 residential towers with a total of about 1,300 units erected on top of a podium with retail, recreational and carpark spaces. Foundation work has been completed. Construction work is expected to be completed in 2010.

### *Lote P, The Orient Pearl District*

Lote P, which is an 80% owned development project, covers an aggregate site area of approximately 68,000 sq.m. and will be developed by phases into various multi-storey luxury residential towers, together with retail, recreational and car parking spaces, with an aggregate gross floor area of approximately 699,800 sq.m..

### *Lotes T & T1, The Orient Pearl District*

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq.m.. This project, which the Group owns an 80% interest, will be developed into a number of high-end residential blocks, with an aggregate gross floor area of approximately 183,000 sq.m..

### *Pacifica Garden, Taipa*

Pacifica Garden is the Group's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of approximately 35,900 sq.m., comprising two buildings with a total of 295 residential units and a number of retail shops on the ground floor. All residential units were sold in 2007. Construction work is expected to be completed by end-2008 or early 2009.

### ***Property Investment***

For the first six months of 2008, the Group's gross rental income generated from its property investment portfolio amounted to HK\$33.8 million, an increase of 18.2% over the corresponding period last year. The main source of rental income was from The Macau Square, the Group's 50% owned commercial property situated in the central business district in Macau, which generated total rental income of HK\$30.5 million, an increase of 23.5% over the same period last year. The increase in gross rental income was largely reflected the improvement in the occupancy rate of the office spaces during the period.

### ***Ice and Cold Storage***

The ice manufacturing and cold storage segment contributed HK\$4.6 million to the Group's operating profit in the first half of the year, an increase of 17.5% over the same period last year.

### ***Finance and Investment***

With unfavourable global business environment and investment sentiment, the stock markets around the globe have plummeted, with the Hang Seng Index, the benchmark stock market index in Hong Kong, falling over 20% in the first six months of 2008. The Group's finance and investment activities have inevitably been affected, and recorded a loss of HK\$35.9 million for the period under review.

### **Financial Review**

As at 30 June 2008, total asset value of the Group amounted to HK\$15,283 million and net asset value amounted to HK\$11,289 million, with cash and cash equivalents of HK\$104 million mainly denominated in Hong Kong dollars.

The Group's gearing ratio, expressed as a percentage of total borrowings, which included the amounts due to the holding companies of the Company and bank borrowings, over the equity attributable to equity holders of the Company, was 11.78% as of 30 June 2008. Total bank borrowings amounted to HK\$45.7 million as of end-June 2008, which are repayable by monthly instalments and will be fully repaid by the end of 2009. The total amount of HK\$400 million outstanding loan from the immediate holding company is unsecured with no fixed repayment terms. The amount of HK\$884 million outstanding loan from the ultimate holding company represents the outstanding balance for the acquisition of an 80% interest in the Macau development projects from the ultimate shareholder and this is also unsecured and will only be repayable until the liquidity position of the Group permits.

As at 30 June 2008, all the Group's borrowings were arranged on a floating rate basis and were denominated in Hong Kong dollars. The Group will continue to review this arrangement and determine appropriate hedging arrangements for the Group if necessary.

As at 30 June 2008, a portion of the Group's assets, with an aggregate asset value of HK\$1,600 million, were pledged to financial institutions to secure credit facilities and as margin for security investments.

## **Prospects**

The global financial markets and business prospects have been deteriorating amid the on-going sub-prime crisis in the US. Together with the impacts of its new restrictions on Mainland China visitors on the local gaming and tourist industry, Macau economic growth will inevitably be affected over the short term. We expect the overall business environment to remain challenging for the remainder of the year.

While the Macau property transaction volume may continue to reduce for the next few months, we are confident about the property market over the medium- to long-term as the local economy will be buoyed by foreign investment and local private investment, as well as the large government infrastructure projects scheduled for the next few years.

For the next two years, the presales from the Group's two development projects in Macau, Pacifica Garden in Taipa and Villa de Mer in the Orient Pearl District, will continue to provide solid support to the Group's earnings, with total presales attributable to the Group exceeding HK\$3.8 billion.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 19 November 2008 to Thursday, 20 November 2008 (both days inclusive) in order to determine entitlements of shareholders to the interim dividend. In order to qualify for the entitlement of the interim dividend, the shareholders must ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 18 November 2008.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2008, except for the deviation from Code Provision A.4.1.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors do not have a specific term of appointment, but subject to rotation in accordance with Article 108(A) of the Articles of Association of the Company.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

## **AUDIT COMMITTEE**

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2008.

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

Hong Kong, 24 September 2008

*As at the date of this announcement, Mr. Or Wai Sheun, Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng are Executive Directors, Mr. Lai Ka Fai is Non-executive Director and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are Independent Non-executive Directors.*