



POLYTEC ASSET HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the “**Board**”) of Polytec Asset Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
TURNOVER	1	3,050,768	560,831
Cost of sales		<u>(2,570,990)</u>	<u>(434,411)</u>
Gross profit		479,778	126,420
Other operating income		76,430	61,036
Selling and distribution costs		(19,348)	(5,402)
Administrative expenses		(16,486)	(15,694)
Other operating expenses		<u>(93,317)</u>	<u>(24,533)</u>
PROFIT FROM OPERATIONS	2	427,057	141,827
Share of results of jointly controlled entities		14,772	4,433
Finance costs		<u>(104,073)</u>	<u>(81,188)</u>
PROFIT BEFORE TAX		337,756	65,072
Income tax expenses	3	<u>(65,058)</u>	<u>(16,914)</u>
PROFIT FOR THE YEAR		<u><u>272,698</u></u>	<u><u>48,158</u></u>
ATTRIBUTABLE TO:			
Equity holders of the Company		222,190	29,792
Minority interests		<u>50,508</u>	<u>18,366</u>
		<u><u>272,698</u></u>	<u><u>48,158</u></u>
EARNINGS PER SHARE			
— Basic	4	<u>5.06 cents</u>	<u>1.04 cents</u>
— Diluted		<u>5.05 cents</u>	<u>0.99 cent</u>
DIVIDEND PER SHARE	5	<u>1.80 cents</u>	<u>1.00 cent</u>

CONSOLIDATED BALANCE SHEET

	Note	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		36,678	38,961
Prepaid lease payments		108,577	111,397
Investment properties		150,000	150,000
Interests in jointly controlled entities		413,711	398,939
Interests in property development		12,013,954	9,490,063
Goodwill		16,994	16,994
		<u>12,739,914</u>	<u>10,206,354</u>
CURRENT ASSETS			
Amounts due from jointly controlled entities		216,431	256,616
Held for trading investments		518,847	239,362
Derivative financial instruments		13,813	4,573
Inventories		311,627	282,083
Tax recoverable		—	475
Trade and other receivables	6	30,729	25,119
Prepaid lease payments		2,820	2,820
Margin deposits		291,446	65,994
Cash and cash equivalents		310,248	213,955
		<u>1,695,961</u>	<u>1,090,997</u>
CURRENT LIABILITIES			
Trade and other payables	7	520,289	322,265
Derivative financial instruments		78,218	774
Bank loans — current portion		18,000	18,000
Current taxation		89,041	24,765
Amounts due to minority shareholders		4,913	25,082
		<u>710,461</u>	<u>390,886</u>
NET CURRENT ASSETS		<u>985,500</u>	<u>700,111</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,725,414	10,906,465
NON-CURRENT LIABILITIES			
Bank loans — non-current portion		36,700	54,700
Loan from ultimate holding company		—	10,477
Amount due to immediate holding company		512,868	—
Amount due to ultimate holding company		902,020	3,026,231
Amount received from property development		1,508,000	—
Deferred taxation		47,612	47,492
		<u>3,007,200</u>	<u>3,138,900</u>
NET ASSETS		<u><u>10,718,214</u></u>	<u><u>7,767,565</u></u>
CAPITAL AND RESERVES			
Share capital		443,897	431,643
Reserves		10,206,525	7,278,320
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		10,650,422	7,709,963
MINORITY INTERESTS		<u>67,792</u>	<u>57,602</u>
TOTAL EQUITY		<u><u>10,718,214</u></u>	<u><u>7,767,565</u></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 for the year 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 (“Investments 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

	For the year ended 31 December 2007			
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	Consolidated HK\$'000
Turnover	134,069	48,319	2,868,380	3,050,768
Segment result	92,185	13,495	330,189	435,869
Unallocated group expenses				(8,812)
Profit from operations				427,057
Share of results of jointly controlled entities	14,772	—	—	14,772
Finance costs				(104,073)
Profit before tax				337,756
Income tax expenses				(65,058)
Profit for the year				272,698
Depreciation and amortisation	3	5,267	—	5,293
Capital expenditure incurred	23	143	—	190
Loss arising from a change in fair value of derivative financial instruments, net	—	—	68,204	68,204
Gain arising from a change in fair value of held for trading investments	—	—	42,730	42,730
				14,435,875
Segment assets	12,500,257	170,184	824,106	13,494,547
Interests in and amounts due from jointly controlled entities	630,142	—	—	630,142
Unallocated group assets				311,186
Segment liabilities	1,954,718	2,956	145,612	2,103,286
Unallocated group liabilities				1,614,375
				3,717,661

	For the year ended 31 December 2006			Consolidated HK\$'000
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	
Turnover	<u>158,991</u>	<u>47,578</u>	<u>354,262</u>	<u>560,831</u>
Segment result	52,175	13,621	83,984	149,780
Unallocated group expenses				<u>(7,953)</u>
Profit from operations				141,827
Share of results of jointly controlled entities	4,433	—	—	4,433
Finance costs				<u>(81,188)</u>
Profit before tax				65,072
Income tax expenses				<u>(16,914)</u>
Profit for the year				<u>48,158</u>
Depreciation and amortisation	2	4,916	—	4,943
Capital expenditure incurred	—	3,259	—	3,329
Gain arising from a change in fair value of derivative financial instruments, net	—	—	3,142	3,142
Gain arising from a change in fair value of held for trading investments	<u>—</u>	<u>—</u>	<u>40,554</u>	<u>40,554</u>

	At 31 December 2006			Consolidated HK\$'000
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	
Segment assets	9,936,166	175,291	300,124	10,411,581
Interests in and amounts due from jointly controlled entities	655,555	—	—	655,555
Unallocated group assets				<u>230,215</u>
				<u>11,297,351</u>
Segment liabilities	298,078	2,985	20,029	321,092
Unallocated group liabilities				<u>3,208,694</u>
				<u>3,529,786</u>

2. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	2007 HK\$'000	2006 HK\$'000
Depreciation of property, plant and equipment	2,473	2,123
Amortisation of prepaid lease payments	<u>2,820</u>	<u>2,820</u>

3. INCOME TAX EXPENSES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	54,360	13,808
— Overseas income tax	11,439	3,219
	<u>65,799</u>	<u>17,027</u>
Deferred tax	(741)	(113)
	<u>65,058</u>	<u>16,914</u>

Hong Kong Profits Tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

4. 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 data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>222,190</u>	<u>29,792</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,390,342,304	2,867,286,349
Effect of dilutive potential ordinary shares:		
— Convertible preference shares	—	148,532,342
— Warrants	10,827,678	7,439,922
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,401,169,982</u>	<u>3,023,258,613</u>

5. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.006 per ordinary share (2006: HK\$0.005)	26,634	21,582
Final dividend proposed after the balance sheet date of HK\$0.012 per ordinary share (2006: HK\$0.005)	<u>53,268</u>	<u>21,582</u>
	<u>79,902</u>	<u>43,164</u>

6. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Ageing analysis of trade receivables:		
Within 30 days	<u>2,369</u>	<u>1,977</u>
31 days to 60 days past due	1,312	1,675
61 days to 90 days past due	207	60
Over 90 days past due	<u>184</u>	<u>—</u>
Amounts past due	<u>1,703</u>	<u>1,735</u>
Trade receivables	4,072	3,712
Other receivables	<u>26,657</u>	<u>21,407</u>
	<u>30,729</u>	<u>25,119</u>

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.

7. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Ageing analysis of trade payables:		
Within 30 days	6,504	—
31 days to 60 days	709	—
61 days to 90 days	926	—
Over 90 days	<u>658</u>	<u>—</u>
Trade payables	8,797	—
Deposits received from sale of properties	419,634	276,646
Other payables	<u>91,858</u>	<u>45,619</u>
	<u>520,289</u>	<u>322,265</u>

8. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued certain new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "HKFRS(s)") that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs has not resulted in any significant impact on the Group's operations results for the year and financial position as at 31 December 2007. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosures and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS AND DIVIDENDS

The Group's net profit rose to HK\$222 million for the year ended 31 December 2007 from HK\$29.8 million in 2006.

During 2007, 122,542,543 new shares were issued at HK\$1.98 per share as a result of the exercise of subscription rights attached to bonus warrants distributed to the shareholders on 19 June 2006. Taking account of the subsequent dilution, net earnings per share for 2007 amounted to HK5.05 cents, representing an increase of 410% over the previous year.

The Board has proposed the payment of a final dividend of HK1.2 cents per share for the year ended 31 December 2007. Together with the interim dividend of HK0.6 cent per share and subject to the shareholders' approval of the final dividend at the annual general meeting of the Company, dividend per share for 2007 will amount to HK1.8 cents, an increase of 80% over 2006.

The final dividend for the financial year ended 31 December 2007 will be paid on 22 May 2008.

BUSINESS REVIEW

Property Sales

The Group's two major development projects in Macau are progressing well. The presale of Villa de Mer, the first phase of the development project in the Orient Pearl District, has been encouraging, with approximately 80% of over 1,300 residential units being pre-sold generating total sales proceeds of over HK\$3 billion as of 31 December 2007. The design of the master layout of the second phase of this development has been completed and will be submitted to the relevant government authorities for approval shortly.

All 295 residential units of the Group's development project in Taipa, called Pacifica Garden, were pre-sold in early 2007, generating total sales proceeds exceeding HK\$700 million as of 31 December 2007. Once the project has been completed, the associated carparking and retail space will be put up for sale.

Property Development

The status of our major development projects in Macau is as follows.

Villa de Mer, The Orient Pearl District

Villa de Mer covers an attributable gross floor area of approximately 126,400 sq. m. and comprises 5 towers with a total of about 1,300 residential units and a number of retail shops on the ground floor. The foundation work is scheduled to be completed shortly and the project is expected to be finished in 2009/2010.

Pacifica Garden, Taipa

Pacifica Garden is the Company's 58% owned residential and commercial project in Taipa, Macau, and provides an attributable gross floor area of 35,900 sq. m. in two buildings comprising a total of 295 residential units and a number of retail shops on the ground floor. The foundation work has been completed and the superstructure is now in progress. The project is expected to be completed in late 2008 or early 2009.

Property Investment

Gross rental income of the Group amounted to HK\$30.9 million for the year ended 31 December 2007, an increase of 37.2% over the corresponding period of last year. The Group's 50% owned commercial building called The Macau Square, located in the central business district, remains our major rental income contributor generating a total of HK\$26.3 million rental income attributable to the Group in 2007.

China Plaza, of which we own 70.5% stake, generated gross rental income of HK\$4.6 million attributable to the Group in 2007. This is HK\$1.1 million lower than the figure for 2006 because certain retail units were sold during 2007. It is intended to dispose of the remaining commercial units this year.

Ice and Cold Storage

The ice manufacturing and cold storage business recorded an operating profit of HK\$13.5 million for 2007 (2006: HK\$13.6 million). The Group continues to explore possible expansion opportunities.

Finance and Investment

With favourable market conditions over the past year, our finance and investment segment has performed satisfactorily. The investment activity contributed HK\$250 million to the Group's net profit in 2007 compared to HK\$60 million in 2006. We expect this segment will perform less favourably in 2008 reflecting the deterioration in global financial markets and the slowdown of the world economy.

FINANCIAL REVIEW

As at 31 December 2007, the Group's total liquid assets amounted to HK\$829 million, of which HK\$310 million were in cash and cash equivalents. The major current liabilities of the Group consisted of deposits received from the pre-sale of properties of HK\$420 million, which represents deferred revenues of the Group.

The Group's gearing ratio, expressed as a percentage of total borrowings, which includes the amounts due to the holding companies of the Company and bank borrowings, over the equity attributable to equity holders of the Company, was 13.8% as of 31 December 2007. The bank borrowings of the Group are repayable over 5 years from the date of the inception of the loans by monthly instalments, are denominated in Hong Kong dollars and bear interest at the prevailing market rates.

The outstanding balance for the acquisition from the ultimate holding company of an 80% interest in the development of land situated at The Orient Pearl District in Macau, was reduced to HK\$902 million. This balance is unsecured and bears interest at bank lending rates and is repayable at the Group's option when the liquidity position of the Group permits. Part repayment of HK\$1,348 million made during the year was financed by the amounts received from the pre-sale of Villa de Mer up to 31 December 2007. Additional finance was provided to the Group by advances from its immediate holding company for the part repayment of the outstanding balance for the acquisition and other investment activities. These advances are also unsecured and bear interest at prevailing market rates with no fixed repayment terms.

As indicated above, the Company declared a bonus issue of 122,981,448 warrants in the Company to its shareholders on 19 June 2006. Each warrant entitled its holder to subscribe in cash for one new ordinary share at HK\$1.98 per share. During the year, the Company issued 122,542,543 ordinary shares pursuant to the exercise of subscription rights attached to the warrants issued by the Company and a total subscription price of HK\$242.6 million was received by the Company. All the warrants were exercised during its subscription period from 19 June 2006 to 18 June 2007, excepted that 431,965 warrants expired on 18 June 2007.

As at 31 December 2007, certain assets of the Group with an aggregate net book value of approximately HK\$1,222 million were pledged to secure credit facilities granted to the Group.

PROSPECTS

The Macau economy continued to expand at a robust pace in 2007, with real gross domestic product (GDP) rising an average of 29.5% in the first three quarters of last year following an average growth rate of 15% during 2002-2006. We are optimistic about the outlook for the economy and believe it will continue to expand at a solid pace in the years ahead, with a number of large infrastructure development projects in the pipeline and continued foreign and local investment in the gaming, tourism and related industries buoying its economic growth and hence its property markets.

The average transaction price of residential units in Macau surged 29% last year. We expect the demand for housing to remain strong in the coming years. As local residents' income has been rising rapidly over the past years and is also expected to continue to increase, the desire for better living standard and hence quality housing will certainly grow. This, together with an anticipated continued increase in importing foreign labour for the gaming, construction and related industries, is expected to maintain solid demand for housing in Macau in the years ahead.

The recent agreement reached on financing the construction of the Hong Kong-Zhuhai-Macau Bridge has taken a further step forward. As a leading property developer in Macau with a sizeable landbank and development projects situated at the intended landing point of the Bridge, we are well-positioned to benefit favourably from the economic development of Macau and particularly this mega infrastructure project.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 April 2008 to Wednesday, 23 April 2008 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2007. In order to qualify for the entitlement of the final 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 Thursday, 17 April 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from 1 January 2007 to 18 June 2007, the Company has issued 122,542,543 ordinary shares of HK\$0.1 each in the Company at the subscription price of HK\$1.98 each pursuant to the exercise of subscription rights attached to the warrants issued by the Company.

Save as disclosed in the above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual financial statements of the Group for the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2007, save for the following exception.

Code Provision A.4.1 of the 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 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 considers that the non-executive directors 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 Code.

By the Order of the Board

Or Wai Sheun
Chairman

Hong Kong, 17 March 2008

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