



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 2007

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 2007.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
TURNOVER	1	869,881	233,996
Cost of sales		<u>(757,898)</u>	<u>(169,226)</u>
Gross profit		111,983	64,770
Other revenue and gains		136,883	7,108
Selling and distribution costs		(5,741)	(2,353)
Administrative expenses		(6,395)	(7,008)
Other operating expenses		<u>(12,219)</u>	<u>(21,220)</u>
PROFIT FROM OPERATIONS	1	224,511	41,297
Finance costs		(61,452)	(11,195)
Share of results of jointly controlled entities		<u>7,430</u>	<u>3,273</u>
PROFIT BEFORE TAX		170,489	33,375
Tax	2	<u>(34,460)</u>	<u>(1,351)</u>
PROFIT AFTER TAX		<u>136,029</u>	<u>32,024</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		111,748	26,749
Minority interests		<u>24,281</u>	<u>5,275</u>
		<u>136,029</u>	<u>32,024</u>
EARNINGS PER SHARE	3		
— Basic		<u>HK2.58 cents</u>	<u>HK1.83 cents</u>
— Diluted		<u>HK2.57 cents</u>	<u>HK1.57 cents</u>
DIVIDEND PER SHARE	4	<u>HK0.60 cent</u>	<u>HK0.50 cent</u>

UNAUDITED CONSOLIDATED BALANCE SHEET

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	37,850	38,961
Prepaid lease payments	109,987	111,397
Investment properties	150,000	150,000
Interests in jointly controlled entities	406,369	398,939
Interests in property development	10,505,678	9,490,063
Goodwill	16,994	16,994
	<u>11,226,878</u>	<u>10,206,354</u>
CURRENT ASSETS		
Amounts due from jointly controlled entities	230,431	256,616
Held for trading investments	786,344	239,362
Derivative financial instruments	48,857	4,573
Inventories	313,853	282,083
Tax recoverable	93	475
Trade and other receivables	37,814	25,119
Prepaid lease payments	2,820	2,820
Margin deposits	135,276	65,994
Cash and cash equivalents	305,838	213,955
	<u>1,861,326</u>	<u>1,090,997</u>
CURRENT LIABILITIES		
Trade and other payables	543,976	322,265
Derivative financial instruments	2,933	774
Bank loans — current portion	18,000	18,000
Tax payable	59,178	24,765
Amounts due to minority shareholders	18,270	25,082
	<u>642,357</u>	<u>390,886</u>
NET CURRENT ASSETS	<u>1,218,969</u>	<u>700,111</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	12,445,847	10,906,465
NON-CURRENT LIABILITIES		
Amount received from property development	1,348,000	—
Amount due to immediate holding company	991,034	—
Loan from ultimate holding company	10,907	10,477
Amount due to ultimate holding company	879,853	3,026,231
Bank loans — non-current portion	45,700	54,700
Deferred taxation	48,017	47,492
	<u>3,323,511</u>	<u>3,138,900</u>
NET ASSETS	<u><u>9,122,336</u></u>	<u><u>7,767,565</u></u>

	30 June 2007	31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
EQUITY		
Issued capital	443,897	431,643
Reserves	8,614,454	7,278,320
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EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9,058,351	7,709,963
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MINORITY INTERESTS	63,985	57,602
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TOTAL EQUITY	9,122,336	7,767,565
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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	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties	27,006	144,085	20,539	40,743
Ice and Cold Storage	20,189	20,641	3,931	4,978
Investments and Others	822,686	69,270	203,523	(162)
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated	869,881	233,996	227,993	45,559
	<hr/> <hr/>	<hr/> <hr/>	<hr/>	<hr/>
Unallocated			(3,482)	(4,262)
			<hr/>	<hr/>
Profit from operations			224,511	41,297
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2. Tax

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
— Hong Kong Profits Tax	32,207	132
— Overseas income tax	2,589	1,506
Deferred tax	(336)	(287)
	<u>34,460</u>	<u>1,351</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 six months ended 30 June 2007 after offsetting the tax losses brought forward from previous years. 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	
	2007	2006
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share	<u>111,748</u>	<u>26,749</u>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,328,567,433	1,462,549,573
Effect of dilutive potential ordinary shares:		
— Convertible preference shares	—	239,214,271
— Warrants	<u>21,834,820</u>	<u>115,695</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,350,402,253</u>	<u>1,701,879,539</u>

4. Dividends

The Board has declared an interim dividend of HK0.6 cent (2006: HK0.5 cent) per ordinary share, totalling HK\$26,634,000, in respect of the six months ended 30 June 2007 (2006: HK\$21,582,000).

During the six months ended 30 June 2007, a final dividend of HK0.5 cent (2006: HK2 cents) per ordinary share, totalling HK\$21,586,000 (2006: HK\$24,596,000), attributable to the previous financial year was approved and paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Dividends

The Group's profit attributable to the shareholders rose to HK\$111.7 million for the six months ended 30 June 2007, from HK\$26.7 million in the same period last year. Excluding insignificant property revaluations net of deferred tax, underlying net profit amounted to HK\$112.0 million for the first half of 2007, representing an increase of 329% over the first half of 2006.

Taking account of the dilution effect from the shares issued pursuant to the conversion of convertible preference shares and the exercise of subscription right attached to bonus warrants over the past 12 months, underlying interim earnings per share amounted to HK2.59 cents, representing an increase of 45% over the corresponding period last year.

The Board of Directors has declared the payment of an interim dividend of HK0.6 cent per ordinary share for the six months ended 30 June 2007 to the shareholders registered at the register of members of the Company on 5 October 2007. The interim dividends will be paid on 11 October 2007.

Business Review

The improvement in net profit for the first six months of the year was mainly due to the rising rental income from our property investment portfolio and strong investment income.

Property Development

Status of our major development projects in Macau is as follows.

Villa de Mer, The Orient Pearl District

One of the Group's major development projects in the Orient Pearl District, Villa de Mer, in Macau, covers an attributable gross floor area of approximately 126,394 sq. m. and comprises 5 towers with a total of about 1,300 residential units and a number of retail shops at the ground floor. Foundation work is expected to be completed in the fourth quarter of this year. The project is expected to complete in 2009/2010. The presale of this project has received good response, with majority of the presale residential units being sold at satisfactory price levels.

Pacifica Garden, Taipa

Pacifica Garden is the Company's 58% owned residential and commercial project in Taipa, Macau, with an attributable gross floor area of 35,900 sq. m., comprising two buildings with a total of 295 residential units and a number of retail shops on the ground floor. Foundation work was just completed in the second quarter of this year. The project is expected to be completed in late 2008 or early 2009. All residential units were sold during the pre-sale period.

Property Investment

For the first six months of 2007, the Group's gross rental income generated from its property investment portfolio amounted to HK\$28.6 million, an increase of 75.5% over the corresponding period of last year.

The main source of the Group's rental income was from The Macau Square, the Group's 50% owned commercial property situated in the central business district in Macau, which generated a total rental income of HK\$24.7 million, an increase of 101% over the same period last year. We will continue to improve the business mix and the occupancy rate of the shopping mall and office spaces.

China Plaza, the Group's 70.5% owned property in the central business district of Macau, generated gross rental income of HK\$3.9 million in the first six months of the year compared to HK\$4.0 million in the first half of 2006. The decline in gross rental income was mainly due to the disposal of some units during the period.

Ice and Cold Storage

Our ice manufacturing and cold storage business recorded an operating profit of HK\$4 million in the first half of the year compared with HK\$5 million in the same period last year.

Finance and Investment

The performance of our finance and investment segment was encouraging, with investment activity contributing HK\$152 million to the Group's net profit in the first half of 2007. We will continue to explore good investment opportunities while maintaining highly prudent approach to our investment activity.

Financial Review

As at 30 June 2007, the Group had liquid assets of HK\$1,092 million, which comprised cash and cash equivalents of HK\$306 million and the rest liquid assets of HK\$786 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings over the equity attributable to equity holders of the Company, was 0.7% while the bank borrowings of the Group are repayable over 5 years from the date of the inception of the loans by monthly instalments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates.

Outstanding balance for the acquisition of 80% stake development in the 3 lots, situated at The Orient Pearl District of Macau, was reduced to HK\$880 million. This balance is non-collateral and bearing interest at bank lending rates and repayable until the liquidity position of the Group permits the settlement. Partial settlements of the acquisition were mainly financed by the amount received from the development of Villa de Mer up to 30 June 2007. The Group has also obtained advances from its immediate holding company, Marble King International Limited, for the partial settlement of the remaining consideration of acquisition and other investment activities. These advances were also non-collateral and bearing interest at prevailing market rate with no fixed repayment terms. The Group's gearing ratio was 21.5% taken into account the financial supports from the ultimate holding company and the amount due to the immediate holding company.

The Company released bonus issue of 122,981,448 units of warrants to its shareholders on 19 June 2006. Each unit of warrants entitled its holders to subscribe in cash for one new ordinary share at HK\$1.98 per share. During the six months ended 30 June 2007, the Company has issued 122,542,543 ordinary shares pursuant to the exercise of subscription rights attached to the warrants and HK\$243 million was received by the Company.

Prospects

The Macau economy continues to expand rapidly this year, with real GDP rising over 28% in the first half of the year following an average rate of 14.8% in 2002-2006. We believe the territory's large infrastructure development projects, together with strong investment in gaming, tourism and MICE (Meetings, Incentives, Conferences and Exhibitions) related industries, will continue to support economic growth and hence to sustain the demand for housing, buoying the Macau property market in the years ahead.

As a leading property developer in Macau, with sizeable landbank and development projects, the Group will continue to benefit favourably from this promising prospect of economic environment.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007 (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, 2 October 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2006, the Company made a bonus issue of 122,981,448 units of warrants ("Warrant(s)") in the Company to the shareholders of the Company whose names appeared on the register of members of the Company on 12 June 2006 on the basis of one unit of warrants for every ten ordinary shares ("Share(s)") of HK\$0.1 each in the Company then held by such shareholders. Each unit of Warrants entitled the holders thereof to subscribe in cash for one new Share at HK\$1.98 per Share (subject to adjustment). The Warrants are exercisable at any time between 19 June 2006 and 18 June 2007, both days inclusive. During the six months ended 30 June 2007, the Company has issued 122,542,543 Shares pursuant to the exercise of subscription rights attached to the warrants and HK\$242,634,000 was received by the Company.

Save as disclosed above, 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 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 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report, 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.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2007.

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

Hong Kong, 13 September 2007

As at the date of this announcement, Mr. Or Wai Sheun, Mr. Yeung Kwok Kwong, Mr. Lam Chi Chung, Tommy, Ms. Chio Koc Ieng and Ms. Wong Yuk Ching 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.