

## Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 November 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### CHANGE OF COMPANY NAME

The name of the Company was changed from "Kin Don Holdings Limited" to "Polytec Asset Holdings Limited 保利達資產控股有限公司" pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 9 January 2004, which took effect upon the approval of the Registrar of Companies in the Cayman Islands granted on 21 January 2004.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 November 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 16 to 50.

The directors do not recommend the payment of any dividend in respect of the year.

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results, and assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and reclassified as appropriate.

	Year ended 30 November				
	2003 HK\$'000	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000
Turnover	17,672	24,994*	7,108*	17,375	325,521
Loss from operating activities	(445)	(12,065)	(21,057)	(91,556)	(292,363)
Finance costs	(2,362)	(2,131)	(12,249)	(20,623)	(9,324)
Gain on disposal of subsidiaries	18,397	33,658	252	–	–
Gain on a debt restructuring	–	–	18,114	–	–
Share of results of jointly-controlled entities	–	–	–	(44,690)	–
Profit/(loss) before tax	15,590	19,462	(14,940)	(156,869)	(301,687)
Tax	–	–	–	38	683
Profit/(loss) before minority interests	15,590	19,462	(14,940)	(156,831)	(301,004)
Minority interests	–	163	6,173	1,039	1,759
Net profit/(loss) from ordinary activities attributable to shareholders	15,590	19,625	(8,767)	(155,792)	(299,245)

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## SUMMARY FINANCIAL INFORMATION (Cont'd)

\* Proceeds from the sale of trading securities were included as part of the Group's turnover in current year since the management of the Group anticipates that the securities investment and trading businesses will be continued in the future as part of the principal activities of the Group. The comparative amounts have been restated to conform with the current year's presentation.

	30 November				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Total assets	52,795	62,918	86,102	25,941	78,096
Total liabilities	(1,612)	(28,333)	(70,979)	(172,794)	(153,446)
Minority interests	–	–	(163)	(6,336)	(8,571)
Net assets/(liabilities)	51,183	34,585	14,960	(153,189)	(83,921)

## MAJOR CUSTOMERS AND SUPPLIERS

For the garment trading business, the Group sourced its supplies through one supplier and made its sales to one customer during the year. Due to the nature of the other businesses, no further major customers and suppliers were identified.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer and supplier during the year.

## FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

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### DISTRIBUTABLE RESERVES

As at 30 November 2003, the Company had no reserves available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands. However, the capital reserve and share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 30 November 2003, the Company's capital reserve and share premium account amounted to approximately HK\$182,607,000 in aggregate.

### DIRECTORS

The directors of the Company during the year were:

#### Executive directors

Mr. Yeung Kwok Kwong (*Chairman*)

Ms. Wong Yuk Ching

Mr. Zhou Ge

#### Non-executive director

Mr. Lai Ka Fai

#### Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

On 15 March 2004, Mr. Zhou Ge resigned as a director of the Company.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Lai Ka Fai and Mr. Liu Kwong Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

### DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 November 2003, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long positions in ordinary shares of the Company

Name of director	Capacity and nature of interests	Number of shares held	Percentage of the Company's issued share capital
Mr. Yeung Kwok Kwong	Directly beneficially owned	6,000,000	0.10
Mr. Zhou Ge	Directly beneficially owned	5,000,000	0.08

In addition to the above, Mr. Yeung Kwok Kwong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

Due to the adoption of Hong Kong Statement Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 22 to the financial statements.

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### DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 November 2003, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
<i>Ordinary shares</i>			
Marble King International Limited	Directly beneficially owned	3,338,460,250 (Note)	56.1
Mr. Or Wai Sheun	Through a controlled corporation	3,338,460,250 (Note)	56.1

Note: Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

In addition, Marble King International Limited held the entire 4,000,000,000 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 30 November 2003.

Save as disclosed above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

#### Executive directors

Mr. Yeung Kwok Kwong, aged 45, joined the Company in September 2000 as the Chairman and managing director of the Company. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

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### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (Cont'd)

*Ms. Wong Yuk Ching*, aged 47, joined the Company in January 2002. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

*Mr. Zhou Ge*, aged 32, joined the Company in August 2002 as an executive director and resigned on 15 March 2004. Prior to joining the Company, he was a director of UBS Warburg Asia Limited. He was responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Zhou graduated from the University of Manchester Institute of Science and Technology with a bachelor's degree in chemical engineering. He also holds a degree of Master of Business and Administration from the Massachusetts Institute of Technology Sloan School of Management.

#### **Non-executive director**

*Mr. Lai Ka Fai*, aged 39, joined the Company in September 2000 as an executive director, and was re-designated as a non-executive director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 15 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

#### **Independent non-executive directors**

*Mr. Anthony Francis Martin Conway*, aged 63, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 39 years' experience in information technology and telecommunications, having held director and senior management positions in Hong Kong Telecom (now known as PCCW Limited), New World Telephone (now known as New World Telecommunications Limited), Unysis Corporation and NCR Corporation. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association Information Technology Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

*Mr. Siu Leung Yau*, aged 50, joined the Company in September 2000 as an independent non-executive director. Mr. Siu has over 23 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited and a member of the Hong Kong Institute of Real Estate Administration.

*Mr. Liu Kwong Sang*, aged 41, joined the Company in July 2000 as an independent non-executive director. He is a practising accountant in Hong Kong with more than 13 years' experience. He is also a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **DIRECTOR'S INTERESTS IN COMPETING BUSINESSES**

During the year and up to the date of this report, no directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 26 to the financial statements.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

### **AUDIT COMMITTEE**

The Company established an audit committee in March 2000 in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the audit committee are two of the independent non-executive directors of the Company, namely Mr. Siu Leung Yau and Mr. Liu Kwong Sang.

# Report of the Directors

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

**Yeung Kwok Kwong**

*Chairman*

Hong Kong

22 March 2004