

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the period from 1 December 2003 to 31 December 2004.

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 12 to the financial statements. During the period, the Group has expanded its business into property investment, trading and development and manufacturing of ice and provision of cold storage.

CHANGE OF FINANCIAL YEAR END DATE

During the period, the Company changed its financial year end date from 30 November to 31 December. The financial statements presented therefore cover the 13 months period from 1 December 2003 to 31 December 2004.

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 period from 1 December 2003 to 31 December 2004 and the state of affairs of the Company and of the Group at 31 December 2004 are set out in the financial statements on pages 18 to 64.

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

Report of the Directors

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 financial years, as extracted from the published audited financial statements and reclassified as appropriate.

	For the thirteen months ended		For the twelve month ended 30 November			
	31 December		2003	2002	2001	2000
	2004		2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	152,882	17,672	24,994	7,108	17,375	
Profit/(loss) from operating activities	25,055	(445)	(12,065)	(21,057)	(91,556)	
Finance costs	(249)	(2,362)	(2,131)	(12,249)	(20,623)	
Gain on disposal of subsidiaries	—	18,397	33,658	252	—	
Gain on a debt restructuring	—	—	—	18,114	—	
Share of results of jointly-controlled entities	(12)	—	—	—	(44,690)	
Profit/(loss) before tax	24,794	15,590	19,462	(14,940)	(156,869)	
Tax	(4,213)	—	—	—	38	
Profit/(loss) before minority interests	20,581	15,590	19,462	(14,940)	(156,831)	
Minority interests	(3,462)	—	163	6,173	1,039	
Net profit/(loss) attributable to shareholders	17,119	15,590	19,625	(8,767)	(155,792)	
	At 31 December		At 30 November			
	2004	2003	2002	2001	2000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total assets	863,199	52,795	62,918	86,102	25,941	
Total liabilities	(206,642)	(1,612)	(28,333)	(70,979)	(172,794)	
Minority interests	(40,728)	—	—	(163)	(6,336)	
Net assets/(liabilities)	615,829	51,183	34,585	14,960	(153,189)	

MAJOR CUSTOMERS AND SUPPLIERS

Due to the nature of the Group's business, no major suppliers were identified. During the period, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

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 period.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the period are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital of the Company during the period are set out in note 20 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the period are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$7,608,000. Further the 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 31 December 2004, the Company's share premium account amounted to HK\$396,215,000.

Report of the Directors

DIRECTORS

The directors of the Company during the period were:

Executive directors

Mr. Yeung Kwok Kwong (*Chairman*)

Ms. Wong Yuk Ching

Mr. Zhou Ge (resigned on 15 March 2004)

Non-executive director

Mr. Lai Ka Fai

Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Siu Leung Yau will retire and, being eligible, will offer himself 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.

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

As at 31 December 2004, 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	1,200,000	0.10
Ms. Wong Yuk Ching	Directly beneficially owned	6,000,000	0.49

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 period 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

Detailed disclosures relating to the Company's share option schemes are set out in note 21 to the financial statements.

Report of the Directors

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 period.

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

As at 31 December 2004, 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
Ordinary shares			
Marble King International Limited	Directly beneficially owned	698,975,374 (Note)	57.3
Mr. Or Wai Sheun	Through a controlled corporation	698,975,374 (Note)	57.3

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 3,851,300,000 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 31 December 2004.

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 46, joined the Company in September 2000 as the Chairman and managing director of the Company. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited. 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 Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Ms. Wong Yuk Ching, aged 48, joined the Company in January 2002 as an executive director. 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 33, 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 currently 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 40, joined the Company in September 2000 as an executive director, and was re-designated as a non-executive director in January 2002. Mr. Lai is also an executive director of Kowloon Development Company Limited. 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 Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Report of the Directors

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS *(continued)*

Independent non-executive directors

Mr. Anthony Francis Martin Conway, aged 64, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. 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 51, joined the Company in September 2000 as an independent non-executive director. Mr. Siu has over 24 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 43, joined the Company in July 2000 as an independent non-executive director. He is a certified public accountant (practising) in Hong Kong with more than 14 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is also a fellow member of The Taxation Institute of Hong Kong, the Hong Kong Institute of Certified Public Accountants, The Society of Registered Financial Planners Limited and the Association of Chartered Certified Accountants in the United Kingdom.

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 period.

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.

Report of the Directors

FINANCIAL ASSISTANCES TO AFFILIATED COMPANIES

As at 31 December 2004, the Group had the following financial assistances to its affiliated companies:

	<i>HK\$'000</i>
South Bay Centre Company Limited	225,712
Li Yang Broadcasting & Advertising (HK) Limited ("Li Yang")	25,750
Eastford Development Limited	9,867
	<u>261,329</u>

The above financial assistances to affiliated companies are unsecured and interest-free cash advances with no fixed repayment terms. The cash advances due from Li Yang was fully written off in previous period and its repayment is subject to approval from all of the shareholders of Li Yang.

The unaudited proforma combined balance sheet of affiliated companies of the Group as at 31 December 2004 is as follows:

	<i>HK\$'000</i>
Non-current assets	600,126
Current assets	39,130
Current liabilities	(36,471)
Non-current liabilities	(517,971)
Shareholders' funds	<u>84,814</u>
Interest attributable to the Group	<u>43,209</u>

As the Group's share of deficit of each affiliated company has been restricted to their respective investment cost, interest in affiliated companies attributable to the Group as reflected in the consolidated balance sheet amounted to HK\$62,488,000, instead of HK\$43,209,000.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the period disclosed pursuant to rule 14A.45 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in notes 24(iii) and 24(v) to the financial statements.

Report of the Directors

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, 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. Liu Kwong Sang and Mr. Siu Leung Yau and one non-executive director of the Company, namely Mr. Lai Ka Fai.

AUDITORS

During the period, Messrs. Ernst & Young, who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company and will retire at the forthcoming annual general meeting. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Yeung Kwok Kwong

Chairman

Hong Kong

15 April 2005