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**If you have sold or transferred** all your shares in Polytec Asset Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **POLYTEC ASSET HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 208)**

*Executive Directors:*

Or Wai Sheun (*Chairman*)

Yeung Kwok Kwong

Wong Yuk Ching

Lam Chi Chung, Tommy

Chio Koc Ieng

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Non-executive Directors:*

Lai Ka Fai

Anthony Francis Martin Conway\*

Liu Kwong Sang\*

Siu Leung Yau\*

*Principal Place of Business*

*in Hong Kong:*

23/F, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

\* *Independent Non-executive Directors*

28 March 2008

*To the shareholders of the Company:*

Dear Sir or Madam,

### **RE-ELECTION OF DIRECTORS AND GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE ITS OWN SHARES**

#### **I. INTRODUCTION**

The purpose of this circular is to provide you with information regarding (i) the re-election of directors of the Company (the “**Director(s)**”); and (ii) the proposed granting of general mandates to the Directors to issue and allot ordinary shares of the Company

and to exercise the power of the Company to repurchase its own ordinary shares. Such proposals will be considered at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 April 2008 at 10:00 a.m. (the “**AGM**”).

## **II. RE-ELECTION OF DIRECTORS**

In accordance with articles 108(A) and (B) and 112 of the articles of association of the Company (the “**Articles**”), Mr. Lam Chi Chung, Tommy, Mr. Anthony Francis Martin Conway and Mr. Siu Leung Yau will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The following are the particulars of Mr. Lam Chi Chung, Tommy, Mr. Anthony Francis Martin Conway and Mr. Siu Leung Yau:

- (a) **Mr. Lam Chi Chung, Tommy**, aged 53, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he was an executive director of Century City International Holdings Limited and Regal Hotels International Holdings Limited, both companies being listed on the Stock Exchange. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master’s degree of business administration in accounting and management sciences from Long Island University, U.S.A.

As at 25 March 2008, being the latest practicable date prior to the printing of this circular (the “**Latest Practicable Date**”), Mr. Lam holds 100,000 ordinary shares in the Company, representing 0.002% of the existing issued ordinary shares capital of the Company. As at the Latest Practicable Date, Mr. Lam also holds 15,000 ordinary shares in Kowloon Development Company Limited (“**KDC**”), a controlling shareholder of the Company, representing 0.001% of the existing issued ordinary shares capital of KDC.

Mr. Lam has a service contract with the Company and he will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Articles. Mr. Lam is currently entitled to a basic salary of HK\$1,482,000 per annum, other benefits in kind and a discretionary bonus to be determined by the remuneration committee of the Company with reference to his performance, duties and responsibilities, the performance of the Company and prevailing market conditions.

Save as disclosed herein, in relation to the re-election of Mr. Lam, there are no other matters that need to be brought to the attention of the shareholders of the Company (the “**Shareholders**”) and there is no other information that needs to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

- (b) **Mr. Anthony Francis Martin Conway**, aged 67, joined the Company in September 2000 as 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 I.T. Management 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. Conway is currently an independent non-executive director of Armitage Technologies Holding Limited and Wing On Company International Limited and was also an independent non-executive director of PME Group Limited, all three companies being listed on the Stock Exchange. There is no service contract between the Company and Mr. Conway and his term of service as Director will be subject to the relevant provisions in the Articles. Mr. Conway’s fees, currently HK\$120,000 per annum, is determined by reference to his duties and responsibilities with the Company and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Conway does not have any interests or short position in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationships with any other Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, in relation to the re-election of Mr. Conway, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information that needs to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Listing Rules.

- (c) **Mr. Siu Leung Yau**, aged 54, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 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, the Hong Kong Institute of Real Estate Administrators and Guangzhou Tianhe Political Consultative Committee and an executive director of Hong Kong

Chamber of Commerce in China Guangdong. Mr. Siu held no directorship nor major positions in any listed companies other than the Company in the last three years.

There is no service contract between the Company and Mr. Siu and his term of service as Director will be subject to the relevant provisions in the Articles. Mr. Siu's fees, currently HK\$120,000 per annum, is determined by reference to his duties and responsibilities with the Company and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Siu does not have any interests or short position in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationships with any other Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, in relation to the re-election of Mr. Siu, there are no other matters that need to be brought to the attention of the Shareholders and there is no other information that needs to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Listing Rules.

### III. GENERAL MANDATES

#### 1. General Mandate to Repurchase Shares

A resolution will be proposed at the AGM to grant a general mandate to the Directors to exercise the powers of the Company to undertake repurchases of the Company's fully paid up ordinary shares representing up to a maximum of 10% of the issued ordinary share capital of the Company as at the date of passing the relevant resolution (the "**Repurchase Mandate**"). The Repurchase Mandate will be expired or lapsed at the earliest of:

- (i) the conclusion of the 2009 Annual General Meeting of the Company;
- (ii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting; and
- (iii) the expiration of the period within which the 2009 Annual General Meeting of the Company is required by the Articles or the laws of the Cayman Islands to be held.

An explanatory statement required to be sent to you in compliance of the requirements under the Listing Rules is contained in Appendix I to this circular.

## 2. General Mandate to Issue Shares

At the annual general meeting of the Company held on 26 April 2007, approval was given by the Shareholders for the granting of, inter alia, the general mandate to the Directors to allot, issue and otherwise deal with ordinary shares up to 20% of the issued ordinary share capital of the Company as at the date of passing the relevant resolution (the “**Previous Issue Mandate**”). In accordance with the terms of the approval, the Previous Issue Mandate will expire at the conclusion of the AGM. To keep in line with the current corporate practice, the grant of a fresh general mandate for the same purpose is being sought from the Shareholders. The Directors consider that the fresh general mandate will provide flexibility to the Directors to allot, issue and deal with ordinary shares in the Company when it is appropriate. Up to the Latest Practicable Date, no shares have been issued pursuant to the Previous Issue Mandate.

A resolution will be proposed at the AGM to grant the Directors a general mandate to allot, issue and otherwise deal with ordinary shares up to 20% of the issued ordinary share capital of the Company as at the date of passing the relevant resolution (the “**Issue Mandate**”). As at the Latest Practicable Date, the issued ordinary share capital of the Company comprised 4,438,967,838 fully paid ordinary shares of HK\$0.1 each. Subject to the passing of the relevant resolution at the AGM, the Company would be allowed under the Issue Mandate to allot, issue and otherwise deal with a maximum of 887,793,567 ordinary shares of HK\$0.1 each on the basis that no further ordinary shares will be issued or repurchased prior to the date of the AGM. In addition, a resolution will also be proposed to authorise the extension of the Issue Mandate, which would increase the limit of the Issue Mandate by adding to it the number of ordinary shares repurchased by the Company under the Repurchase Mandate. The Issue Mandate will be expired or lapsed at the earliest of:

- (i) the conclusion of the 2009 Annual General Meeting of the Company;
- (ii) the revocation or variation of the Issue Mandate by an ordinary resolution of the Shareholders in a general meeting; and
- (iii) the expiration of the period within which the 2009 Annual General Meeting of the Company is required by the Articles or the laws of the Cayman Islands to be held.

#### **IV. AGM**

A notice convening the AGM is set out in Appendix II to this circular. A form of proxy for use at the AGM is also enclosed herewith. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at 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 not less than 48 hours before the time appointed for holding the AGM. Completion and delivery of the form of proxy will not prevent you from attending and voting at the AGM.

#### **V. PROCEDURES FOR DEMANDING A POLL**

Pursuant to article 72 of the Articles, a resolution put to the vote of a general meeting of the Shareholders shall be determined in the first instance by a show of hands of the Shareholders present in person or by proxy, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (a) the chairman of the meeting; or
- (b) at least three Shareholders present in person (or, in the case of the Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of the Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of the Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

## VI. RECOMMENDATION

The Directors believe that the re-election of Directors and the granting of the Issue Mandate and the Repurchase Mandate to the Directors are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the resolutions to be proposed at the AGM in respect thereof.

## VII. GENERAL

Your attention is drawn to the Appendices to this circular.

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

*This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the proposed Repurchase Mandate.*

### **REASONS FOR SHARE BUYBACK**

Although the Directors have no present intention of repurchasing any shares of the Company, they believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and the Shareholders. At any time in the future when shares of the Company are trading at a discount to their underlying value, the ability of the Company to repurchase shares will be beneficial to those Shareholders who retain their investment in the Company since the earnings per share and their percentage interest in the assets of the Company would increase in proportion to the number of shares repurchased by the Company. Repurchases will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

### **SHARE CAPITAL**

As at the Latest Practicable Date, the issued ordinary share capital of the Company comprised 4,438,967,838 fully paid ordinary shares of HK\$0.1 each. Subject to the passing of the relevant resolution at the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 443,896,783 ordinary shares of HK\$0.1 each on the basis that no further ordinary shares will be issued or repurchased prior to the date of the AGM.

### **FUNDING OF REPURCHASES**

The Directors propose that repurchases of ordinary shares under the Repurchase Mandate in these circumstances would be financed from the Company's distributable profits and proceeds of a fresh issue of shares. In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 December 2007) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**DISCLOSURE OF INTERESTS**

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases under the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

The Directors are not aware of any consequences which will arise under The Hong Kong Code on Takeovers and Mergers (the “Code”) as a result of any purchases to be made under the Repurchase Mandate. However, if as a result of a repurchase the proportionate interest in the voting rights of the Company of a Shareholder increases, such increase will be treated as an acquisition for the purposes of the Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

As at the Latest Practicable Date, Marble King International Limited held 2,642,064,812 ordinary shares in the issued ordinary share capital of the Company, representing approximately 59.52% of the Company’s issued ordinary share capital. If the powers of the Company to make purchases under the Repurchase Mandate is exercised in full, the total interest of Marble King International Limited would be increased to approximately 66.13% of the issued ordinary share capital of the Company. Accordingly, Marble King International Limited would not have any obligation to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell shares to the Company or its subsidiaries under the Repurchase Mandate in the event that the Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any shares of the Company, or that they have undertaken not to sell any shares held by them to the Company or its subsidiaries in the event that the Repurchase Mandate is approved by the Shareholders.

**SHARES PURCHASES MADE BY THE COMPANY**

No purchase of shares of the Company has been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

**MARKET PRICES**

The highest and lowest prices at which ordinary shares of the Company have been traded on the Stock Exchange during each of the previous twelve months from March 2007 to February 2008 and the period from 1 March 2008 to the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2007</b>		
March	2.91	2.38
April	2.88	2.31
May	2.73	2.39
June	2.75	2.33
July	3.08	2.46
August	2.64	2.19
September	2.75	2.42
October	2.88	2.35
November	2.48	2.01
December	2.49	2.05
<b>2008</b>		
January	2.92	2.10
February	2.50	2.03
March (up to the Latest Practicable Date)	2.39	1.57

**POLYTEC ASSET HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 208)**

**NOTICE IS HEREBY GIVEN** that the 2008 Annual General Meeting of Polytec Asset Holdings Limited (the “**Company**”) will be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 23 April 2008 at 10:00 a.m. for the following business:

**As Ordinary Business**

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company and its subsidiaries for the year ended 31 December 2007.
2. To declare a final dividend for the year ended 31 December 2007.
3. To re-elect retiring directors of the Company and to authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of the directors.
4. To re-appoint Messrs. KPMG as Auditors and to authorise the Board to fix their remuneration.

**As Special Businesses**

To consider and, if thought fit, pass with or without amendments, each of the following resolutions as ordinary resolution of the Company:

**ORDINARY RESOLUTIONS**

5. “**THAT**
  - (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase ordinary shares in the capital of the Company subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
  - (b) the total nominal amount of the ordinary shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the ordinary share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the ordinary shareholders of the Company in general meeting; and
  - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the laws of the Cayman Islands to be held.”

6. **“THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and otherwise deal with additional ordinary shares in the capital of the Company and to make or grant offers, agreements and options which would or might require ordinary shares of the Company to be allotted, issued or otherwise deal with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of options granted under any option scheme adopted by the Company, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20% of the total nominal amount of the ordinary share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the ordinary shareholders of the Company in general meeting; and
- (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the laws of the Cayman Islands to be held,” and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holding of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

7. “**THAT** the general mandate granted to the directors of the Company pursuant to Resolution 6 above and for the time being in force to exercise the powers of the Company to issue, allot or otherwise deal with additional ordinary shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of ordinary shares in the capital of the Company repurchased by the Company since the granting of such general mandate referred to in the above Resolution 5 pursuant to the exercise by the directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal amount of the ordinary share capital of the Company in issue as at the date of passing this Resolution.”

By Order of the Board  
**Polytec Asset Holdings Limited**  
**Lau Sui Cheung**  
*Company Secretary*

Hong Kong, 28 March 2008

*Notes:*

1. The register of members of the Company will be closed from Friday, 18 April 2008 to Wednesday, 23 April 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to attend the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 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.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
3. The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing, or, in case of a corporation, must be either under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
4. In the case of joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint registered holders be present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint registered holders.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.