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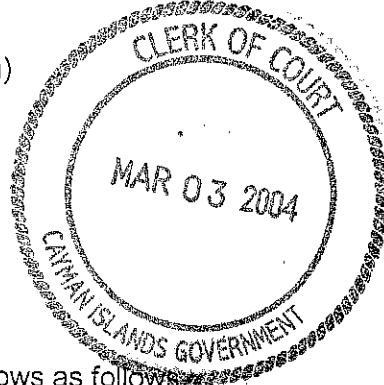
IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 135 OF 2004

In the matter of **Polytec Asset Holdings Limited**

And in the matter of the Companies Law (2003 Revision)

And Grand Court Rules 1995 Order 102



PETITION

TO: The Grand Court of the Cayman Islands

THE PETITION of **Polytec Asset Holdings Limited** shows as follows

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2003 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner **Polytec Asset Holdings Limited** (the "Company").
2. The Company was incorporated under the Companies Law on 17 April 1998 with the name "Kin Don Holdings Limited" and registered in the Cayman Islands as an exempted company with registration number CR-81079. By resolutions of the then shareholders of the Company passed on 9 January 2004, the Company changed its name to "Polytec Asset Holdings Limited".
3. The registered office of the Company is situated at the offices of Codan Trust Company (Cayman) Limited, P.O. Box 2681, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies.
4. As at the date of incorporation of the Company, its authorised share capital was HK\$1,000,000 divided into 10,000,000 shares of a nominal or par value of HK\$0.10 each. On 17 April 1998, one share of HK\$0.10 was allotted and issued fully paid.
5. By resolutions of the then shareholders of the Company passed on 15 August, 1998, the authorised share capital of the Company was increased from HK\$1,000,000 to HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each.

6. By resolutions of the then shareholders of the Company passed on 22 January, 2001 and with the sanction of an order of the Grand Court of the Cayman Islands dated 7 September, 2001, the issued share capital of the Company was reduced from HK\$94,066,197.60 divided into 940,661,976 shares of HK\$0.10 each to HK\$9,406,619.76 divided into 940,661,976 shares of HK\$0.01 each (the "Ordinary Shares"). By resolutions of the then shareholders of the Company passed on 22 January, 2001, each of the ordinary shares of HK\$0.10 each in the authorised but unissued share capital of the Company was subdivided into ten (10) Ordinary Shares.
7. By resolutions of the then shareholders of the Company passed on 12 September, 2001, the authorised share capital of the Company was increased from HK\$1,000,000,000 to HK\$1,050,000,000 divided into of 100,000,000,000 Ordinary Shares and 5,000,000,000 convertible preference shares of HK\$0.01 each (the "CPS").
8. The Ordinary Shares are listed on The Stock Exchange of Hong Kong Limited. Over the years, the Company has allotted and issued various tranches of ordinary shares and CPS, being the only classes of shares of the Company. As at the date of this petition, the authorised share capital of the Company is HK\$1,050,000,000 divided into 100,000,000,000 Ordinary Shares and 5,000,000,000 CPS and its issued share capital is HK\$59,503,724.34 divided into 5,950,372,434 Ordinary Shares and HK\$40,000,000 divided into 4,000,000,000 CPS of which HK\$4,000,000.00 has been paid-up.
9. The objects for which the Company was formed are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided in section 7(4) of the Companies Law.
10. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 7        *"The Company in general meeting may from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by Ordinary Resolution increase its share capital by the creation of new shares, such new capital to be of such amount and to be*

*divided into shares of such class or classes and of such amounts in Hong Kong dollars or United States dollars or such other currency as the shareholders may think fit and as the resolution may prescribe."*

Article 13 *"The Company may from time to time by Ordinary Resolution:*

- (i) increase its share capital as provided by Article 7;*
- (ii) consolidate and divide all or any of its share capital into shares of larger or smaller amount than its existing shares; and on any consolidation of fully paid shares into shares of larger amount, the Directors may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;*
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;*

- (iv) *sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;*
- (v) *cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;*
- (vi) *make provision for the issue and allotment of shares which do not carry any voting rights;*
- (vii) *change the currency of denomination of its share capital; and*
- (viii) *reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.”*

Article 14 *“The Company may by Special Resolution reduce its share capital or undistributable reserve in any manner authorised, and subject to any conditions prescribed, by law.”*

11. By a special resolution of the Company duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 9 January, 2004, (the “Extraordinary General Meeting”), it was resolved:

*"THAT, conditional upon (i) confirmation of the Capital Reduction (as defined below) by the Grand Court (the "Court") of the Cayman Islands, registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction and the minute approved by the Court in respect of the Capital Reduction and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction, and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.10 each in the issued share capital of the Company upon the Capital Reduction and the Share Consolidation (as defined below) becoming effective (the "Effective Date"):*

- (a) the issued share capital of the Company be reduced by canceling paid-up capital to the extent of HK\$0.005 on each of the shares of HK\$0.01 each in the capital of the Company in issue on the Effective Date (the "Capital Reduction") so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK\$0.005 each in the capital of the Company (the "Reduced Share") and any liability of the holders of Reduced Shares to make any further contribution to the capital of the Company on each such Reduced Share shall be treated as satisfied;*
- (b) subject to and forthwith upon the Capital Reduction taking effect:
  - (i) every twenty (20) Reduced Shares on the Effective Date be consolidated into one (1) share of HK\$0.10 each in the capital of the Company; and*
  - (ii) every ten (10) authorised but unissued shares of HK\$0.01 each in the capital of the Company on the Effective Date, including the authorised but unissued shares of HK\$0.01 each arising from the Capital Reduction be consolidated into one (1) share of HK\$0.10 each in the capital of the Company (the "Share Consolidation");**
- (c) subject to and forthwith upon the Capital Reduction and the Share Consolidation taking effect, the credit amount arising from the Capital Reduction be applied to a distributable reserve of the Company where it may be utilised by the directors of*

*the Company in accordance with the articles of association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at the Effective Date (the "Application of Credit"); and*

- (d) *the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reduction, the Share Consolidation and the Application of Credit."*

Each of the capitalised terms referred to in the special resolution above are defined in the information circular exhibited to the affirmation of Mr. Yeung Kwok Kwong.

12. The number of shareholders of the Company present and voting in person or by proxy at the Extraordinary General Meeting was as set out in the table below:-

How Present	Present & Voting		For		Against	
	No.	Shares Represented	No.	Shares Represented	No.	Shares Represented
In person	2	3,612,719,184	2	3,612,719,184	0	0
By proxy	10	2,320,804,250	10	2,320,804,250	0	0
Total	12	5,933,523,434	12	5,933,523,434	0	0

As appears from the table, the Extraordinary General Meeting was attended either personally or by proxy by 12 shareholders, representing 5,933,518,434 Ordinary Shares in the Company of which 12 shareholders representing 5,933,518,434 Ordinary Shares in the Company voted in favour of the resolution and no shareholders voted against the resolution. 10 shareholder voted by proxy for the resolution. There was, therefore, a majority of the persons present and voting in person or by proxy at the Extraordinary General Meeting representing in excess of three-fourths of the votes cast for the resolution to approve the Capital Reduction.

13. There was an accumulated loss of HK\$195,788,000 (rounded to the nearest thousand Hong Kong dollars) as shown in the audited accounts of the Company for the year ended 30 November, 2002. The purpose of the proposed Capital Reduction is to enable the Company to apply the credit arising from the Capital Reduction towards the reduction of the balance of the accumulated losses of the Company as at the effective date of the Capital Reduction remaining after the cancellation of the share premium account and the remainder (if any) to a distributable reserve of the Company. The Capital Reduction will also provide greater flexibility in pricing future capital raising exercises when circumstances arise.
14. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company nor will it affect the proportionate interests of the shareholders.
15. The form of Minute proposed to be registered is as follows:

*"The issued ordinary share capital of Polytec Asset Holdings Limited was by virtue of a Special Resolution passed on 9 January, 2004 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [•], 2004, reduced from HK\$59,503,724.34 divided into 5,950,372,434 shares of HK\$0.01 each to HK\$29,751,862.17 divided into 5,950,372,434 shares of HK\$0.005 each and that the amount of issued ordinary share capital of the Company hereby cancelled be made available for issue of shares of nominal value of HK\$0.005 each. At the date of the registration of this Minute all such shares of HK\$0.01 each have been issued and are fully paid up or deemed to be fully paid up.*

*The authorised share capital of the Company, on the registration of this Minute, HK\$1,050,000,000."*

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the special resolution set forth in paragraph 11 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Petition on Polytec Asset Holdings Limited, at its registered office located at the offices of Codan Trust Company (Cayman) Limited, P.O. Box 2681, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies.

DATED THIS 3<sup>rd</sup> DAY OF March, 2004.

*Charles Adams, Ritchie & Duckworth*  
**CHARLES ADAMS, RITCHIE & DUCKWORTH**  
Attorneys-at-Law for the Petitioner herein

This Petition was filed by Charles Adams, Ritchie & Duckworth, Attorneys-at-Law for and on behalf of the Applicant herein whose address for service is that of its Attorneys, P.O. Box 709GT, Zephyr House, Mary Street, George Town, Grand Cayman, Cayman Islands.

*Listed for 30<sup>th</sup> Apr '10 @ 10:00 a*

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CAUSE NO.            OF 2004

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