



Annual Report 2001



Eco-Tek  
環康科技

fostering

a healthy environment

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

CHIANG Lily (*Chairman*)  
PAU Kwok Ping (*Managing Director*)  
SHAH Tahir Hussain

### Non-executive directors

LUI Sun Wing  
YOUNG Meng Cheung Andrew

### Independent non-executive directors

CHENG Ming Fun Paul  
WOON Yi Teng Eden

### COMPLIANCE OFFICER

PAU Kwok Ping

### COMPANY SECRETARY

TSUI Siu Chuen *FCCA, AHKSA*

### CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

### QUALIFIED ACCOUNTANT

TSUI Siu Chuen *FCCA, AHKSA*

### AUDIT COMMITTEE

CHENG Ming Fun Paul  
WOON Yi Teng Eden

### SPONSOR

Celestial Capital Limited

## AUDITORS

Ernst & Young  
*Certified Public Accountants*

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 5, 11/F  
Westlands Centre  
20 Westlands Road  
Quarry Bay  
Hong Kong

## REGISTERED OFFICE

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681 GT  
George Town, Grand Cayman  
British West Indies

## HONG KONG SHARE REGISTRAR

Tengis Limited  
4/F, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

## PRINCIPAL BANKER

Standard Chartered Bank

## GEM STOCK CODE

8169

## WEBSITE ADDRESS

[www.eco-tek.com.hk](http://www.eco-tek.com.hk)



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## Chairman's Statement

The Eco-Tek Group (the "Group"), focusing on air, noise, waste and other pollution controls, was founded in October 1999. With a vision to foster a healthy environment and to improve the quality of life through the development and deployment of green technologies, we have identified our mission to become one of the leading providers of environmental protection related products and services in Asia and beyond. Through our dedicated efforts, one of our wholly owned subsidiaries in Hong Kong, Eco-Tek Company Limited, was honored with the Silver Award in The Third Hong Kong SME Award Ceremony organized by the Hong Kong Productivity Council and the Hong Kong General Chamber of Commerce in July 2001. Shares of Eco-Tek Holdings Limited (the "Company") were successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 5 December 2001.

### **RESULTS**

The Group's net profit attributable to shareholders for the year ended 31 October 2001 was approximately HK\$8.2 million. Turnover increased from approximately HK\$1.6 million in previous year to approximately HK\$20.1 million this year, representing a substantial increase of 12.6 times.

### **DIVIDEND**

To retain cashflow for future business development, the Board of Directors (the "Board") does not recommend the payment of a final dividend for the year under review.

## Chairman's Statement

### BUSINESS REVIEW AND OUTLOOK

In September 2000, a new environmental protection product, *Eco-Trap*, was introduced to the Hong Kong market. It is an exhaust gas filter which can reduce roughly 30% of particulates generated by fuel combustion of diesel vehicles under 4 tons. The product was developed by the Group in collaboration with The Hong Kong Polytechnic University and has quickly captured most of the market of its kind in Hong Kong. Since its launch and up to 31 October 2001, a total of around 16,000 pieces of *Eco-Trap* had been sold and installed in Hong Kong. We are determined to develop, deploy, and commercialise new environmental protection products that foster a healthy environment and to improve the quality of life. Since environmental protection has become an issue of increasing global concern, we believe that there is tremendous market potential in the environmental protection industry. With a view to achieving the Group's mission, the Group has formulated major business strategies as follows:

- (i) Development of new innovative products and services like *diesel oxidation catalysts* in combating air pollution by reducing pollutants generated from fuel combustion of heavy diesel vehicles as well as construction machinery, *sound proof barrier* in reducing noise pollution caused by vehicles running along the highways, *plastic recycle process* in facilitating waste management of plastics by converting them into other oil substances, and *drinking water filtration process* in enhancement of drinking water quality through filtration and treatment of poisonous chemicals and harmful bacteria in water. To improve the product diversification of the Group, we will leverage on the technical and commercialisation expertise of our research and development team to develop products that are related to industrial usage;
- (ii) Development of new markets such as the People's Republic of China (the "PRC") and the Taiwan markets for the existing product like *Eco-Trap* and other new products in the pipe-line;
- (iii) Enhancement in the cost-effectiveness and quality control of the Group's products by possible identification or establishment of its production facilities in the PRC;

# Chairman's Statement

## **BUSINESS REVIEW AND OUTLOOK** (continued)

- (iv) Improvement of the quality of existing products and service performance through dedicated research and development efforts. In addition to its management team, the Group will continue to cooperate with The Hong Kong Polytechnic University and other academic research units in Hong Kong, Japan and Europe for various new product developments and service enhancements of existing products;
- (v) Establishment of extensive distribution networks like the engagement of Caltex oil stations in the sale and installation of *Eco-Trap* in Hong Kong;
- (vi) Working in line with government policies, like the launch of the Voluntary Installation and Subsidy Program for vehicle particulate reduction devices by the Hong Kong SAR Government, that are crucial to the successful development of the environmental protection industry; and
- (vii) Promotion of public awareness towards environmental protection issues through various activities such as conducting scientific research and exploration, market surveys, technical seminars, and media publicity in Hong Kong and in the PRC.

With the above business strategies and of course the most important, our dedicated efforts in implementing them, we are confident that the Group can face the challenges ahead and achieve its mission.

## **ACKNOWLEDGEMENT**

I would like to take this opportunity to thank all my fellow directors for their invaluable contribution. On behalf of the Board, I would also like to express my gratitude to our shareholders, customers and business partners, as well as our staff, for their continuous support and dedication.

**CHIANG Lily**  
*Chairman*

Hong Kong, 16 January 2002

## Biographical Details of the Directors and Senior Management

Biographical details of the directors of the Company and the senior management of the Group are set out as follow:

### **DIRECTORS**

#### **Executive directors**

Dr. CHIANG Lily, Ph.D., MBA, FIMechE, FHKIE, aged 40, is the founder of the Group and chairman of the Company and is responsible for strategic development of the Group. She is the vice-chairman of the Hong Kong General Chamber of Commerce and chairman for the Industry & Technology Committee of the Chamber. Dr. Chiang was a director of Hong Kong Plastic Technology Centre Limited. She has over 16 years of management experience. Dr. Chiang was awarded one of the Ten Outstanding Young Persons in Hong Kong in 1999.

Dr. PAU Kwok Ping, Ph.D., MSc., aged 48, is the Managing Director of the Company and is responsible for overall management, and product development and day-to-day operations of the Group. He is a member of the Hong Kong Institution of Engineers. He has over 32 years of experience in the machinery manufacturing industry. Dr. Pau was awarded one of the Ten Outstanding Young Persons in Hong Kong in 1982.

Mr. SHAH Tahir Hussain, aged 39, is a director of the Company and is responsible for administration and marketing. Mr. Shah obtained his Bachelor of Medicine and Bachelor of Surgery from University of Karachi. Mr. Shah is a director of E1 Media Technology Limited and Pacific Challenge Holdings Limited. Mr. Shah joined the Group on 30 November 1999. He is experienced in corporate strategic planning.

## Biographical Details of the Directors and Senior Management

### Non-executive directors

Dr. LUI Sun Wing, aged 51, was a branch director of the Hong Kong Productivity Council for the period from October 1981 to June 2000 and responsible for overseeing the materials and process branch. Dr. Lui joined The Hong Kong Polytechnic University (“PolyU”) as a vice president and is now responsible for partnership and continuing education. He is also the chief executive officer of the Institute for Enterprise of PolyU and the chief executive officer and the chairman of the executive committee of PolyU Technology & Consultancy Co. Limited (“PTeC”). Dr. Lui is also a director of Advance New Technology Limited.

Mr. YOUNG Meng Cheung Andrew, aged 42, is Head of Partnership Development Office of the PolyU and also the deputy general manager of PTeC. Mr. Young holds a Bachelor’s Degree of Engineering in Mechanical Engineering from South Australian Institute of Technology, Australia and Master Degree in Business Administration from University of South Australia. Mr. Young is also a director of Hong Kong Plastic Technology Centre Limited and Advance New Technology Limited.

### Independent non-executive directors

Mr. CHENG Ming Fun Paul, JP, aged 65, is a founding partner of China Key Consultants Limited. He was formerly a member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Ltd., N.M. Rothschild & Sons (Hong Kong) Limited, The Hong Kong General Chambers of Commerce and The American Chamber of Commerce. He is currently a Steward of The Hong Kong Jockey Club and a Court member of the University of Science and Technology in Hong Kong where he is an adjunct professor of Management of Organizations. He is also a member of the Council of the Chinese University of Hong Kong.

Dr. WOON Yi Teng Eden, aged 54, is a director of Hong Kong General Chamber of Commerce. Before that he was an executive director of the Seattle-based Washington State China Relations Council, a non-profit organisation of over 180 members. Dr. Woon was formerly an advisor on the PRC policy for the US Secretary of Defence in the Pentagon, US and Colonel of the US Air Force. Dr. Woon has a doctorate degree in mathematics from the University of Washington. Currently, Dr. Woon is also on the respective boards of the Hong Kong Article Numbering Association, Tradelink Electronic Commerce and the Hong Kong Tennis Foundation.

## Biographical Details of the Directors and Senior Management

### SENIOR MANAGEMENT

Mr. YUNG Chi Kay, aged 54, is the deputy general manager of the Group and is responsible for quality management and research and development. Mr. Yung graduated from University of London, the United Kingdom with a Bachelor's degree in Science (Engineering). He also obtained a Master's degree in Engineering Business Management from University of Warwick in the United Kingdom. Mr. Yung has over 10 years of experience in quality control, research and development and project management. Mr. Yung joined the Group in January 2001.

Mr. TSUI Siu Chuen, aged 40, is the financial controller of the Group and is responsible for financial and accounting management. Mr. Tsui graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences. He is a member of the Certified General Accountants' Association of Canada, the Chartered Association of Certified Accountants, the United Kingdom, and the Hong Kong Society of Accountants. Mr. Tsui has over 8 years of experience in financial management and accounting. He joined the Group in August 2001.

# Management Discussion and Analysis

## OPERATION REVIEW

For the year under review, the Group's turnover increased to approximately HK\$20.1 million as compared to approximately HK\$1.6 million in the previous year, representing an increase of 12.6 times. It was attributable to the sales and installation of *Eco-Trap* in Hong Kong under the Voluntary Installation and Subsidy Program (the "Program") launched by the Hong Kong SAR Government (the "Government"). Since the Program commenced only in September 2000 and as more eligible vehicles owners participated in the Program starting 2001, the turnover for the year under review increased, accordingly, dramatically in comparison with that in the previous year.

Given the Group consistently engaged independent contractors to undertake the mass production of *Eco-Traps* during the years under review, the Group's gross profit margin remained steady at around 75% during the years under review.

The administrative expenses for the year under review amounted to about HK\$5.6 million whereas that for the last year was about HK\$1.1 million. Administrative expenses represented primarily directors' and staff remuneration and such increase for the year under review was mainly attributable to the employment of additional staff. During the year under review and the previous year, selling expenses amounted to about HK\$0.5 million and about HK\$0.1 million respectively, which were primarily comprised of advertising and promotional expenses, and traveling expenses.

Due to the net effect of the above, the net profit from ordinary activities attributable to shareholders of the Company therefore increased, for the two years under comparison, from about HK\$0.1 million to about HK\$8.2 million while the net profit margin also increased from about 6% to about 41%.

# Management Discussion and Analysis

## USE OF NET PROCEEDS FROM LISTING

The Company was listed on the GEM of the Stock Exchange on 5 December 2001 through a placement of 138,200,000 shares. The net proceeds from such placement after deduction of the relevant expenses incurred were approximately HK\$25 million. The Group intends to apply such net proceeds for its promotion and marketing activities of existing product, research and development of future products, setting up of its production facilities in the People's Republic of China (the "PRC") and additional general working capital. As of the date of this report, the Group has not spent any of the proceeds from the abovementioned share offer and such proceeds are placed on short-term deposits with a bank in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Company's prospectus (the "Prospectus") dated 27 November 2001.

## FINANCIAL POSITION

For the year under review, the Group financed its operations with its own working capital and advances from the directors and did not have any bank borrowings. As at 31 October 2001, the Group had total assets of approximately HK\$15.4 million, including cash and bank balances of approximately HK\$9.8 million. Amounts due to directors as at 31 October 2001 were approximately HK\$4.0 million and they were repaid in full in November 2001. Taking into consideration the existing financial resources available to the Group including internally generated funds and the net proceeds from listing, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Since all transactions of the Group are denominated in Hong Kong dollars or United States dollars and the exchange rates of such currencies have been stable for the years under review, no hedging or other alternatives have been implemented.

As at 31 October 2001, the Group did not have outstanding hedging instruments.

# Management Discussion and Analysis

## CONTINGENT LIABILITY AND CHARGE ON GROUP ASSET

A performance bond facility (“Performance Bond”) of HK\$1,000,000 has been granted by a banker in favor of the Group. In the event of a default by the Group in the performance of the services detailed in the tender contract offered by the Government for the supply and installation of devices to reduce particulates from relevant exhaust of diesel light vehicles under the Program, the Government is entitled to call for payment from the banker to satisfy and discharge any damages, losses or expenses sustained by the Government up to an amount of HK\$1,000,000. The banker has the right of recourse to the Group.

Prior to 27 March 2001, such Performance Bond was secured by a deposit of HK\$1,000,000 pledged by Dr. CHIANG Lily, an executive director of the Company. On 27 March 2001, the Group received a consent from the relevant banker to the aforesaid pledged deposit being released and replaced by the Group’s pledged bank deposit of the same amount.

Save as above, the Group did not have any significant contingent liabilities as at 31 October 2001.

## EMPLOYEES

As at 31 October 2001, the Group had 17 full-time employees. The total of employee remuneration, including that of the directors, for the year under review and last year amounted respectively to about HK\$4.2 million and HK\$0.8 million. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the three executive directors has, on 21 November 2001, entered into a director’s service agreement with the Company under which he or she is entitled to a management bonus. The aggregate amount of the management bonus to all executive directors shall be equal to 10% of the audited consolidated profits of the Group before taxation and extraordinary items for the relevant financial year provided that such consolidated profits shall exceed HK\$5 million, and such aggregate amount shall be divided by the number of executive directors and the entitlement of each executive director shall be equal. Such management bonus is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year.

## Management Discussion and Analysis

### **EMPLOYEES** (continued)

Pursuant to a pre-IPO share option scheme adopted by the Company on 21 November 2001, the Company had granted pre-IPO share options on the Company's ordinary shares in favor of three executive directors to subscribe for a total of 96,740,000 shares at an exercise price of HK\$0.01 each, representing, in aggregate, 17.5% of the issued share capital of the Company immediately following its listing on the GEM of the Stock Exchange. All of these pre-IPO share options may be exercised within three years from the expiry of 12 months from the listing date. No further options will be granted under the pre-IPO share option scheme after the listing of the shares.

On 21 November 2001, the Company had also adopted a post-IPO share option scheme under which full time employees, including directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares. At the date of this report, no share options have been granted under the post-IPO share option scheme.

### **OUTLOOK**

The Group has formulated major business strategies and implementation plans for the development of new innovative environmental protection related products and services, like diesel oxidation catalysts, soundproof barrier, etc. and the development of new markets, like the PRC and the Taiwan markets. Details of such business strategies and implementation plans can be found in the Prospectus dated 27 November 2001. Leveraging on the success in the development and commercialisation of *Eco-Trap* in Hong Kong and together with the extensive experience and technical expertise of the Group's management team, the directors are confident that the Group can achieve its objective to become one of the leading providers of environmental protection related products and services in Hong Kong and other overseas markets.

## Report of the Directors

The directors herein present their report and the audited financial statements of Eco-Tek Holdings Limited (“the Company”) for the period from 6 December 2000 (date of incorporation) to 31 October 2001, which included supplementary pro forma combined financial statements of the Company and its subsidiaries (collectively referred to as the “Group”), which was legally formed subsequent to 31 October 2001, for the year ended 31 October 2001.

### **GROUP REORGANISATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 6 December 2000. Pursuant to a reorganisation scheme (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on 21 November 2001. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 1, 20 and 25 to the financial statements.

Subsequent to the balance sheet date, on 5 December 2001, pursuant to a placing, the shares of the Company were listed on the GEM.

In order to apprise the Company’s shareholders of the pro forma combined financial results and position of the Group, should the Group have been in existence throughout the year ended 31 October 2001, supplementary financial information comprising pro forma combined profit and loss account, balance sheet and cash flow statement are, therefore, included in the financial statements. The basis of preparing the aforesaid supplementary financial information, which is detailed in note 1 to the financial statements, has also been consistently applied for presenting the information referring to the Group in this report of the directors.

### **PRINCIPAL ACTIVITIES**

As at 31 October 2001, the Company had not yet commenced business and the Group was not in existence.

The current principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 25 to the financial statements. There were no changes in the nature of the Group’s principal activities during the year.

# Report of the Directors

## **SEGMENTAL INFORMATION**

No analysis of the Group's pro forma combined turnover and its contribution to operating profit before tax by principal activities for the year ended 31 October 2001 are presented as more than 90% of the Group's turnover and profit before tax related to sales of environmental protection related products in Hong Kong.

## **RESULTS AND DIVIDENDS**

The Group's pro forma combined profit for the year ended 31 October 2001 and its pro forma combined state of affairs as at that date, together with the state of affairs of the Company as at 31 October 2001, are set out in the financial statements on pages 24 to 52.

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

## **FIXED ASSETS**

Details of movements in the Group's fixed assets during the year are set out in note 12 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 25 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital since 6 December 2000 (date of incorporation), together with the reasons thereof, and details of the Company's share option schemes are set out in note 20 to the financial statements.

## **RESERVES**

Details of movements in the Group's reserves are set out in note 21 to the financial statements.

# Report of the Directors

## **PRE-EMPTIVE RIGHTS**

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

## **DISTRIBUTABLE RESERVES**

At 31 October 2001, the Company did not have any distributable reserves.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The top five customers of the Group, who are the individual eligible vehicle owners under the voluntary installation and subsidy program, accounted for less than 30% in aggregate for the Group's total turnover for the year.

The top five suppliers of the Group accounted for approximately 93% in aggregate for the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 89% of the Group's total purchases.

None of the directors of the Company, or any of their associates or 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 five largest customers or suppliers.

# Report of the Directors

## DIRECTORS

The directors of the Company since 6 December 2000 (date of incorporation) and up to the date of this report were as follows:

### Executive directors

Dr. CHIANG Lily	(appointed on 16 January 2001)
Dr. PAU Kwok Ping	(appointed on 16 January 2001)
Mr. SHAH Tahir Hussain	(appointed on 16 January 2001)

### Non-executive directors

Dr. LUI Sun Wing	(appointed on 16 January 2001)
Mr. YOUNG Meng Cheung Andrew	(appointed on 16 January 2001)

### Independent non-executive directors

Mr. CHENG Ming Fun Paul	(appointed on 16 January 2001)
Dr. WOON Yi Teng Eden	(appointed on 16 January 2001)

In accordance with articles 87(1) and (2) of the Company's articles of association, Dr. LUI Sun Wing will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 6 and 7 to the financial statements, respectively.

## RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's costs charged to the profit and loss account for the year are set out in notes 3, 5 and 10 to the financial statements.

# Report of the Directors

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 5 December 2001 and shall be entitled to terminate the contract at any time after that initial term of three years without cause by giving not less than six months' prior written notice to the Company.

No director 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 other than statutory compensation.

The length of the term of appointment for each of the non-executive directors and independent non-executive directors is thirty months commencing from 21 November 2001 subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company.

## DIRECTORS' INTERESTS IN SHARES

Subsequent to the balance sheet date, on 5 December 2001, the Company was listed on the GEM. At the date of this report, the interests of the directors and their associates in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Disclosure of Interests Ordinance (the "SDI Ordinance"), are set out below:

Name of director	Number of shares		Total
	Corporate interest	Personal interest	
Dr. CHIANG Lily *	299,341,200	–	299,341,200
Dr. PAU Kwok Ping	–	16,584,000	16,584,000
Mr. SHAH Tahir Hussain	–	552,800	552,800

\* These shares are held by Team Drive Limited which is wholly owned by Peace City Development Limited, a company of which the entire issued shares are beneficially owned by Dr. CHIANG Lily.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 21 November 2001, the Company had granted pre-IPO share options on the Company's ordinary shares in favour of three executive directors, details of which are as follows:

Name of director	Number of shares options granted on 21 November 2001	Exercise period of share options	Exercise price per share <i>HK\$</i>
Dr. CHIANG Lily	55,280,000	5 December 2002 to 4 December 2005	0.01
Dr. PAU Kwok Ping	27,640,000	5 December 2002 to 4 December 2005	0.01
Mr. SHAH Tahir Hussain	13,820,000	5 December 2002 to 4 December 2005	0.01

No further options will be granted under the Pre-Scheme after listing of the Company's shares on the GEM. Upon exercise of all outstanding pre-IPO share options in full, a total of 96,740,000 shares, representing in aggregate approximately 17.5% of the issued share capital of the Company immediately following the completion of the placing and the capitalisation, will be issued. All these options were granted on 21 November 2001 and may be exercised within three years from the expiry of 12 months from 5 December 2001.

At the same date of adoption of the aforesaid Pre-Scheme, a post-IPO share option scheme (the "Post-Scheme") was also approved by the Company. Under the terms of the Post-Scheme, the board of directors may, at their discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options were granted by the Company under the Post-Scheme up to the date of approval of this report.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

Save as disclosed above, and other than in connection with the Group Reorganisation in preparation for the Company's placing, at no time since its incorporation was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions in connection with the Group Reorganisation in preparation for the Company's placing, and as disclosed in note 27 to the financial statements, no director had a significant beneficial interest, directly or indirectly, in any contract of significance to which the Company, its holding companies or any of its subsidiaries was a party during the year.

### SUBSTANTIAL SHAREHOLDERS

At the date of this report, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of holding
Team Drive Limited	299,341,200 <sup>#</sup>	54.15%
Advance New Technology Limited	89,000,800	16.10%

<sup>#</sup> The shareholding is duplicated in the directors' interests in shares disclosed above.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## Report of the Directors

### SPONSOR'S INTEREST

Subsequent to the balance sheet date of 31 October 2001, shares of the Company were listed on the GEM of the Stock Exchange on 5 December 2001 by way of a placement of 138,200,000 shares at an issue price of HK\$0.238 (the "Listing"). The sponsor and co-sponsor of the Listing was respectively Celestial Capital Limited (the "Sponsor") and SBI E2-Capital (HK) Limited (the "Co-Sponsor").

The Sponsor and the Co-Sponsor have confirmed that, immediately prior to the Listing on 10:00 a.m. on 5 December 2001, none of the Sponsor, the Co-Sponsor or their respective associates, directors or employees has or may have, as a result of the listing of the shares of the Company, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) save for:

- (a) the obligations and interests of the Sponsor, the Co-Sponsor and SBI E2-Capital Securities Limited under an underwriting agreement with regard to the Listing;
- (b) the grant by the Company of an over-allotment option, which was not exercised until its expiry on 24 December 2001, to SBI E2-Capital Securities Limited;
- (c) the obligations and interests of SBI E2-Capital Securities Limited under a stock borrowing agreement with regard to the over-allotment option mentioned in (b);
- (d) the advisory and documentation fees payable to the Sponsor and the Co-Sponsor, in cash, as the Sponsor and the Co-sponsor of the Listing; and
- (e) a sponsor's agreement (the "Sponsor Agreement") dated 26 November 2001 and made between the Sponsor and the Company, pursuant to which the Company has appointed the Sponsor and the Sponsor has agreed to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date of Listing to 31 October 2004 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

The Sponsor has further confirmed that as at 15 January 2002, the day immediately before the date of this report, the Sponsor, its directors, employees or associates did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

# Report of the Directors

## **CONNECTED AND RELATED PARTY TRANSACTIONS**

Details of the related party transactions for the year are set out in note 27 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

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

The Company's shares were listed on the GEM on 5 December 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

## **SUBSEQUENT EVENTS**

Details of the significant subsequent events are set out in note 26 to the financial statements.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rule since the listing of the Company's shares on the GEM on 5 December 2001.

# Report of the Directors

## AUDITORS

Ernst & Young were appointed as the first auditors of the Company for the period ended 31 October 2001.

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming annual general meeting.

## AUDIT COMMITTEE

The Company established an audit committee on 21 December 2001 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises two members, Mr. CHENG Ming Fun Paul and Dr. WOON Yi Teng Eden, who are the independent non-executive directors of the Company. The Group's audited results for the year ended 31 October 2001 have been reviewed by the committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board,

**CHIANG Lily**

*Chairman*

Hong Kong, 16 January 2002

# Report of the Auditors



■ Certified Public Accountants ■ Phone: 852 2846 9888  
 15/F Hutchison House 852 2526 5371  
 10 Harcourt Road Fax: 852 2868 4432  
 Central, Hong Kong 852 2845 9208

To the members

## **Eco-Tek Holdings Limited**

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

We have audited the financial statements on 24 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 October 2001 and of its results for the period from 6 December 2000 (date of incorporation) to 31 October 2001 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **ERNST & YOUNG**

*Certified Public Accountants*

Hong Kong

16 January 2002

# Balance Sheet

31 October 2001

		<b>2001</b>	2000
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Current asset</b>			
Cash on hand		–	–
<b>Capital</b>			
Share capital	<i>1, 20</i>	–	–

**CHIANG Lily**

*Director*

**PAU Kwok Ping**

*Director*

## Pro Forma Combined Profit and Loss Account

Year ended 31 October 2001

		2001	2000
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Turnover</b>	4	<b>20,144</b>	1,621
Cost of sales		<b>(4,792)</b>	(421)
Gross profit		<b>15,352</b>	1,200
Other revenue		<b>470</b>	–
Selling expenses		<b>(468)</b>	(51)
Administrative expenses		<b>(5,585)</b>	(1,057)
<b>Profit before tax</b>	5	<b>9,769</b>	92
Tax	8	<b>(1,548)</b>	–
<b>Net profit from ordinary activities attributable to shareholders</b>	21	<b>8,221</b>	92
Dividends	11	–	–
<b>Retained profit</b>		<b>8,221</b>	92
<b>Earnings per Share</b>	9		
Basic		<b>HK1.98 cents</b>	HK0.02 cents
Diluted		<b>HK1.62 cents</b>	HK0.02 cents

Other than the net profit from ordinary activities attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a pro forma combined statement of recognised gains and losses is not presented in the pro forma combined financial statements.

# Pro Forma Combined Balance Sheet

31 October 2001

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	<i>12</i>	<b>617</b>	129
Pledged deposit	<i>13</i>	<b>1,000</b>	–
		<b>1,617</b>	129
<b>Current assets</b>			
Inventories	<i>14</i>	<b>439</b>	141
Accounts receivable	<i>15</i>	<b>1,646</b>	1,613
Prepayments, deposits and other receivables		<b>1,899</b>	167
Cash and cash equivalents	<i>16</i>	<b>9,821</b>	143
		<b>13,805</b>	2,064
<b>Current liabilities</b>			
Accounts payable	<i>18</i>	<b>249</b>	193
Accrued liabilities and other payable		<b>1,196</b>	291
Tax payable		<b>1,548</b>	–
Amounts due to directors	<i>19</i>	<b>4,015</b>	1,216
Amount due to a related company	<i>19</i>	<b>–</b>	300
		<b>7,008</b>	2,000
<b>Net current assets</b>		<b>6,797</b>	64
		<b>8,414</b>	193
<b>Capital and reserves</b>			
Share capital	<i>20</i>	<b>6</b>	6
Reserves	<i>21</i>	<b>8,408</b>	187
		<b>8,414</b>	193

**CHIANG Lily**

*Director*

**PAU Kwok Ping**

*Director*

# Pro Forma Combined Cash Flow Statement

Year ended 31 October 2001

		2001	2000
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Net cash inflow from operating activities</b>	<i>22(a)</i>	<b>11,017</b>	180
<b>Returns on investments and servicing of finance</b>			
Interest received		269	–
Net cash inflow from returns on investments and servicing of finance		269	–
<b>Tax</b>		–	–
<b>Investing activities</b>			
Purchases of fixed assets		(608)	(138)
Increase in pledged deposit		(1,000)	–
Net cash outflow from investing activities		(1,608)	(138)
<b>Net cash inflow before financing activities</b>		<b>9,678</b>	42
<b>Financing activities</b>	<i>22(b)</i>		
Increase in capital of subsidiaries		–	101
Net cash inflow from financing activities		–	101
<b>Increase in cash and cash equivalents</b>		<b>9,678</b>	143
Cash and cash equivalents at beginning of the year		143	–
<b>Cash and cash equivalents at end of year</b>		<b>9,821</b>	143
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		4,663	143
Time deposit		5,158	–
		<b>9,821</b>	143

# Notes to Financial Statements

31 October 2001

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

### The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 6 December 2000. On incorporation, the Company had authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, of which 1 share and 1,599 shares were allotted and issued nil paid on 6 December 2000 and 16 January 2001, respectively. Apart from the foregoing, no other transactions were carried out by the Company during the period from 6 December 2000 (date of incorporation) to 31 October 2001. Accordingly, the Company did not have any profits and losses for the period.

Comparative amounts have not been presented for the Company's balance sheet because the Company was not in existence on 31 October 2000.

### Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of its shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 December 2001, the Company became the holding company of the companies now comprising the Group on 21 November 2001. This was accomplished by acquiring the entire issued share capital of Eco-Tek (BVI) Investment Holdings Limited ("Eco-Tek (BVI)"), which is, at the date of this report, the intermediate holding company of other subsidiaries set out in note 25 to the financial statements, in consideration of and in exchange for the allotment and issue of a total of 300,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Eco-Tek (BVI). Further details of the Group Reorganisation are set out in the Company's prospectus (the "Prospectus") dated 27 November 2001.

# Notes to Financial Statements

31 October 2001

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

### Basis of presentation

The Group Reorganisation involved companies under common control. Because the Group Reorganisation took place on 21 November 2001, according to the Statement of Standard Accounting Practice (“SSAP”) No. 2.127 “Accounting for group reconstructions”, the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group’s financial statements commencing the year ending 31 October 2002. Nevertheless, for the benefit of shareholders, pro forma combined financial statements for the current year and the related notes thereto have been presented in these financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of acquisition of the subsidiaries on 21 November 2001. The pro forma combined results of the Group for the years ended 31 October 2000 and 2001 include the results of the Company and its subsidiaries with effect from 27 October 1999 or since their respective dates of incorporation, where this is a shorter period. As disclosed in the Prospectus dated 27 November 2001, since the Group did not generate any income or incur any costs during the period from 27 October 1999 to 31 October 1999, both days inclusive, no results were recorded accordingly for the said period. The pro forma combined balance sheets as at 31 October 2000 and 2001 have been prepared on the basis that the current Group structure was in place at those dates.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

Although the Group Reorganisation had not been completed and accordingly, the Group did not legally exist until 21 November 2001, in the opinion of the directors, the presentation of such pro forma combined financial statements prepared on the aforesaid basis is necessary to apprise the Company’s shareholders of the Group’s results and its state of affairs as a whole.

# Notes to Financial Statements

31 October 2001

## 2. CORPORATE INFORMATION

Had the Group Reorganisation been completed on 27 October 1999 (pro forma formation date of the Group) and had the Group been in existence since that date, the Group's principal activities would have been involved in the marketing, sales, servicing, research and development of environmental protection related products and services carried out in Hong Kong during the period from 27 October 1999 (pro forma formation date of the Group) to 31 October 2001.

In the opinion of the directors, had the Group Reorganisation been completed on 27 October 1999 (pro forma formation date of the Group) and had the Group been in existence since that date, the ultimate holding company of the Company as at 31 October 2001 would have been Peace City Development Limited, a company incorporated in Hong Kong with limited liability.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

### Subsidiaries

A subsidiary is a company in which the Company controls. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

Interests in subsidiaries are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

# Notes to Financial Statements

31 October 2001

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- a. from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- b. interest income, on a time proportional basis, taking into account the principal outstanding and the effective interest rate applicable.

### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Motor vehicles	2 to 5 years
Office equipment	2 to 5 years
Plant and machinery	2 to 5 years
Furniture and fixtures	2 to 5 years

# Notes to Financial Statements

31 October 2001

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Fixed assets and depreciation** (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows.

### **Research and development costs**

All research costs are charged to the profit and loss account as incurred.

Development costs are capitalised and deferred only when the projects are clearly defined, the costs are separately identified and there is reasonable certainty that the projects are technically feasible and the products have commercial value. Development expenditure which does not meet these criteria is expensed when incurred.

Costs so deferred are amortised on the straight-line basis over the expected economic useful lives of the products, subject to a maximum period of five years commencing in the year when the products are put into commercial production.

### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

# Notes to Financial Statements

31 October 2001

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Scheme”) under the Mandatory Provident Fund Scheme Ordinance for all of its employees in Hong Kong. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed to the Scheme except for the Group’s employer voluntary contributions which shall be refunded to the Group when the employees leave employment prior to the employer’s voluntary contributions vesting fully, in accordance with the rules of the Scheme.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Provision for warranty costs

Provision for warranty costs is made on an accrual basis by reference to the directors’ best estimates of the expenditure required to settle the obligations, and is charged to the profit and loss account in the period in which the related sales are made. Subsequent expenditure on the settlement of such obligations is charged against the provision made, except where the expenditure exceeds the balance of the provision, in which case, it is charged to the profit and loss account as incurred.

# Notes to Financial Statements

31 October 2001

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences, in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On combination, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

# Notes to Financial Statements

31 October 2001

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash equivalents

For the purpose of the combined cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## 4. TURNOVER

Turnover represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts.

# Notes to Financial Statements

31 October 2001

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>4,792</b>	421
Depreciation of fixed assets	<b>120</b>	9
Operating lease rentals in respect of land and buildings	<b>417</b>	–
Research and development costs	<b>1,320</b>	100
Auditors' remuneration	<b>300</b>	100
Staff costs, excluding directors' emoluments – note 6		
Wages and salaries	<b>2,037</b>	335
Retirement scheme contributions	<b>111</b>	–
Management fee paid to a related company – note 27(ii)	<b>100</b>	140
Interest income	<b>(269)</b>	–

The cost of inventories sold for the year ended 31 October 2001 includes HK\$152,000 (2000: HK\$54,000), relating to direct staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses for the respective years.

The research and development costs for the year ended 31 October 2001 include an amount of HK\$1,320,000 (2000: HK\$100,000), relating to directors' remuneration, which are also included in the total amounts of directors' remuneration disclosed separately in note 6 to the financial statements.

# Notes to Financial Statements

31 October 2001

## 5. PROFIT BEFORE TAX (continued)

No segmental analysis on turnover and contributions by operating activity is provided as the Group is currently only engaged in the marketing, sales and servicing of environmental protection related products and services.

No geographical analysis on turnover and contributions by operating activity is provided as all business is considered to be derived and transacted in Hong Kong.

## 6. DIRECTORS' EMOLUMENTS

Details of directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	–	–
Other emoluments	<b>2,160</b>	490
Bonus	–	–
Pension	<b>30</b>	–
	<b>2,190</b>	490

The three executive directors of the Company received emoluments of approximately HK\$610,000, HK\$250,000 and HK\$1,330,000 for the year (2000: HK\$350,000, HK\$140,000 and nil). There were no emoluments payable to the non-executive directors and independent non-executive directors of the Company during the year (2000: Nil).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the current and prior year.

# Notes to Financial Statements

31 October 2001

## 7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2000: two) directors, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining two (2000: three) non-director, highest paid employees are as follows:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	<b>545</b>	262
Bonuses	<b>34</b>	–
Pension	<b>17</b>	–
	<b>596</b>	262

The emoluments of each of the remaining non-director, highest paid individuals fell within the band of nil to HK\$1,000,000.

During the current and prior year, no emoluments were paid by the Group to any of the remaining non-director, highest paid individuals as an inducement to join the Group or as compensation for loss of office.

## 8. TAX

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current year provision– Hong Kong	<b>1,548</b>	–

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. Hong Kong profits tax has not been provided for the year ended 31 October 2000 as the Group did not generate any estimated assessable profits arising in Hong Kong during that year.

Details of the Group's unprovided deferred tax liabilities are set out in note 17.

# Notes to Financial Statements

31 October 2001

## 9. EARNINGS PER SHARE

The pro forma earnings per share for the year is calculated based on the pro forma combined net profit attributable to shareholders of the Company for the year of HK\$8,221,000 (2000: HK\$92,000) and 414,600,000 shares (2000: 414,600,000 shares) deemed to have been issued and issuable during the year on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 414,000,000 shares of the Company had been effective on 27 October 1999 (pro forma formation date of the Group).

The calculation of the pro forma diluted earnings per share for each of the years ended 31 October 2000 and 2001 is based on the pro forma combined net profit attributable to shareholders of the Company for the year of HK\$8,221,000 (2000: HK\$92,000) and 508,657,294 shares, being the 414,600,000 shares as used in the calculation of pro forma basic earnings per share, and the weighted average of 94,057,294 shares assumed to have been issued at no consideration on the deemed exercise of the pre-IPO share options and the option granted to Advance New Technology Limited (“ANT-Option”) as set out in note 20 to the financial statements.

For the purpose of calculating pro forma diluted earnings per share, the fair value of the shares assumed to have been issued upon the deemed exercise of these options was determined as the issue price of HK\$0.238 per share in respect of the Company’s placement of its shares. The difference between the number of shares issued and the number of shares that would have been issued at fair value is treated as an issue of ordinary shares for no consideration.

# Notes to Financial Statements

31 October 2001

## 10. RETIREMENT BENEFITS SCHEME

For the period from 27 October 1999 (pro forma formation date of the Group) to 30 November 2000, the Group did not operate a pension scheme for its employees in Hong Kong.

Commencing from 1 December 2000, the Mandatory Provident Fund Scheme Ordinance took effect and introduced certain new arrangements for the provision of employee benefits. A new Mandatory Provident Fund scheme (the “MPF Scheme”) has been set up by the Group for this purpose and employer’s voluntary contributions are made under the scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they became payable in accordance with the rules of the MPF Scheme. The Group’s employer contributions vest fully with the employees when contributed to the scheme except for the Group’s employer voluntary contributions which shall be refunded to the Group when the employees leave employment prior to the employer’s voluntary contributions vesting fully, in accordance with the rules of the MPF Scheme. No forfeited contributions were utilised or available for the year.

For the year ended 31 October 2001, the amount of the MPF Scheme contributions dealt with in the profit and loss account of the Group is disclosed in note 5 to the financial statements.

## 11. DIVIDENDS

No dividends have been paid or declared by the Company or any of the companies comprising the Group since their respective dates of incorporation.

# Notes to Financial Statements

31 October 2001

## 12. FIXED ASSETS

	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Plant and machinery</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:					
At 1 November 2000	33	7	98	–	138
Additions	–	62	531	15	608
At 31 October 2001	33	69	629	15	746
Accumulated depreciation:					
At 1 November 2000	1	1	7	–	9
Provided during the year	7	9	102	2	120
At 31 October 2001	8	10	109	2	129
Net book value:					
At 31 October 2001	25	59	520	13	617
At 31 October 2000	32	6	91	–	129

## 13. BANKING FACILITY

Prior to 27 March 2001, the Group's performance bond facility (the "Performance Bond") was secured by deposits of HK\$1,000,000 pledged by Dr. CHIANG Lily, a director of the Company (*note 27(i)*). On 27 March 2001, the Group received consent from the relevant banker to the aforesaid pledged deposits being released and replaced by the Group's bank deposit of HK\$1,000,000.

# Notes to Financial Statements

31 October 2001

## 14. INVENTORIES

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Finished goods	<b>439</b>	141

No inventories were stated at net realisable value (2000: Nil).

## 15. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 30 days to its trade customers.

An ageing analysis of accounts receivable is as follows:

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>1,646</b>	1,613

## 16. CASH AND CASH EQUIVALENTS

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cash and bank balances	<b>4,663</b>	143
Time deposits	<b>5,158</b>	–
	<b>9,821</b>	143

# Notes to Financial Statements

31 October 2001

## 17. DEFERRED TAX

The Group has no provision for deferred tax liabilities as at 31 October 2001 (2000: Nil).

At 31 October 2001, the Group has unprovided deferred tax liabilities of HK\$67,000 (2000: HK\$14,000), which represented accelerated depreciation allowances.

## 18. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is as follow:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>236</b>	193
181 – 360 days	<b>13</b>	–
	<b>249</b>	193

## 19. AMOUNTS DUE TO DIRECTORS AND A RELATED COMPANY

The amounts due to directors and a related company were unsecured, interest-free and were fully repaid before the end of November 2001.

# Notes to Financial Statements

31 October 2001

## 20. SHARE CAPITAL

The following is a summary of movements in the authorised and issued share capital of the Company:

	Notes	Number of shares		Value HK\$'000
		Ordinary shares of HK\$0.10 each	Ordinary shares of HK\$0.01 each	
<b>Authorised:</b>				
On incorporation and at 31 October 2000 and at 31 October 2001	20(i)	1,000,000	–	100
Change of nominal value of shares from HK\$0.10 each to HK\$0.01 each	20(iii)	(1,000,000)	10,000,000	–
Increase in authorised share capital	20(iii)	–	4,990,000,000	49,900
At 5 December 2001, the listing date		Nil	5,000,000,000	50,000
<b>Issued and fully paid:</b>				
Allotted, issued and nil paid	20(i), 20(ii)	30,000	–	–
Change of nominal value of shares from HK\$0.10 each to HK\$0.01 each	20(iii)	(30,000)	300,000	–
On acquisition of Eco-Tek (BVI) *				
– consideration shares issues	20(iv)	–	300,000	3
– nil paid shares credited as fully paid	20(iv)	–	–	3
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placement	20(v)	–	414,000,000	–
Pro forma share capital of the Group at 31 October 2001		Nil	414,600,000	6
Capitalisation of the share premium account as set out above	20(v)	–	–	4,140
New issue of shares	20(vi)	–	138,200,000	1,382
At 5 December 2001, the listing date		Nil	552,800,000	5,528

\* Pursuant to the basis of presentation set out in note 1, the pro forma combined financial statements of the Group have been presented as if the Group Reorganisation on 21 November 2001 had been completed on 27 October 1999 (pro forma formation date of the Group).

# Notes to Financial Statements

31 October 2001

## 20. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 6 December 2000 (date of incorporation) to the date of this annual report:

- (i) On 6 December 2000 (date of incorporation), the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, one share of which was allotted and issued nil paid on 6 December 2000. On 16 January 2001, 1,599 shares of HK\$0.1 each in the Company were allotted and issued nil paid. The shares was subsequently credited as fully paid as described in (iv) below.
- (ii) On 21 November 2001, 28,400 shares of HK\$0.10 each in the Company were allotted and issued nil paid. The said shares were subsequently credited as fully paid as described in (iv) below.
- (iii) Pursuant to a written resolution of all shareholders of the Company passed on 21 November 2001, by means of a sub-division of share capital, the par value to the shares of the Company was reduced from HK\$0.10 each to HK\$0.01 each, and each of the issued share of HK\$0.10 each in the capital of the Company was sub-divided into ten shares. Pursuant to a further written resolution of the Company passed on 21 November 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 4,990,000,000 shares of HK\$0.01 each.
- (iv) On 21 November 2001, the Company acquired the entire share capital of Eco-Tek (BVI) and became the holding company of the Group in exchange for the Company's allotted and issued 300,000 shares of HK\$0.01 each, credited as fully paid, and credited as fully paid another 300,000 nil paid shares held by the shareholders for acquisition of the entire issued share capital of Eco-Tek (BVI).

# Notes to Financial Statements

31 October 2001

## 20. SHARE CAPITAL (continued)

- (v) Pursuant to written resolutions of the Company passed on 21 November 2001, the conditions of the Placing set out in the Prospectus being fulfilled, an aggregate of 414,000,000 shares were allotted and issued, credited as fully paid at par by the capitalisation of HK\$4,140,000 from the share premium account arising from the share placement (the “Placing”), to the then existing shareholders of the Company in proportion to their respective shareholding.
  
- (vi) Pursuant to the listing on the GEM on 5 December 2001, the Company issued 138,200,000 shares of HK\$0.01 each at HK\$0.238 per share to the public by way of the Placing.

### Share options

- (i) On 21 November 2001, a pre-IPO share option scheme (the “Pre-Scheme”) was approved pursuant to a written resolution of the Company. The purpose of the Pre-Scheme is to recognise the contribution of certain directors and employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to three executive directors to subscribe for a total of 96,740,000 shares, representing in aggregate approximately 17.5% of the then issued share capital of the Company immediately following the completion of the Placing and the capitalisation issue, at a subscription price of HK\$0.01 each. No further options would be granted under the Pre-Scheme after listing of the shares on the GEM. All these options were granted on 21 November 2001 and may be exercised within three years from the expiry of 12 months from 5 December 2001, the listing date. Each grantee has paid HK\$1.00 to the Company as consideration for such grant.

The exercise in full of the pre-IPO share option would, under the present capital structure of the Company, result in the issue of 96,740,000 additional shares of HK\$0.01 each.

The Pre-Scheme remains in force for a period of 10 years with effect from 21 November 2001.

# Notes to Financial Statements

31 October 2001

## 20. SHARE CAPITAL (continued)

### Share options (continued)

- (ii) On 21 November 2001, a post-IPO share option scheme (the “Post-Scheme”) was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to grant options to selected persons as incentives or rewards for their contribution to the Group. The board of directors may, at their discretion, grant options to any full time employee and any director of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors to subscribe for shares of the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes by the Company must not exceed 30% of the shares in issue from time to time. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. The subscription price for shares under the Post-Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option. No share options were granted by the Company under the Post-Scheme up to the date of approval of these financial statements.

The Post-Scheme remains in force for a period of 10 years with effect from 21 November 2001.

# Notes to Financial Statements

31 October 2001

## 20. SHARE CAPITAL (continued)

### Share options (continued)

(iii) On 21 November 2001, the Company granted the ANT-Option to Advance New Technology Limited, a wholly-owned subsidiary of The Hong Kong Polytechnic University ("PolyU"), as a reward to PolyU's continuing support and collaboration with the Group and for the purpose of enhancing future co-operative relationship between PolyU and the Group. The ANT-Option was granted at a consideration of HK\$1.00 to subscribe for such number of shares that shall represent 2.5% of the issued share capital of the Company immediately after completion of the Placing and the capitalisation issue at an exercise price equivalent to 90% of the issue price, which may be exercised at any time between the first and third anniversaries of the listing date.

The exercise in full of the ANT-Option would, under the present capital structure of the Company, resulted in the issue of 13,820,000 additional shares of HK\$0.01 each.

## 21. RESERVES

	<b>Capital reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 November 1999	(6)	–	(6)
Increase in capital of subsidiaries	101	–	101
Profit for the year	–	92	92
At 31 October 2000 and 1 November 2000	95	92	187
Profit for the year	–	8,221	8,221
At 31 October 2001	95	8,313	8,408

*Note:*

The capital reserve of the Group represents the difference between the aggregate nominal value of share capital of subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefor (note 20(iv)).

# Notes to Financial Statements

31 October 2001

## 22. NOTES TO PRO FORMA COMBINED CASH FLOW STATEMENT

(a) *Reconciliation of profit before tax to net cash inflow from operating activities*

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before tax	9,769	92
Interest income	(269)	–
Depreciation of fixed assets	120	9
Increase in inventories	(298)	(141)
Increase in accounts receivable	(33)	(1,613)
Increase in prepayments, deposits and other receivables	(1,732)	(167)
Increase in accounts payable	56	193
Increase in accrued liabilities and other payables	905	291
Increase/(decrease) in amounts due to a related company	(300)	300
Increase in amounts due to directors	2,799	1,216
Net cash inflow from operating activities	<b>11,017</b>	180

(b) *Analysis of changes in financing during the year*

	<b>Capital reserve</b> <i>HK\$'000</i>
At 1 November 1999	(6)
Net cash inflow from financing	101
At 31 October 2000 and 2001	95

# Notes to Financial Statements

31 October 2001

## 23. CONTINGENT LIABILITIES

The Performance Bond of HK\$1,000,000 has been granted by a banker in favor of the Group. In the event of default by the Group in the performance of the services detailed in the tender contract offered by the Government of the Hong Kong Special Administrative Region (the "Government") for the supply and installation of devices to reduce particulates from relevant exhaust of diesel light vehicles, the Government is entitled to call for payment from the banker to satisfy and discharge any damages, losses or expenses sustained by the Government up to the amount of HK\$1,000,000. The banker has the right of recourse to the Group. The aforesaid performance bond facility was secured by the Group's pledged bank deposit of HK\$1,000,000.

Save as aforesaid, the Group did not have any other significant contingent liabilities at 31 October 2001.

At 31 October 2001, the Company had no significant contingent liabilities.

## 24. COMMITMENTS

At 31 October 2001, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings, which are payable not later than one year, were HK\$95,000 (2000: Nil).

Save as aforesaid, the Group did not have any other commitments at 31 October 2001.

At 31 October 2001, the Company had no significant commitments.

# Notes to Financial Statements

31 October 2001

## 25. SUBSIDIARIES

Particulars of the subsidiaries which were acquired pursuant to the Group Reorganisation are set out below:

	<b>Place of incorporation and operation</b>	<b>Issued and paid-up share capital</b>	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
Eco-Tek (BVI) Investment Holdings Limited (formerly Saramore Co., Ltd.)	British Virgin Islands	US\$30,000 ordinary	100%*	Investment holding
Eco-Tek Technology Limited (formerly Natural Environmental Ltd.)	British Virgin Islands	US\$101 ordinary	100%	Holding of intellectual properties
Eco-Tek Company Limited	Hong Kong	HK\$100,000 ordinary	100%	Marketing, sales, servicing, research and development of environmental protection related products and services

\* Shares held directly by the Company

## 26. SUBSEQUENT EVENTS

In addition to the matters set out in note 20 to the financial statements, subsequent to the balance sheet date, the shares of the Company were listed on the GEM on 5 December 2001.

# Notes to Financial Statements

31 October 2001

## 27. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

- (i) Prior to 27 March 2001, a banking facility of one of the Company's subsidiaries was secured by deposits of HK\$1,000,000 pledged by Dr. CHIANG Lily, a director of the Company (note 13).

On 27 March 2001, the Group received consent from the relevant banker to the aforesaid pledged deposits being released and replaced by the Group's pledged bank deposit of HK\$1,000,000.

- (ii) A management fee of HK\$240,000 was paid to E1 Media Technology Limited, a related company of the Company in which Dr. CHIANG Lily has beneficial interest, at HK\$20,000 per month from April 2000 to March 2001, inclusive. The management fee is charged with reference to the costs incurred in respect of, inter alia, the provision of office space and equipment and other overheads. The directors of the Company have confirmed that the charging of such management fees was terminated after March 2001.

## 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 16 January 2002.

## APPENDIX – Financial Summary

### FINANCIAL SUMMARY

The following is a summary of the pro forma combined results and of the assets and liabilities of the Group, prepared on the basis set out in notes 1 and 2 below:–

### RESULTS

	<b>Year ended 31 October 2001</b>	<b>Year ended 31 October 2000</b>	<b>Period from 27 October 1999 to 31 October 1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	20,144	1,621	–
Cost of sales	(4,792)	(421)	–
Gross Profit	15,352	1,200	–
Other revenue	470	–	–
Selling expenses	(468)	(51)	–
Administrative expenses	(5,585)	(1,057)	–
Profit before tax	9,769	92	–
Tax	(1,548)	–	–
Net profit from ordinary activities attributable to shareholders	8,221	92	–

## APPENDIX – Financial Summary

### ASSETS AND LIABILITIES

	<b>31 October 2001</b>	<b>31 October 2000</b>	<b>31 October 1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-Current Assets	1,617	129	–
Current Assets	13,805	2,064	–
Current Liabilities	7,008	2,000	–
Net Current Assets	6,797	64	–
Net Assets	8,414	193	–

#### Notes:

1. The summary of combined results of the Group includes the results of the Company and its subsidiaries as if the current Group structure has been in existence throughout the financial periods, or from the respective dates of their incorporation where this is a shorter period, and is presented on the basis set out in note 1 to the financial statements. The summary of the combined results of the Group for the period from 27 October 1999 to 31 October 1999 and the year ended 31 October 2000 has been prepared from the financial statements of the companies now comprising the Group for the period from 27 October 1999 to 31 October 1999 and the year ended 31 October 2000 prepared for the purpose of the listing of the Company's shares on the GEM. The pro forma combined results of the Group for the year ended 31 October 2001 are as set out on page 25 of the audited financial statements.
2. The only published combined balance sheets of the Group that have been prepared to date are those as at 31 October 1999, 2000 and 2001. The combined balance sheet as at 31 October 1999 and 2000 have been extracted from the published financial information of the Company for the period from 27 October 1999 to 31 October 1999 and the year ended 31 October 2000 prepared for the purpose of the listing of the Company's shares on the GEM. The pro forma combined balance sheet as at 31 October 2001 is as set out on page 26 of the audited financial statements.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Eco-Tek Holdings Limited (the “Company”) will be held at The High Table, 15/F, Li Ka Shing Tower, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong on 8 March 2002 at 10:30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the year ended 31 October 2001.
2. To re-elect the retiring Directors and to authorize the Board of Directors to fix the Directors’ remuneration.
3. To re-appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant

## Notice of Annual General Meeting

to the approval in paragraph (a) of this Resolution, otherwise than by way of (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of or the grant of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the issue or grant to officers and/or employees of the Company and/or any of its subsidiaries of shares or options to subscribe for or rights to acquire shares of 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 in accordance with the Articles of Association of the Company in force from time to time, shall not exceed 20 % of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval be limited accordingly; and

(d) for the purpose of this Resolution:

(aa) “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 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 any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting.

(bb) “Rights Issue” means an offer of shares in the share capital of the Company or an offer or issue of warrants or options or similar instruments to subscribe for shares in the share capital of the Company open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares in the Company (subject to such exclusions or other

## Notice of Annual General Meeting

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, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period as (defined in Resolution 4(d)(aa)) of all powers of the Company to repurchase issued shares in the share capital of the Company on the Growth Enterprise Market of the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of issued shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly.”

## Notice of Annual General Meeting

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT:**

conditional upon Resolutions No. 4 and 5 above being passed, the general mandate granted to the Directors of the Company to allot, issue or otherwise deal with additional shares pursuant to Resolution No. 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 5.”

By Order of the Board

**Pau Kwok Ping**  
*Managing Director*

Hong Kong, 25 January 2002

*Notes:*

1. Any member entitled to attend and vote at the Annual General 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 is so appointed.
2. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration by not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
3. A circular containing further details regarding the proposed Resolutions nos. 4 to 6 set out in the above notice will be dispatched to shareholders together with the 2001 Annual Report of the Company.