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## THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Eco-Tek Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# ECO-TEK HOLDINGS LIMITED (環康集團有限公司)\*

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

## DISCLOSEABLE TRANSACTION AWARD OF GOVERNMENT CONTRACTS

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This Circular will remain on the GEM Web site on the “Latest Company Announcements” page for 7 days from the date of its posting.

\* For identification only

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

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**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 Web site operated by the Stock 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.**

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Bank”	the bank procured by Eco-Tek to provide the Bonds to the Government
“Board”	board of Directors
“Bonds”	the four performance bonds provided by the Bank with an aggregate amount of approximately HK\$6.2 million to the Government for the purpose of securing the performance of the Contracts by Eco-Tek
“Charge”	the fix charge granted by Eco-Tek on a bank deposit of approximately HK\$6.2 million in favour of the Bank in consideration of the provision of the Bonds by the Bank
“Company”	Eco-Tek Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Contracts”	the four non-exclusive contracts concluded on 18 November 2002 with the EPD of the Government by Eco-Tek in relation to the supply and installation of particulate removal devices to reduce particulates from exhaust of the Eligible Vehicles and provision of all related services necessary for proper installation of such particulate removal devices
“Director(s)”	the director(s) of the Company
“Eco-Tek”	Eco-Tek Company Limited, a wholly-owned subsidiary of the Company
“Eligible Vehicles”	the pre-Euro emission standard diesel vehicles (in Hong Kong being those registered on or before 31 March 1995) each of permitted gross vehicle weight over four tones and using diesel of sulphur content not more than 0.005% (by weight), and which are registered and licensed under the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) but exclude vehicles which fall within definition of special purpose vehicles in the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) and vehicles which need to keep their engines running while stationary to support on-board ancillary equipment

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## DEFINITIONS

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“EPD”	Environmental Protection Department of the Government
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Government”	the government of Hong Kong
“Government Representative”	representative of the Government
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Latest Practicable Date”	4 December 2002, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## LETTER FROM THE BOARD

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# ECO-TEK HOLDINGS LIMITED (環康集團有限公司)\*

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

*Executive Directors:*

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

*Non-Executive Directors:*

Dr. LUI Sun Wing  
Mr. YOUNG Meng Cheung Andrew

*Independent Non-Executive Directors:*

Ms. CHAN Siu Ping Rosa  
Dr. WOON Yi Teng Eden  
Mr. TAKEUCHI Yutaka

*Registered Office:*

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

*Head Office and Principal Place  
of Business:*

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

6 December 2002

*To the shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION AWARD OF GOVERNMENT CONTRACTS

### INTRODUCTION

On 19 November 2002, the Board announced that Eco-Tek, a wholly-owned subsidiary of the Company, concluded on 18 November 2002 the Contracts with the EPD of the Government in relation to the supply and installation of particulate removal devices to reduce particulates from exhaust of the Eligible Vehicles and all related services necessary for proper installation of such particulate removal devices.

\* *For identification only*

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## LETTER FROM THE BOARD

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Pursuant to the terms of the Contracts, Eco-Tek has procured the Bank to provide the Bonds with an aggregate amount of approximately HK\$6.2 million to the Government for the purpose of securing the performance of the Contracts by Eco-Tek. In consideration of the provision of the Bonds by the Bank, Eco-Tek has granted the Charge on a bank deposit in an amount of approximately HK\$6.2 million in favour of the Bank. The provision of the Charge by Eco-Tek in favour of the Bank constitutes a discloseable transaction for the Company under the GEM Listing Rules.

The purpose of this Circular is to give you further details of the Contracts and the Bonds. This Circular also contains information in compliance with the GEM Listing Rules.

### THE CONTRACTS

Eco-Tek, a wholly-owned subsidiary of the Company, concluded on 18 November 2002 the Contracts with the EPD of the Government. Pursuant to the Contracts, Eco-Tek will (i) supply and install particulate removal devices to reduce particulates from exhaust of the Eligible Vehicles and (ii) provide all related services necessary for proper installation of such particulate removal devices. Upon completion of the supply and installation of the particulate removal devices to an Eligible Vehicle, the relevant fee will be paid, by three-installments, by the Government to Eco-Tek (80% of the fee will be paid upon satisfactory completion of the supply and installation of the particulate removal device onto the Eligible Vehicle while another 10% will be paid 3 months thereafter if there is no complaint in relation to the said installation, and the remaining 10% of the fee will be paid at the end of expiry of 60-month warranty period of the installation).

The Contracts are for an initial term of twenty-one calendar months, commencing on the date of the Contracts, and the Government shall have the right to extend the initial term for further terms of not more than six calendar months in total by giving not less than one-month prior notice to Eco-Tek before the expiry of the initial term or extended term. As the participation of registered owners of the Eligible Vehicles to install particulate removal devices onto their vehicles is on a voluntary basis and the Contracts are awarded to Eco-Tek on a non-exclusive basis, the Contracts do not contain any warranty in relation to any commitment to the minimum number of Eligible Vehicles to be installed with the particulate removal vehicles by Eco-Tek.

### PROVISION OF THE BONDS TO THE GOVERNMENT UNDER THE CONTRACTS

Pursuant to the terms of the Contracts, Eco-Tek has procured the Bank to provide the Bonds, with an aggregate amount of approximately HK\$6.2 million, to the Government for the purpose of securing the performance of the Contracts by Eco-Tek. Upon demand in writing by the Government Representative to the Bank from time to time or at any time during the validity of the Bonds without proof or contestation or further conditions on the Government Representative, the Bank shall without delay pay to the Government Representative the sum(s) mentioned in the said demand. The Bonds shall remain in force until Eco-Tek has fulfilled its

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## LETTER FROM THE BOARD

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obligations under the Contracts in full or until the Bonds shall have been paid in full, whichever shall first occur. In consideration of the provision of the Bonds by the Bank, Eco-Tek has granted a Charge on a bank deposit of approximately HK\$6.2 million in favour of the Bank.

### REASONS FOR THE CONTRACTS

The Group is principally engaged in the development, sales and marketing of innovative environmental protection related products and ancillary services.

The EPD provides support to the Environment, Transport and Works Bureau of the Government, which has overall responsibility for environmental policy in Hong Kong. In addition, the EPD is the main Government body tackling pollution in Hong Kong.

It was set out in the prospectus of the Company dated 27 November 2001 that the Group planned to capitalize on the installation and subsidy program of the Government in respect of the installation of the Group's diesel oxidation catalysts on diesel heavy vehicles. In June 2002, the EPD invited tenderers by issuing a tender document in relation to its intention to assist the registered owners of the Eligible Vehicles to retrofit their vehicles with particulate removal devices to reduce their particulate emissions. In response to the invitation, Eco-Tek submitted the relevant tenders to the EPD and has been granted the tenders and the underlying Contracts.

The Directors believe that the Group is able to launch and market its diesel oxidation catalysts on diesel heavy vehicles in the Hong Kong market by entering into the Contracts and provide services thereunder. In addition, the Directors consider that there will be positive impact on the financial results of the Group during the term of the Contracts since they expect that the turnover will increase as a result of charging fees by Eco-Tek for its supply and installation of the Group's diesel oxidation catalysts to Eligible Vehicles under the Contracts. The Directors are of the opinion that the terms of the Contracts are fair and reasonable and the Contracts are in the interests of the Company's shareholders as a whole.

### GENERAL

The provision of the Charge by Eco-Tek in favour of the Bank constitutes a discloseable transaction for the Company under the GEM Listing Rules. Your attention is drawn to further information set out in the appendix to this circular.

By Order of the Board  
**Eco-Tek Holdings Limited**  
**PAU Kwok Ping**  
*Managing Director*



## 1. RESPONSIBILITY STATEMENTS

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this document is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this document misleading; and
- (c) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### 2.1 Interest of Directors

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they have taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Interest in Shares*

<b>Name of Director</b>	<b>Type of interest</b>	<b>Number of Shares held</b>
Dr. CHIANG Lily	Corporate	299,341,200 ( <i>Note 1</i> )
Dr. PAU Kwok Ping	Personal	16,584,000
Mr. SHAH Tahir Hussain	Personal	552,800

*Note 1:* These Shares are held by Team Drive Limited which is wholly owned by Peace City Development Limited, a company the entire issued shares of which are beneficially owned by Dr. CHIANG Lily.

*Interest in options*

Name of Director	Number of options granted on 21 November 2001 (Note 2)	Exercise period of the options	Exercise price per Share
Dr. CHIANG Lily	55,280,000	5 December 2002 to 4 December 2005	HK\$0.01
Dr. PAU Kwok Ping	27,640,000	5 December 2002 to 4 December 2005	HK\$0.01
Mr. SHAH Tahir Hussain	13,820,000	5 December 2002 to 4 December 2005	HK\$0.01

*Note 2:* All these options were granted on 21 November 2001 pursuant to a pre-IPO share option scheme adopted by the Company on 21 November 2001. The options may be exercised within three years from the expiry of 12 months from 5 December 2001.

**2.2 Interest of substantial shareholders**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (not being a Director or a chief executive of the Company) were interested in 10 per cent. or more of the issued share capital of the Company:

Name of shareholders	Number of Shares held	Percentage of issued share capital
Team Drive Limited	299,341,200 (Note 3)	54.15%
Advance New Technology Limited	89,000,800	16.10%

*Note 3:* As set out in the paragraph 2.1 headed "Interests of Directors" above, Dr. CHIANG Lily was deemed to be interested in these Shares as Team Drive Limited is wholly owned by Peace City Development Limited, a company owned by Dr. CHIANG Lily solely.

**2.3 Directors' and management shareholders' interests in competing business**

None of the Directors or the management shareholders (has the meaning ascribed thereto under GEM Listing Rules) or their respective associates (has the meaning ascribed thereto under the GEM Listing Rules) have (i) any interest in a business that competes or may compete with the business of the Group, or (ii) any conflicting interest with the Group.

### **3. LITIGATION**

No member of the Group is engaged in any litigation of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

### **4. SERVICE CONTRACTS**

Each of Dr. CHIANG Lily, Dr. PAU Kwok Ping and Mr. SHAH Tahir Hussain has entered into a director's service agreement, all dated 21 November 2001, with the Company under which he/she has been appointed to act as an executive Director for an initial term of three years commencing from 5 December 2001. The initial annual remuneration pursuant to such agreements for Dr. Chiang, Dr. Pau and Mr. Shah is HK\$600,000, HK\$1,440,000 and HK\$240,000, respectively, and each of them is also entitled to a management bonus which shall be in an aggregate amount equals to 10% of the audited consolidated profits of the Group before taxation and extraordinary items for the relevant financial year provided that such consolidated profit shall exceed HK\$5,000,000 which is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year. The aggregate amount of such bonus payable to the executive Directors shall be divided by the number of the executive Directors and the entitlement of each executive Directors shall be equal.

### **5. INTEREST OF SPONSOR**

The sponsor to the Company, Celestial Capital Limited, its directors, employees and associates do not have any interest in the Contracts, the Bonds and the Charge or any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Celestial Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, Celestial Capital Limited will act as the Company's continuing sponsor for the period from 5 December 2001 to 31 October 2004.

### **6. GENERAL**

- (a) The head office and principal place of business of the Company is at Unit 5, 11 Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The share registrar and transfer office of the Company is Tengis Limited at 4 Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

- (b) The Qualified Accountant and Company Secretary of the Company is Mr. FUNG Kin. Mr. Fung graduated from The Hong Kong Polytechnic University with a Master of Science's degree in Accountancy. He is a member of The Association of Chartered Certified Accountants, the United Kingdom, and the Hong Kong Society of Accountants.
- (c) The Compliance Officer of the Company is Dr. PAU Kwok Ping, Ph.D., MSc.. Dr. Pau is a member of the Hong Kong Institution of Engineers.
- (d) The Company has established an audit committee 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 control system of the Group. The audit committee comprises three members, namely Ms. CHAN Siu Ping Rosa, Dr. WOON Yi Teng Eden and Mr. TAKEUCHI Yutaka who are independent non-executive Directors, further details of whom are set out below:

Ms. CHAN Siu Ping Rosa, aged 43, has over 20 years of experience in management, production and marketing in manufacturing industry. Ms. Chan holds directorships in several private companies which are principally engaged in apparel business. Ms. Chan obtained her Bachelor Degree of Arts (Business Administration) from the Simon Fraser University in Canada.

Dr. WOON Yi Teng Eden, aged 55, 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 a 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.

Mr. TAKEUCHI Yutaka, aged 52, has more than twenty years of experience in electronic industry and management. Mr. Takeuchi is the President of several Japanese private companies which are principally engaged in electronic business. Mr. Takeuchi graduated from Osaka Technical Collage in Japan, major in electrotechnics.