
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

INTRODUCTION

The Group is principally engaged in the development, sales and marketing of innovative environmental protection related products and ancillary services. It is the mission of the Group to become one of the leading providers of environmental protection related products and ancillary services in Hong Kong and overseas.

The Group was founded by Dr. Chiang in October 1999. The Group has successfully expanded its range of environmental protection related products under the efforts of Dr. Chiang and Dr. Pau. Given the growing awareness of environmental protection in Hong Kong and overseas, the Directors believe that there is tremendous market potential in the environmental protection industry. The Group has a strong and committed management team, which possesses in-depth knowledge and hands-on experience in industrial engineering and commercialisation of industrial products.

BUSINESS

Since the establishment of the Group in October 1999, the Group focuses on the application of innovative technologies to the research and development of practical and economical environmental protection related products and services. The marketed products of the Group include *Eco-Trap*, suction filter and return line filter (being two of the three kinds of hydraulic filters developed or under development by the Group) and the products under research and development include soundproof barriers, diesel oxidation catalysts and pressure line filter, another kind of hydraulic filter. The Group also provides cleaning services of the filter cartridges of *Eco-Trap* in the Company's head office in Kwun Tong.

Eco-Trap

Eco-Trap is a particulate reduction device which can effectively reduce the emission of diesel particulate emitted by pre-Euro standard light diesel vehicles by trapping the diesel emission particulate physically. It was developed by the Group under a cooperative arrangement with PolyU in the third quarter of 1999. As diesel particulate is considered to be one of the major causes of air pollution in Hong Kong, with an aim to reduce air pollution in Hong

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Kong, the Hong Kong government has been taking various initiatives and control measures on vehicle emission. One of such initiatives is the introduction of the Voluntary Installation and Subsidy Program to provide grants to about 42,000 diesel light vehicle owners to install particulate reduction devices on their pre-Euro standard diesel vehicles. In August 2000, the Group was selected by the EPD as one of the two designated contractors for the supply and installation of particulate reduction devices under the Voluntary Installation and Subsidy Program for a period of 14 months which expired in mid-October 2001. As at the Latest Practicable Date, the Group continued to supply and install *Eco-Trap* for those diesel light vehicle owners who registered with the Group for such installation before the expiry date of the Voluntary Installation and Subsidy Program on 17 October 2001 and for certain diesel light vehicle owners who possess re-issue notice of the EPD and who had registered with the Group before 31 October 2001. The Directors expect that the installation of *Eco-Trap* under the Voluntary Installation and Subsidy Program will be completed by the end of December 2001. After the expiry of the Voluntary Installation and Subsidy Program, it is the Group's intention to market *Eco-Trap* to the owners of diesel light vehicles not installed with *Eco-Trap* by promoting the effectiveness and the low installation costs of the product against the tougher action and penalties for smoky vehicles introduced by the Hong Kong government.

Hydraulic filters

In October 1999, the Group commenced the development of various types of hydraulic filters, which are designed principally for hydraulic systems installed in industrial machinery. Hydraulic oil used in hydraulic systems, when contaminated, has to be disposed of and replaced to prevent any damage to the hydraulic systems and the industrial machinery.

Currently, the hydraulic filters launched by the Group include the suction filter and the return line filter. The hydraulic filter under development is the pressure line filter. In view of the wide application of these hydraulic filters in industrial machinery, the Directors believe that there is great market potential for these products.

Diesel oxidation catalysts

In May 2000, the Group commenced the research and development of its diesel oxidation catalyst in regular model.

Diesel oxidation catalyst in regular model is designed to reduce the exhaust pollutants emitted by diesel heavy vehicles by converting several pollutants such as CO, gas phase HC and SOF through oxidation into harmless substances such as CO₂ and water vapor. The Directors believe that with the experience gained from the commercialisation of *Eco-Trap* in Hong Kong, the Group will be able to provide and install diesel oxidation catalyst in regular model for diesel heavy vehicles under similar installation and subsidy program which is expected to be launched by the EPD in the near future.

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Since September 2001, the Group has been engaged in the research and development of regenerative diesel oxidation catalyst which is designed to provide both physical trapping function and the oxidation effect to reduce vehicle emission and pollutants. The regenerative diesel oxidation catalyst is targeted at the high end market, including government vehicles.

Soundproof barrier

In addition, the Group is developing soundproof barrier which adopts ASE technology to reduce noise pollution generated by road traffic. The major deficiency of conventional noise proof barriers currently used in Hong Kong is that high barriers are necessary to isolate noise instead of extinguishing it. To overcome this deficiency, the Group's soundproof barrier under development is designed to extinguish noise. The height of the panel on which the Group's soundproof barrier is installed will be adjusted in accordance with the environment in the vicinity and the targeted level of noise control.

Ancillary services

Furthermore, the Group also provides ancillary services to support the use of environmental protection products of the Group. Since late April 2001, the Group has been providing cleaning services of the filter cartridges of *Eco-Trap* in its head office in Kwun Tong. In May 2001, the Group commenced *Eco-Trap* installation service in its head office in Kwun Tong.

THE STRENGTHS OF THE GROUP

The Directors consider that the principal strengths of the Group are as follows:

- the Group's dedicated management team which has extensive experience and technical expertise in the development and commercialisation of industrial products;
- the Group's alliance and collaboration with PolyU which strengthen the Group's research and development capability in environmental protection related products and services;
- an effective communication channel built up between the management team of the Group and the relevant authorities of the Hong Kong government; and
- a low-cost strategy in the development and supply of environmental protection related products and services.

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BUSINESS STRATEGIES

It is the mission of the Group to contribute towards sustaining a healthy and pleasant environment for both existing and future generations of mankind. Leveraging on the technical expertise and experience of the senior management and the research and development team of the Group, the Group focuses on the application of innovative technology to develop practical and economical environmental protection related products and services in order to improve and protect the environment.

Since environmental protection has become an issue of increasing global concern, the Directors believe that there is tremendous market potential in the environmental protection industry. With a view to achieving the Group's objective to become one of the leading providers of environmental protection related products and services in Hong Kong and overseas markets, the Group has formulated major business strategies which comprise (i) research and development of innovative products and services; (ii) expansion into new markets; (iii) improvement in production capabilities; (iv) improvement of the quality of existing products and services; (v) establishment of extensive distribution network; (vi) securing government support; and (vii) promotion of public awareness towards environmental protection issues.

The Directors believe that the key to success in the environmental protection industry lies with the ability to introduce innovative products and services using new technologies. The Group has established a research and development team to explore and develop innovative products and services. In addition, by leveraging on its success in the development and commercialisation of *Eco-Trap* with PolyU under a cooperative arrangement, the Group intends to work closely with PolyU to develop and launch other environmental protection related products and services through consultancy with PolyU or joint research programs. The Group has set up a research and development committee, comprising representatives of both the Group and PolyU.

In addition, the Group plans to commence a feasibility study of a waste plastic recycling process to convert waste plastic into energy in the coming future. The Group has retained Professor Georg Menges, an expert in the area of plastic processing and a professor in the Institute of Plastics Processing, Technical University of Aachen, Germany, as the Group's consultant and technical adviser to assist the Group in developing the waste plastic recycling process in Hong Kong. The proposed waste plastic recycling process is designed to convert waste plastic into oil substances and finally, into energy. The Group's proposed waste plastic recycling process, in particular, its strategy to turn waste into energy will correspond to the overall objectives of the Hong Kong government with respect to waste reduction and waste recycling. The Directors believe that with the assistance from Professor Menges, the Group will be able to develop successfully the waste plastic recycling process in the future.

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TRADING RECORD

The following table is a summary of the audited combined results of the Group for the period from 27 October 1999 (being the date of establishment of the Group) to 31 October 1999, the year ended 31 October 2000 and the nine months ended 31 July 2001. The summary is prepared on the assumption that the current structure of the Group had been in place throughout the period under review and should be read in conjunction with the accountants' report, the text of which is set out in Appendix I to this prospectus.

		Period from 27 October 1999 to 31 October 1999	Year ended 31 October 2000	Nine months ended 31 July 2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(1)	–	1,621	16,906
Cost of sales		–	(421)	(4,254)
Gross profit		–	1,200	12,652
Other income		–	–	387
Selling expenses		–	(51)	(416)
Administrative expenses		–	(1,057)	(4,077)
Profit before tax		–	92	8,546
Tax		–	–	(1,366)
Net profit from ordinary activities attributable to shareholders		–	92	7,180
Dividends		–	–	–
Earnings per share:				
Basic	(2)	–	HK0.02 cents	HK1.73 cents
Diluted	(3)	–	HK0.02 cents	HK1.41 cents

Notes:

- Turnover represents the invoiced value of goods sold, after allowance for returns and trade discounts. Turnover generated from the sales and installation of *Eco-Trap* in Hong Kong under the Voluntary Installation and Subsidy Program represented 100% and 96% of the Group's total turnover for the year ended 31 October 2000 and the nine months ended 31 July 2001, respectively.

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2. The calculation of basic earnings per Share for the year ended 31 October 2000 and for the nine months ended 31 July 2001 are based on the net profits from ordinary activities attributable to shareholders of the Company for the year ended 31 October 2000 and for the nine months ended 31 July 2001 and on 414,600,000 Shares deemed to have been in issue, comprising 600,000 Shares in issue and 414,000,000 Shares to be issued pursuant to the Capitalisation Issue, as described more fully in the paragraph headed “Written resolutions of all shareholders of the Company passed on 21 November 2001” under the section headed “Statutory and general information” in Appendix IV to this prospectus.
3. The calculation of diluted earnings per Share for the year ended 31 October 2000 and for the nine months ended 31 July 2001 are based on the net profits from ordinary activities attributable to shareholders of the Company for the year ended 31 October 2000 and the nine months ended 31 July 2001 and on 508,691,167 Shares, being the 414,600,000 Shares as used in the calculation of basic earnings per Share, and the weighted average of 94,091,167 Shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO Share Options and the ANT-Option as set out in Appendix IV to this prospectus.

For the purpose of calculating diluted earnings per Share, the fair value of Shares assumed to have been issued upon exercise of these options is determined as the mid-point of the stated Issue Price range of HK\$0.24 per Share in respect of the Company’s initial public offering 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.

The SFC has granted a waiver in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule of the Companies Ordinance and the Stock Exchange has granted a waiver from strict compliance with Rule 7.03(1) and 11.10 of the GEM Listing Rules so that the Group is only required to include in this prospectus the trading record, financial results and information covering the period from 27 October 1999 to 31 October 1999, the year ended 31 October 2000 and the nine months ended 31 July 2001. Please refer to the paragraphs headed “Financial periods” and “Companies Ordinance waiver” respectively under the section headed “Waivers from compliance with the GEM Listing Rules and the Companies Ordinance” in this prospectus for details of such waivers.

The Directors confirmed that they have performed sufficient due diligence on the Group to ensure that, save as disclosed in this prospectus, there has been no material adverse change in the financial position of the Group since 1 August 2001 up to the date of issue of this prospectus, and there is no event which would materially affect the information shown in the accountants’ report of the Group as set out in Appendix I to this prospectus.

PLACING STATISTICS

Issue Price (per Share)	HK\$0.25	HK\$0.23
Market capitalisation (<i>Note 1</i>)	HK\$138.20 million	HK\$127.14 million
Adjusted net tangible asset value per Share (<i>Note 2</i>)	6.31 cents	5.80 cents

Notes:

1. The calculation of market capitalisation of the Shares is based on the maximum and minimum points of the stated price range of HK\$0.25 and HK\$0.23 per Share respectively and 552,800,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue but takes no account of (i) any Shares which may be issued upon exercise of the Over-allotment Option and the ANT-Option; (ii) any Shares which may be issued upon the exercise of any Pre-IPO Share Options or any options which may be granted under the Post-IPO Share Option Scheme; and (iii) any Shares which may be issued or repurchased by the Company pursuant to the mandates referred to in Appendix IV to this prospectus.

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2. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed “Adjusted net tangible assets” under the section headed “Financial information” in this prospectus and on the basis of 552,800,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue but takes no account of (i) any Shares which may be issued upon exercise of the Over-allotment Option and the ANT-Option; (ii) any Shares which may be issued upon the exercise of any Pre-IPO Share Options or any options which may be granted under the Post-IPO Share Option Scheme; and (iii) any Shares which may be issued or repurchased by the Company pursuant to the mandates referred to in Appendix IV to this prospectus.

Upon the exercise of the ANT-Option and the Pre-IPO Share Options in full, 13,820,000 Shares and 96,740,000 Shares will be issued at aggregate considerations of approximately HK\$3.0 million and HK\$1.0 million, respectively. The adjusted net tangible asset value per Share will be 5.87 cents and 5.41 cents, on the basis of 663,360,000 Shares expected to be issued immediately after the completion of the Placing and the Capitalisation Issue and upon the exercise of the ANT-Option and the Pre-IPO Share Options, based on the maximum and minimum points of the stated price range.

If the Over-allotment Option is exercised in full, the adjusted net tangible asset value of the Group and the adjusted net tangible asset value per Share will be about HK\$40.1 million and HK\$36.8 million and 6.99 cents and 6.42 cents, respectively, based on the maximum and minimum points of the stated price range. The adjusted net tangible asset value per Share will be 6.45 cents and 5.95 cents, on the basis of 684,090,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue and upon the exercise of the Over-allotment Option, the ANT-Option and the Pre-IPO Share Options, based on the maximum and minimum points of the stated price range.

USE OF PROCEEDS

The Directors believe that the listing of the Shares will enhance the Group’s profile and will provide funding for the Group’s expansion in the environmental protection industry. The net proceeds from the Placing (assuming that the Over-allotment Option is not exercised), after deducting the relevant expenses payable by the Company in relation to the Placing, are estimated to be approximately HK\$23.8 million based on the minimum point of the stated price range of HK\$0.23 per Share. If the Over-allotment Option, which comprises 20,730,000 new Shares to be issued by the Company, is exercised in full, the net proceeds from the Placing together with exercise of Over-allotment Option will be approximately HK\$28.6 million based on the minimum point of the stated price range of HK\$0.23 per Share. The Company intends to apply the net proceeds from the Placing as follows:

- as to approximately HK\$2.0 million, for promotion and marketing activities of *Eco-Trap* in Hong Kong and the PRC;
- as to approximately HK\$1.8 million, for the development of the diesel oxidation catalyst for diesel heavy vehicles with gross weight over 4 tonnes and for the diesel engine driven machinery;
- as to approximately HK\$1.0 million, for the development of the hydraulic filters for industrial use;
- as to approximately HK\$4.0 million, for the development of the Group’s soundproof barrier;

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- as to approximately HK\$1.0 million, for the research and development of the proposed waste plastic recycling process;
- as to approximately HK\$7.0 million, to set up the Group's production facilities in the PRC; and
- the balance of approximately HK\$7.0 million, as general working capital of the Group.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$4.8 million based on the minimum point of the stated price range of HK\$0.23 per Share will be applied by the Company as general working capital of the Group to support its ongoing operations and expansion.

To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short term deposits with financial institutions in Hong Kong.

If the Issue Price is above HK\$0.23, the net proceeds will be increased and the amount to be used as general working capital will be increased accordingly.

In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will evaluate carefully the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold the funds as short term deposits so long as the Directors consider to be in the best interests of the Company and its shareholders taken as a whole. The Company will make an announcement if there is any change of the intended use of proceeds.

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EXISTING SHAREHOLDERS OF THE COMPANY FOLLOWING THE COMPLETION OF THE PLACING AND THE CAPITALISATION ISSUE

The interests of the existing shareholders in the Company immediately following the completion of the Placing and the Capitalisation Issue (assuming the ANT-Option, the Over-allotment Option and the Pre-IPO Share Options are not exercised) are summarised as follows:

Name of shareholders	Number of Shares held immediately after completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding immediately after completion of the Placing and the Capitalisation Issue	Date of entry	Approximate cost of investment per Share HK\$	Approximate total cost of investment HK\$	Moratorium Period
Team Drive <i>(notes 1, 7 and 8)</i>	299,341,200	54.15%	25 May 2000	0.00034	100,790	12 months
Advance New Technology <i>(notes 2 and 8)</i>	89,000,800	16.10%	16 January 2001	<i>(note 6)</i>	<i>(note 6)</i>	12 months
Dr. Pau <i>(notes 3 and 8)</i>	16,584,000	3%	16 January 2001	0.00056 <i>(note 5)</i>	9,360	12 months
Ms. Yip Yuk Chun <i>(note 4)</i>	8,844,800	1.6%	16 January 2001	0.00056 <i>(note 5)</i>	4,992	N/A
Mr. Shah Tahir Hussain <i>(notes 3 and 8)</i>	552,800	0.1%	16 January 2001	0.00056 <i>(note 5)</i>	312	6 months
Ms. Chow Yuk Ngor <i>(note 4)</i>	276,400	0.05%	16 January 2001	0.00056 <i>(note 5)</i>	156	N/A

Notes:

- (1) Team Drive is wholly owned by Peace City, a company the entire issued share of which are beneficially owned by Dr. Chiang.
- (2) The entire issued share capital of Advance New Technology is beneficially owned by PolyU. Advance New Technology has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities for a period of 12 months from the Listing Date.

PolyU has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in Advance New Technology for a period of 12 months from the Listing Date.

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- (3) Each of Dr. Pau and Mr. Shah Tahir Hussain, both executive Directors and Initial Management Shareholders, has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his direct or indirect interest in the Relevant Securities for a period of 12 months and 6 months from the Listing Date respectively.
- (4) Ms. Yip Yuk Chun and Ms. Chow Yuk Ngor are the administration manager and secretary of the Group respectively and independent third parties. The Shares were allotted and issued to them as an incentive. The 8,844,800 Shares and 276,400 Shares held by Ms. Yip Yuk Chun and Ms. Chow Yuk Ngor will not be counted as part of the public float of Shares under the GEM Listing Rules. Ms. Yip Yuk Chun and Ms. Chow Yuk Ngor are independent of and not connected with the Company, its Directors, chief executive, substantial shareholders or Initial Management Shareholders or any of their respective associates (as defined under the GEM Listing Rules).
- (5) The cost of investment per Share is arrived at by using the total purchase price paid by the relevant shareholder for the shares in Eco-Tek (BVI) divided by the number of Shares held by the relevant shareholder immediately after the Placing and the Capitalisation Issue.
- (6) On 21 November 2001, in consideration and in exchange for PTeC's transfer of all technologies and intellectual properties on *Eco-Trap* to Eco-Tek Technology, Eco-Tek (BVI) allotted and issued 6,440 shares of US\$1 each in Eco-Tek (BVI) to Advance New Technology.
- (7) Team Drive has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities for a period of 12 months from the Listing Date.

Each of Dr. Chiang and Peace City has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of her/its direct or indirect interest in Peace City and Team Drive for a period of 12 months from the Listing Date.

Dr. Chiang has undertaken with the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange that she will procure Peace City and Team Drive, and Peace City has undertaken to the Company, the Sponsors (acting on behalf of the Underwriters) and the Stock Exchange that it will procure Team Drive, not to dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities for a period of 12 months from the Listing Date.

- (8) Team Drive, Peace City, Dr. Chiang, Dr. Pau, Mr. Shah Tahir Hussain, Advance New Technology and PolyU are considered to be the Initial Management Shareholders of the Company under the GEM Listing Rules.

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SUMMARY OF RISK FACTORS

The Directors consider that the Group's business and investment in the Shares are subject to a number of risk factors, which include those set out in the section headed "Risk factors" in this prospectus and are summarised as follows:

Risks relating to the Group

- reliance on limited commercialised products and limited geographical markets
- reliance on government contracts
- limited operating history
- limited insurance coverage
- reliance on certain key management personnel
- relationship with PolyU
- reliance on contractors
- implementation of business plans and strategies
- effective management of the expanding operations
- expansion into the PRC market
- requirement for additional funds
- use of intellectual property rights
- use of proceeds from the Placing

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Risks relating to *Eco-Trap*

- future marketability of *Eco-Trap*
- technological advancement in the manufacture of diesel light vehicles and the gradual replacement of diesel vehicles
- changes of government policy on emission control

Risks relating to the industry

- product substitution
- competition
- legal framework governing the industry

Macro risks

- possible impact arising from the attack at the World Trade Centre in New York, the US, on 11 September 2001
- political and economic risks associated with doing business in Hong Kong
- foreign exchange exposure
- political and economic risks associated with doing business in the PRC

Risks relating to the Shares

- trading market for shares and volatility in market price
- dilution of shareholders' interests in the Company