Annual Report 2002

fostering

a healthy environment

Eco-Tek Holdings Limited *(Incorporated in the Cayman Islands with limited liability)*

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

CHAN Siu Ping Rosa

WOON Yi Teng Eden

TAKEUCHI Yutaka

COMPLIANCE OFFICER

PAU Kwok Ping

COMPANY SECRETARY

FUNG Kin *FCCA, AHKSA*

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

QUALIFIED ACCOUNTANT

FUNG Kin *FCCA, AHKSA*

AUDIT COMMITTEE

CHAN Siu Ping Rosa

WOON Yi Teng Eden

TAKEUCHI Yutaka

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

Unit 5, 11/F

Westlands Centre

20 Westlands Road

Quarry Bay

Hong Kong

HONG KONG SHARE REGISTRAR

Tengis Limited

G/F., Bank of East Asia

Harbour View Centre,

56 Gloucester Road,

Wanchai

Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

Fortis Bank Asia HK

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

Contents

Chairman's Statement

I am pleased to present this Annual Report for the year ended 31 October 2002.

RESULTS

Audited profits attributable to shareholders for the year ended 31 October 2002, were approximately HK$4,005,000 (2001: HK$8,221,000), while turnover totaled approximately HK$31,380,000 (2001: HK$20,144,000).

For a more detailed breakdown, please refer to the Management Discussion and Analysis section of this report.

DIVIDEND

I am pleased to announce that we have achieved satisfactory results this year and will, therefore, share the fruits of our success with all our shareholders. To this end, the Board of Directors recommends a final dividend payment of HK0.35 cent per share for the year ended 31 October 2002, subject to approval by our shareholders at the forthcoming Annual General Meeting.

BUSINESS REVIEW AND OUTLOOK

The Group's vision is to develop and deploy green technologies that foster a healthy environment, improve quality of life, and sustain the World's natural for future generations. Towards these ends, we have put forth substantial efforts during the year to develop, deploy and market new environmental protection products that address a wide range of pollution problems.

The *Eco-Trap* program launched in September 2000 and completed in April 2002 has earned us not only substantial revenues, but also a great deal of experience and goodwill. During the period, we successfully contributed to improving the air quality in Hong Kong. This is reflected in the fact that particulates on local streets have dropped by 8% since 1999 according to figures published by the Environmental Protection Department. Moreover, the number of pollution-belching vehicles on the road has been reduced through the use of our product. Researchers at the University of Hong Kong and St. George's Hospital Medical School in London recently issued a report stating that the sulphur restriction law has reduced deaths from respiratory and cardiovascular diseases by lowering sulphur emissions, saving 600 lives each year in Hong Kong and adding 20 to 40 days to the average lifespan of Hong Kong citizens. As many of our products focus upon lowing these types of emissions, we are encouraged by this scientific validation from experts and are redoubling our efforts to further develop new products that improve the well being of Hong Kong citizens.

Building on the experience of *Eco-Trap*, we have successfully bid on tenders issued by the Hong Kong Government with our new product *Eco-Green*. *Eco Green* is a particulate removal device that employs gas exhaust filtration technology to reduce exhaust particulates of pre-euro emission standard diesel vehicles (over four tonnes).

The sales of *Eco-Green* devices will soon begin, and we firmly believe that this will have a positive impact on the Group's financial results during the terms of these government contracts. We are also confident that we will see further improvements in air quality following the implementation of these and other advanced air quality control measures in the years to come.

In the area of water pollution, we have successfully completed the development, testing and commercialization of the *Eco-Tek Water Filtration Process System* during the third quarter of this year. This system has recently been introduced to the market and is expected to generate revenue for the Group. Although originally developed for commercial application, it is possible to introduce the technology into to consumer households and offices. This will help widen our market scope and expand the Group's overall income stream. Moreover, marketing the product will also help to educate the public about the importance of clean and bacteria-free water in maintaining a healthy body.

We are also developing other new environmental technologies and products that combat hydraulic and noise pollution. We have introduced new hydraulic filter and soundproof barrier technologies. The former has been designed specifically to extend the usable life of hydraulic systems installed in industrial applications. The latter incorporates new Active Sound Edge (ASE) technology to actively eliminate noise rather than isolate it. ASE panels improves distinct advantages over existing solutions that include reducing noise, lowered cost of construction and installation, and enhanced driving safety.

Our emphasis on innovation has been resulted in Hong Kong patents awarded for both *Eco-Trap* and our soundproof barriers. The patents enable us to protect our intellectual property and also strengthen users' confidence towards these products. We will continue to patent our inventions as they are created.

To maximize our returns on research and development, we are actively establishing new distribution channels that extend into China. Environmental protection, the quaternary industry in the country, is regarded as a national policy that continues to grow at an extraordinarily fast pace. Moreover, the upcoming 2008 Olympic Games in Beijing further increases the demand for products that support a clean city environment. The implementation of the Green Olympic Action Plan disseminates the concept of Green Olympics to the general public. These two factors represent tremendous opportunities for our business growth. During the year, considerable efforts have been devoted to tailoring our products and technologies for the PRC market, which constituted about 66% (2001: Nil) of our turnover. Our approach is to gradually but actively expanding our business from the South to the North. A foreign owned enterprise was established in Ningbo, China and a representative office in Beijing. In addition to China, the Group is also exploring business opportunities in developing countries around the World.

By leveraging the technical expertise our research and development team, expanding marketing and distribution networks, and experienced senior management, we are leading the way to provide environmental protection products and services in Asia and beyond. With the launch of our diversified product line and the promise of market expansion, the Group's vision of creating a healthier and more pleasant living environment for everyone can be realized. For this reason we are fully committed to offering people a more personalized quality of health through the introduction of multi-faceted environmental products. This diversified product line not only brings us benefits through a number of channels, but also takes care of people's health from a more general perspective.

We recognize that a long-term sustainable development is absolutely crucial for the benefit of all mankind. Committed to assuming the social responsibility necessary to improve our living environment, we at Eco-Tek are also working hard to offer human a better and healthier way of life by maintaining the balance of resources on earth.

ACKNOWLEDGEMENT

I wish to take this opportunity to thank all my fellow directors for their valuable contributions. On behalf of the Board, I would also like to express my sincere gratitude to our shareholders, customers and business partners, as well as our staff for their on-going support and dedication.

CHIANG Lily
Chairman

Hong Kong, 30 December 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 follows:

DIRECTORS

Executive directors

Dr. CHIANG Lily, Ph.D., MBA, MIMechE, MHKIE, aged 41, is the founder of the Group and chairman and a director of the Company and its responsible for strategic development of the Group. She has over 16 years of management experience.

Dr. PAU Kwok Ping, Ph.D., MSc., aged 49, 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 40, 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. He is experienced in corporate strategic planning.

Non-executive directors

Dr. LUI Sun Wing, aged 52, was a branch director of the Hong Kong Productivity Council for the period from October 1981 to June 2000 and is 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 43, is 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 a 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.

Biographical Details of the Directors and Senior Management

Independent non-executive directors

Ms. CHAN Siu Ping Rosa, aged 43, has over 20 years of experience in management, production and marketing in manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts (Business Administration) degree from the Simon Fraser University in Canada. She joined the Company in August 2002.

Dr. WOON Yi Teng Eden, aged 55, is the chief executive officer of Hong Kong General Chamber of Commerce. Prior to joining the Company, 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.

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. Mr. Takeuchi graduated from Osaka Technical College in Japan, majoring in electrotechnics. Mr. Takeuchi joined the Company in August 2002.

SENIOR MANAGEMENT

Mr. YUNG Chi Kay, aged 53, is the deputy general manager of the Group and is responsible for quality management and research and development. Mr. Yung graduated from the 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 the 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. FUNG Kin, aged 42, is the financial controller and company secretary of the Company responsible for financial management, reporting and secretarial matters. Mr. Fung graduated from The Hong Kong Polytechnic University with a Master of Science degree in Accountancy. He is a member of The Association of Chartered Certified Accountants, the United Kingdom, and the Hong Kong Society of Accountants. Mr. Fung has over 18 years of experience in financial management and accounting. He joined the Group in July 2002.

OPERATION REVIEW

During the period under review, the Group is principally engaged in the marketing, sales, servicing, research and development of general environmental protection-related products and services as well as industrial environmental products such as hydraulic filters and other related accessories.

The Group reported an audited turnover of approximately HK$31,380,000 for the year ended 31 October 2002, representing an increase of approximately 56% compared with approximately HK$20,144,000 last year. While the sales of the *Eco-Trap* was at its peak during the six months ended 30 April 2001 following the launch of the Voluntary Installation and Subsidy Program (the "Program") by the Government of the Hong Kong Special Administrative Region (the "Government") in September 2000 to encourage qualified vehicle owners to adopt products that reduce vehicle emissions, the Program had been in place for over a year. Most of the eligible vehicle owners had already participated in it and installed the *Eco-Trap*. The Group had anticipated such a situation and had prepared other new environmental products like hydraulic filters, diesel oxidation catalysts, water filtration system and soundproof barrier. For the year under review, the turnover for industrial environmental products like hydraulic filters and other related accessories accounted for almost 81% of the total.

Costs of sales increased from approximately HK$4,792,000 of previous year to HK$19,533,000 this year, representing a rise of about 308%. This increase was mainly attributable to the purchase costs of the environmental products and related accessories. The costs for these purchases accounted for approximately 94% of the total costs of sales.

This year, the Group reported an audited gross profit of approximately HK$11,847,000 with a margin of approximately 38% while the previous year's gross profit was around HK$15,352,000 with a margin of 76%. The decrease in gross profit was due to change in product mix towards a lower gross profit margin compared with the sales and installation of *Eco-Trap* in previous years.

Administrative expenses of this year increased to about HK$7,283,000 from about HK$5,585,000 of previous year, representing an increase of approximately 30%. This increase was mainly due to the additional routine yet mandatory expenses after shares of the Company were listed on the GEM of the Stock Exchange in December 2001 and an increase in payroll.

Due to the net effect of the above situations, the net profit from ordinary activities attributable to shareholders for this year decreased from about HK$8,221,000 of the previous year to about HK$4,005,000 this year, while net profit margins adjusted downwards from about 41% of previous year to 13% this year.

LIQUIDITY AND FINANCIAL RESOURCES

The Company was listed on the GEM of the Stock Exchange through a placement of 138,200,000 shares. The net proceeds from this placement, after deduction for relevant expenses, was approximately HK$25,108,000. The Group has applied these proceeds for the purposes disclosed in the Prospectus dated 27 November 2001. For the period under review, the Group financed its operations with its own available fundings and did not have any bank loans. Taking into consideration the existing financial resources available, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

SEGMENT INFORMATION

The sales of industrial environmental products during the year escalated, representing a major business segment of the Group. The sales accounted for approximately 81% of the consolidated turnover and 96% of profit before interest income, unallocated expenses and tax of the Group. With the increase in sales of this segment, the Group's revenue was enhanced. Detailed analysis of this segment has been set out under the section "Segment Information" in note 5 to the financial statements.

EMPLOYEE INFORMATION

As of 31 October 2002, the Group had 22 full-time employees (2001: 17). There are 16 employees working in Hong Kong (2001: 17) and 6 in the PRC (2001: nil). The total amount for employee remuneration, including that of the directors and provident contributions for the year under review amounted to approximately HK$5,517,000 (2001: HK$4,338,000). The Group pays 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 and 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 profit 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. This management bonus is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year.

Pursuant to a pre-IPO share option scheme adopted on 21 November 2001, the Company had granted pre-IPO share options on the Company's ordinary shares in favour 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 had been and 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 were granted under the post-IPO share option scheme.

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 5 December 2001. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debt. Moreover all the fundings for expansions and operations came from internal sources. As of 31 October 2002 the Group had cash and cash equivalents of approximately HK$25,119,000, composed of 47% in United States dollars and 8% in Japanese Yen and the remaining balance in Hong Kong dollars.

SIGNIFICANT INVESTMENTS

There was no significant investment during the year.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group had no material acquisitions or disposals during the year. At present, the Company and the Group have no plans for material investments or capital assets other than those set out in the Prospectus dated 27 November 2001.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

A performance bond of HK$1,000,000 has been granted by a bank in favour 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. The Performance Bond was secured by a deposit of HK$1,000,000 pledged by the Group.

Save as above, the Group did not have any significant contingent liabilities as at 31 October 2002.

GEARING RATIO

As at 31 October 2002, the Group had cash and cash equivalents of around HK$25,119,000 in its current assets and HK$1,000,000 pledged deposit in its non-current asset while its current liabilities stood at around HK$15,716,000. The Group did not have any long-term debts as of 31 October 2002 and its shareholders' funds amounted to about HK$37,527,000. In this regard, the Group had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as of 31 October 2002.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales of the Group are denominated either in Hong Kong dollars or United States dollars and the exchange rates of such currencies have been stable for the period under review. No hedging or other alternatives have been implemented.

For purchases by the Group denominated in currencies other than Hong Kong dollars or United States dollars, foreign currency exposures are immediately hedged at the time when purchases are concluded, for example, when letters of credit are issued to overseas vendors. There was no net foreign currency exposure as of 31 October 2002 other than United States dollars and Japanese Yen and the Group did not have outstanding hedging instruments as at 31 October 2002.

BUSINESS AND OUTLOOK

The *Eco-Trap* program launched in September 2000 and completed in April 2002 has earned us not only substantial revenues, but also a great deal of experience and goodwill.

Building on the experience of *Eco-Trap*, leveraging our new technology for the new product — a particulate removal device called *Eco-Green* that employs gas exhaust filtration technology to reduce exhaust particulates of pre-euro emission standard diesel vehicles (over four tons), has successfully bid on tenders issued by the Hong Kong Government. The sales and installation of *Eco-Green* devices will soon begin, and we firmly believe that this will have a positive impact on the Group's financial results during the terms of these government contracts.

In the area of water pollution, we have successfully completed the development, testing and commercialization of the *Eco-Tek Water Purification System* during the third quarter of this year. This system has recently been introduced to the market and is expected to generate revenue for the Group. Although originally developed for commercial application, it is possible to introduce the technology into to consumer households. This will help widen our market scope and expand the Group's overall income stream.

We are also developing other new environmental technologies and products that combat hydraulic and noise pollution. We have introduced new hydraulic filter and soundproof barrier technologies. The former has been designed specifically to extend the usable life of hydraulic systems installed in industrial applications. The latter incorporates new Active Sound Edge (ASE) technology to actively eliminate noise rather than isolate it. ASE panels improves distinct advantages over existing solutions that include reducing noise, lowered cost of construction and installation, and enhanced driving safety.

We are active to explore new markets and establish new distribution networks. A representative office in Beijing and a wholly foreign owned enterprise in Ningbo, China were established respectively. In addition, we are expanding our business from south China to north China. During the year, considerable efforts have been devoted to the development of our products and technologies in the PRC market, which constituted about 66% (2001: Nil) of our turnover.

With the launch of our diversified product line and the promise of market expansion, the Group's vision of creating a healthier and more pleasant living environment for everyone can be realized. By leveraging our technical expertise and experience at the senior management level and through the work of our research and development team, we are leading the way in providing environmental protection products and services in Asia and beyond.

Comparison of Business Objectives with Actual Business Progress

The following is a summary of the actual business progress in comparison with the business objectives set out in the prospectus of the Company dated 27 November 2001 ("Prospectus"):

BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31 OCTOBER 2002 AS DISCLOSED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS
Eco-Trap	***Eco-Trap***
a) promote the use of *Eco-Trap* and the related cleaning services to non-subsidised Private Diesel Car Owners in Hong Kong	a) a direct sales team was established in July 2002 to carry out promotion by making direct call to potential customers
b) conduct feasibility study and negotiate with the PRC government authorities on the introduction of *Eco-Trap* in the PRC	b) with the supports of relevant government agents in ChongQing, the PRC, testing is in progress
c) commence and complete the modification of *Eco-Trap* for diesel light vehicles in the PRC	c) the modification was commenced in May 2002 and completed in July 2002
d) provide training to distribution agents in the PRC to market *Eco-Trap*	d) training provided to relevant government agents in ChongQing, the PRC
e) recruit 2 staff for management of *Eco-Trap* project in the PRC	e) 2 staff recruited in May 2002
f) apply and obtain the licence in the PRC for selling of *Eco-Trap*	f) the application was pending for testing result in ChongQing, the PRC
g) initiate marketing efforts for promoting *Eco-Trap* to diesel light vehicle owners in Guangdong Province, the PRC through the distribution agents and by direct promotion and sales call to garages	g) direct marketing in Guangdong was commenced in August 2002

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31 OCTOBER 2002 AS DISCLOSED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS
Diesel oxidation catalysts	**Diesel oxidation catalysts**
a) continue to promote diesel oxidation catalysts for heavy diesel vehicles in Hong Kong	a) the diesel oxidation catalysts were introduced and promoted to the Environmental Protection Department of the Government during the period
b) if the relevant contract is granted to the Group, commence sales of the Group's diesel oxidation catalyst in Hong Kong under the program launched by the Hong Kong government in relation to the use of diesel oxidation catalysts for diesel heavy vehicles in Hong Kong	b) tenders were submitted in August 2002 and contracts were granted in November 2002 by the Environmental Protection Department of the Government. The sales and installation preparations were commenced at the end of December 2002
c) modify the diesel oxidation catalyst to reduce cost for in-house production	c) the modification was commenced in August 2002 and completed in October 2002. The in-house production was delayed due to the delay in the establishment of production facilities as explained in the section headed "Other Development"

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31 OCTOBER 2002 AS DISCLOSED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS
Hydraulic filters	**Hydraulic filters**
a) modify the pressure line filter in line with test results and complete the design, research and development of the same	a) the modification was commenced in June 2002 and completed in September 2002
b) continue to develop the markets in the PRC, Taiwan and US	b) the products have successfully entered into the PRC and Taiwan markets as orders have been received by direct sales. Due to economic downturn in the US, marketing in the US are still in progress and no order has been received
c) identify sales opportunities for the Group's suction filter and return line filter in other markets, such as countries in Europe	c) the Group is still in the process of identifying distributors in the European regions
d) launch pressure line filter in the PRC and Taiwan	d) potential Taiwan and PRC distributors/agents were identified. Negotiations are in progress and it is expected that distributors/agents will be appointed in two to three months

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31 OCTOBER 2002 AS DISCLOSED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS
Soundproof barrier	**Soundproof barrier**
a) continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier	a) negotiations with interested parties to install prototype for testing in Hong Kong, such as the MTR Corporation Limited and relevant government organisation such as the Kowloon-Canton Railway Corporation are in progress
b) continue with the research and development of soundproof barrier	b) measurement method was agreed with the Environmental Protection Department of the Government to verify the performance of the barriers and the verification work is expected to be commenced in early 2003
Waste plastic recycling process	**Waste plastic recycling process**
a) continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's proposed waste plastic recycling process	a) waste plastic recycling process was introduced to relevant government authorities and negotiation for use is in process
b) commence research and development on the waste plastic recycling process	b) research and development was commenced in August 2002
c) identify market opportunities for the Group's waste plastic recycling process in Hong Kong	c) market was identified and direct sales is in progress

Comparison of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31 OCTOBER 2002 AS DISCLOSED IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS
Other Development	**Other Development**
a) identify suitable premises for the production facilities in the PRC	a) due to the delay in the expected timing for the tenders in respect of the installation of diesel oxidation catalysts on diesel heavy vehicles launched by the Hong Kong government from the second quarter of 2002 to the forth quarter of 2002, the identification of premises was delayed, however, the identification is expected to be resumed in the first quarter of 2003
b) commence establishment of the production facilities	b) due to reason in a), the establishment of the production facilities has not yet commenced, however it will be commenced once the premises are identified

Use of Proceeds from Issuance of New Shares

The actual net proceeds from issuance of new shares in December 2001 was around HK$25,108,000 as compared to the budgeted net proceeds of HK$23,800,000 in the Prospectus dated 27 November 2001. The surplus of about HK$1,308,000 has been utilized for general working capital purpose. Details of the utilisation of fundings from the actual net proceeds of issuance of new shares versus that envisaged in the Prospectus during the period from 5 December 2001 to 31 October 2002 (the "Period") are as follows:

	Proposed total fundings required from net proceeds	**Proposed fundings required during the Period**	**Actual fundings spent during the Period**
	HK$'000	*HK$'000*	*HK$'000*
For product and service developments			
Eco-Trap	2,000	800	504
Diesel oxidation catalysts	1,800	800	782
Hydraulic filters	1,000	500	500
Soundproof barrier	4,000	1,300	1,231
Waste plastic recycling process	1,000	200	117
	9,800	3,600	3,134
For setting up of the Group's production facilities in the PRC	7,000	5,000	–
For general working capital of the Group	7,000	–	–
	23,800	8,600	3,134

The directors present their report and the audited financial statements of Eco-Tek Holdings Limited ("the Company") and of the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 October 2002.

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 and 22 to the financial statements.

Pursuant to a placing, the shares of the Company were listed on the GEM on 5 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to the profit from operating activities by principal activity and geographical area of operations for the year ended 31 October 2002 is set out in note 5.

RESULTS AND DIVIDENDS

The Group's consolidated profit for the year ended 31 October 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 73.

The directors recommend the payment of a final dividend of HK0.35 cent per ordinary share in respect of the year, to the shareholders whose names appearing on the Register of Members on Wednesday, 19 February 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 13 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last financial years is set out on pages 74 and 75 in the annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital, together with the reasons thereof, and details of the Company's share option schemes are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in the statement of changes in equity on pages 34 and 35.

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 2002, the Company's reserves available for distribution, calculated in accordance with the Companies' Law of the Cayman Islands, amounted to HK$36,235,000. This includes the Company's share premium account in the amount of HK$30,537,000 at 31 October 2002, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 62% in aggregate for the Group's total turnover for the year. The largest customer of the Group accounted for approximately 27% of the Group's total turnover.

Purchases from the Group's five largest suppliers of the Group accounted for approximately 81% in aggregate for the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 42% 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.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors

Dr. CHIANG Lily
Dr. PAU Kwok Ping
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	(appointed on 1 August 2002)
Dr. WOON Yi Teng Eden	
Mr. TAKEUCHI Yutaka	(appointed on 15 August 2002)
Mr. CHENG Ming Fun Paul	(resigned on 1 August 2002)

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

In accordance with article 87(3) of the Company's articles of association, Ms. CHAN Siu Ping Rosa and Mr. TAKEUCHI Yutaka will retire and, being eligible, will offer themselves 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 8 and 9 to the financial statements, respectively.

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.

Apart from foregoing, no director has a service contract with the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

Since 5 December 2001, the Company's shares have been listed on the GEM. At 31 October 2002, 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 Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), are set out below:

	Number of shares		
Name of director	**Corporate interest**	**Personal interest**	**Total**
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.

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 share options granted on 21 November 2001	Exercise period of share options	Exercise price per share
			HK$
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 the 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. No Pre-IPO share option was exercised up to the date of approval of this report.

Save as disclosed above, and other than in connection with the Group Reorganisation in preparation for the Company's placing, at no time during the year 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 26 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 31 October 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests 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#	54.15
Peace City Development Limited	299,341,200#	54.15
Dr. CHIANG Lily	299,341,200#	54.15
Advance New Technology Limited	89,000,800*	16.10
The Hong Kong Polytechnic University	89,000,800*	16.10

\# The shareholding is duplicated in the directors' interests in shares disclosed above.

* By virtue of its interest in Advance New Technology Limited, The Hong Kong Polytechnic University is deemed to be interested in 89,000,800 shares.

Save as disclosed above, no person 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.

SPONSOR'S INTEREST

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 at 10:00 a.m. on 5 December 2001, none of the Sponsor, the Co-Sponsor or their respective associates, directors or employees had or would have, as a result of the listing of the shares of the Company, 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 Rules Governing the Listing of Securities on the GEM (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 31 October 2002, 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.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 26 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 between that date and 31 October 2002.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in note 25 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.

AUDITORS

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

AUDIT COMMITTEE

The Company established an audit committee on 5 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 control system of the Group. The audit committee comprises three members, Dr. WOON Yi Teng Eden, Ms. CHAN Siu Ping Rosa and Mr. TAKEUCHI Yutaka, who are the independent non-executive directors of the Company. In the course of the supervision of the financial reporting process and internal control system of the Group, four meetings were held during the year ended 31 October 2002 to review the operations. The Group's audited results for the year ended 31 October 2002 have been reviewed by the committee, which 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

PAU Kwok Ping
Managing Director

Hong Kong, 30 December 2002

Report of the Auditors

ERNST & YOUNG
安 永 會 計 師 事 務 所

Certified Public Accountants
15/F Hutchison House
10 Harcourt Road
Central, Hong Kong

Phone: 852 2846 9888
852 2526 5371
Fax: 852 2868 4432
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 pages 32 to 73 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 and the Group'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 and of the Group as at 31 October 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong, 30 December 2002

Consolidated Profit and Loss Account

Year ended 31 October 2002

	Notes	2002 HK$'000	2001 HK$'000
TURNOVER	6	**31,380**	20,144
Cost of sales		**(19,533)**	(4,792)
Gross profit		**11,847**	15,352
Other revenue		**1,238**	470
Selling expenses		**(981)**	(468)
Administrative expenses		**(7,283)**	(5,585)
PROFIT BEFORE TAX	7	**4,821**	9,769
Tax	10	**(816)**	(1,548)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	**4,005**	8,221
Dividends	13	**1,935**	–
EARNINGS PER SHARE	11		
Basic		**HK0.74 cent**	HK1.98 cents
Diluted		**HK0.62 cent**	N/A

Consolidated Balance Sheet

31 October 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	568	617
Pledged bank deposit	18	1,000	1,000
		1,568	1,617
CURRENT ASSETS			
Inventories	16	4,511	439
Accounts receivable	17	11,066	1,646
Prepayments, deposits and other receivables		328	1,899
Pledged bank deposits	18	10,651	–
Cash and cash equivalents	18	25,119	9,821
		51,675	13,805
CURRENT LIABILITIES			
Accounts and bills payable	19	12,758	249
Accrued liabilities and other payables		1,551	696
Provision for warranty	20	322	500
Tax payable		755	1,548
Amounts due to directors	21	330	4,015
		15,716	7,008
NET CURRENT ASSETS		35,959	6,797
		37,527	8,414
CAPITAL AND RESERVES			
Issued capital	22	5,528	6
Share premium account		19,586	–
Reserves		10,478	8,408
Proposed final dividend reserve		1,935	–
		37,527	8,414

CHIANG Lily
Director

PAU Kwok Ping
Director

Statement of Changes in Equity

31 October 2002

Group

	Issued capital *HK$'000* *(Note 22)*	**Share premium account** *HK$'000* *(Note a)*	**Capital reserve** *HK$'000* *(Note b)*	**Retained profits** *HK$'000*	**Proposed final dividend reserve** *HK$'000*	**Total** *HK$'000*
At 1 November 2000	6	–	95	92	–	193
Profit for the year	–	–	–	8,221	–	8,221
At 31 October and 1 November 2001	6	–	95	8,313	–	8,414
New issue of shares	1,382	31,510	–	–	–	32,892
Capitalisation issue	4,140	(4,140)	–	–	–	–
Share issue expenses	–	(7,784)	–	–	–	(7,784)
Profit for the year	–	–	–	4,005	–	4,005
Proposed final dividend	–	–	–	(1,935)	1,935	–
At 31 October 2002	5,528	19,586	95	10,383	1,935	37,527

continued/......

Statement of Changes in Equity

31 October 2002

Company

	Issued capital HK$'000 (Note 22)	Share premium account HK$'000 (Note c)	Retained profits HK$'000	Proposed final dividend reserve HK$'000	Total HK$'000
Arising on acquisition of Eco-Tek (BVI)	3	10,954	–	–	10,957
Applied in payment of 300,000 shares allotted nil paid on incorporation	3	(3)	–	–	–
New issue of shares	1,382	31,510	–	–	32,892
Capitalisation issue	4,140	(4,140)	–	–	–
Share issue expenses	–	(7,784)	–	–	(7,784)
Profit for the year	–	–	5,698	–	5,698
Proposed final dividend	–	–	(1,935)	1,935	–
At 31 October 2002	5,528	30,537	3,763	1,935	41,763

Notes:

(a) The share premium account of the Group includes the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group Reorganisation as set out in note 1 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor.

(b) 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 22(iv)).

(c) The share premium account of the Company includes: (i) the shares of the Company issued at a premium; and (ii) the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Consolidated Cash Flow Statement

Year ended 31 October 2002

	2002 HK$'000	2001 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**4,821**	9,769
Adjustments for:		
Interest income	**(377)**	(269)
Depreciation of fixed assets	**160**	120
Loss on disposal of fixed assets	**21**	–
Operating profit before working capital changes	**4,625**	9,620
Increase in inventories	**(4,072)**	(298)
Increase in accounts receivable	**(9,420)**	(33)
Decrease/(increase) in prepayments, deposits and other receivables	**1,578**	(1,732)
Increase in accounts and bills payable	**12,509**	56
Increase in accrued liabilities and other payables	**855**	405
Increase/(decrease) in provision for warranty	**(178)**	500
Decrease in an amount due to a related company	**–**	(300)
Increase/(decrease) in amounts due to directors	**(3,685)**	2,799
Cash generated from operations	**2,212**	11,017
Hong Kong profits tax paid	**(1,605)**	–
Overseas tax paid	**(4)**	–
Net cash inflow from operating activities	**603**	11,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	**1**	–
Purchases of fixed assets	**(133)**	(608)
Increase in pledged bank deposits	**(4,648)**	(1,000)
Interest received	**370**	269
Net cash outflow from investing activities	**(4,410)**	(1,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	**32,892**	–
Share issue expenses	**(7,784)**	–
Net cash inflow from financing activities	**25,108**	–
INCREASE IN CASH AND CASH EQUIVALENTS	**21,301**	9,678
Cash and cash equivalents at beginning of year	**9,821**	143
CASH AND CASH EQUIVALENTS AT END OF YEAR	**31,122**	9,821

continued/......

Consolidated Cash Flow Statement

Year ended 31 October 2002

	2002 *HK$'000*	2001 *HK$'000* (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**9,893**	4,663
Time deposits	**15,226**	5,158
	25,119	9,821
Time deposits with original maturity of less than three months when acquired, pledged as security for the issuance of letters of credit and bills facilities	**6,003**	–
	31,122	9,821

Balance Sheet

31 October 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**10,957**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables		**64**	–
Due from subsidiaries	15	**25,643**	–
Cash and cash equivalents	18	**6,415**	–
		32,122	–
CURRENT LIABILITIES			
Accrued liabilities and other payables		**237**	–
Due to a subsidiary	15	**749**	–
Amounts due to directors	21	**330**	–
		1,316	–
NET CURRENT ASSETS		**30,806**	–
		41,763	–
CAPITAL AND RESERVES			
Issued capital	22	**5,528**	–
Share premium account		**30,537**	–
Retained profits		**3,763**	–
Proposed final dividend reserve		**1,935**	–
		41,763	–

CHIANG Lily
Director

PAU Kwok Ping
Director

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 that period.

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 (the "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 15 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 dated 27 November 2001 (the "Prospectus").

1. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions". On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the period from 27 October 1999 (date of establishment of the companies comprising the acquired Eco-Tek BVI Group) to 31 October 2002, rather than from the date of their acquisitions on 21 November 2001. Accordingly, the consolidated results and cash flows of the Group for the period from 27 October 1999 (pro forma formation date of the Group) to 31 October 2002 include the results and cash flows of the Company and its subsidiaries with effect from 27 October 1999 or since their respective dates of incorporation or acquisition by the Group, where this is a shorter period. The comparative consolidated balance sheet as at 31 October 2001 has been prepared on the basis that the existing Group had been in place at that date. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by those subsidiaries summarised in note 15 to the financial statements prior to and after the Group Reorganisation.

All significant transactions and balances within the Group are eliminated on consolidation.

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 and the People's Republic of China (the "PRC") during the period from 27 October 1999 (pro forma formation date of the Group) to 31 October 2002.

In the opinion of the directors, the ultimate holding company of the Company as at 31 October 2002 is Peace City Development Limited, a company incorporated in Hong Kong with limited liability.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting those SSAPs are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. As a result of the revision to SSAP 1, a statement of changes in equity is included on pages 34 and 35, instead of a statement of recognised gains and losses, which was previously presented.

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustments to the financial statements and which require disclosure but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet.

For the purpose of the preparation of the financial statements for the year ended 31 October 2002, the Company has early adopted SSAP 15 (Revised) which is effective after the balance sheet date and has an impact on the format of the cash flow statement. SSAP 15 (Revised) prescribes the provision of information about the changes in cash and cash equivalents of an enterprise by means of a cash flow statement and classifies cash flows during the period into those from operating, investing and financing activities. The format of the cash flow statement as set out on pages 36 and 37 has been revised in accordance with the revised SSAP 15.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the revised SSAP 18 has had no major impact on these financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment reporting format, with the other as the secondary segment reporting format. The impact of SSAP 26 is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of SSAP 28 on these financial statements is the requirement to discount the amounts of provisions to their present value at the balance sheet date, where the effect of discounting is material. Provisions are now disclosed as a separate line on the face of the balance sheet and a note to the financial statements on the provision for warranty has been included in note 20 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements, and has had no significant impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The new SSAP 30 has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP 31 is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

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 bases:

(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, not effective control over the goods sold;

(b) consultancy fee income, at the time when the services are rendered;

(c) interest income, on a time proportional basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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 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

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.

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 stated at cost less any impairment losses and 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 available for use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all of its employees in Hong Kong. The MPF Scheme has operated since 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 MPF Scheme. The assets of the MPF 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 MPF Scheme except for the Group's employer voluntary contributions which shall be refunded to the Group when the employees leave employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their respective payroll costs to the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves section in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidation, 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.

Cash equivalents

For the purpose of the consolidated 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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the general environmental protection related products and services segment comprises the sale of diesel particulate traps and ancillary services; and

(b) the industrial environmental products segment refers to the sale of hydraulic components and other related accessories.

In determining the Group's geographical segments, revenues and profit from operating activities are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	General environmental protection related products and services		Industrial environmental products		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**5,955**	20,144	**25,425**	–	**31,380**	20,144
Other revenue	**813**	201	**48**	–	**861**	201
Total	**6,768**	20,345	**25,473**	–	**32,241**	20,345
Segment results	**203**	9,500	**5,233**	–	**5,436**	9,500
Interest income					**377**	269
Unallocated expenses					**(992)**	–
Profit before tax					**4,821**	9,769
Tax					**(816)**	(1,548)
Net profit from ordinary activities attributable to shareholders					**4,005**	8,221

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	General environmental protection related products and services		Industrial environmental products		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,865**	15,422	**26,119**	–	**27,984**	15,422
Unallocated assets					**25,259**	–
Total assets					**53,243**	15,422
Segment liabilities	**890**	5,460	**13,503**	–	**14,393**	5,460
Unallocated liabilities					**1,323**	1,548
Total liabilities					**15,716**	7,008
Other segment information:						
Depreciation and amortisation	**154**	120	**–**	–	**154**	120
Unallocated amounts					**6**	–
					160	120
Capital expenditure	**84**	608	**–**	–	**84**	608
Unallocated amount					**49**	–
					133	608
Loss on disposal of fixed assets	**21**	–	**–**	–	**21**	–
Increase/(decrease) in provision for warranty	**(178)**	500	**–**	–	**(178)**	500

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**10,763**	20,144	**20,601**	–	**16**	–	**31,380**	20,144
Segment results	**1,788**	9,500	**3,645**	–	**3**	–	**5,436**	9,500
Other segment information:								
Segment assets	**44,040**	15,422	**9,203**	–	**–**	–	**53,243**	15,422
Capital expenditure	**84**	608	**49**	–	**–**	–	**133**	608

6. TURNOVER

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

7. PROFIT BEFORE TAX

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**19,533**	4,792
Depreciation of fixed assets	**160**	120
Minimum lease payments under operating leases on land and buildings	**414**	417
Research and development costs	**1,096**	1,320
Auditors' remuneration:		
Current year provision	**300**	300
Overprovision for the prior year	**(50)**	–
	250	300
Staff costs, excluding directors' emoluments – *note 8*		
Wages and salaries	**2,642**	2,037
Pension scheme contributions	**104**	111
Provision for warranty:		
Additional provisions	**142**	500
Reversal of unutilised provisions	**(320)**	–
	(178)	500
Management fee paid to a related company – *note 26(ii)*	**–**	100
Interest income	**(377)**	(269)

7. PROFIT BEFORE TAX (continued)

The costs of inventories sold for the year ended 31 October 2002 include HK$152,000 (2001: HK$152,000), 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 2002 include an amount of HK$900,000 (2001: HK$1,320,000), relating to directors' remuneration, which are also included in the total amounts of directors' remuneration disclosed separately in note 8 to the financial statements.

8. 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, is as follows:

	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**200**	–
Independent non-executive directors	**255**	–
Other emoluments paid and payable to executive directors:		
Basic salaries, allowances and benefits in kind	**2,280**	2,160
Pension scheme contributions	**36**	30
	2,771	2,190

8. DIRECTORS' EMOLUMENTS (continued)

The three executive directors of the Company received emoluments of approximately HK$612,000, HK$252,000 and HK$1,452,000 for the year (2001: HK$610,000, HK$250,000 and HK$1,330,000).

Each of the two non-executive directors received fees of HK$100,000 (2001: Nil), whereas the three (2001: Two) independent non-executive directors individually received fees of approximately HK$154,000, HK$100,000 and HK$1,000 during the year (2001: Nil and Nil). One independent non-executive director did not receive any directors' fee during the year (2001: 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 waived any emoluments during the current and prior year.

During the year, 96,740,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 22(i). No value in respect of the share options granted during the year has been included in the emoluments disclosed above as the directors considered that, in the absence of a readily available market value of the options on the Company's shares, they are unable to arrive at an accurate assessment of the value of the options granted.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2001: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	2002	2001
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**784**	545
Bonuses	**–**	34
Pension scheme contributions	**20**	17
	804	596

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.

10. TAX

	2002	2001
	HK$'000	*HK$'000*
Current year provision		
Hong Kong	**811**	1,548
Elsewhere	**5**	–
	816	1,548

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

At 31 October 2002, the Group has unprovided deferred tax liabilities of HK$56,000 (2001: HK$67,000), which represented accelerated depreciation allowances.

11. EARNINGS PER SHARE

The earnings per share for the year is calculated based on the consolidated net profit attributable to shareholders of the Company for the year of HK$4,005,000 (2001: HK$8,221,000) and 540,683,836 (2001: 414,600,000) shares deemed to have been issued and issuable during the year on the assumption that the Group Reorganisation and the 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 diluted earnings per share for the year ended 31 October 2002 is based on the consolidated net profit attributable to shareholders of the Company for the year of HK$4,005,000 and 642,535,091 shares, being the 540,683,836 shares as used in the calculation of basic earnings per share, and the weighted average of 101,851,255 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 22(ii) to the financial statements.

The diluted earnings per share amount for the year ended 31 October 2001 is not presented since there were no potential ordinary shares in existence during that year.

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 October 2002 dealt with in the financial statements of the Company was HK$5,698,000 (2001: Nil).

13. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Proposed final dividend:		
HK0.35 cent (2001: Nil) per ordinary share	**1,935**	–

The proposed final dividend for the year ended 31 October 2002 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 as detailed in note 3 to the financial statements. The effect of this change in accounting policy as at 31 October 2002, is that the current year's proposed final dividend of HK$1,935,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

14. FIXED ASSETS

Group

	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
Cost:					
At 1 November 2001	33	69	629	15	746
Additions	–	32	39	62	133
Disposals	–	–	(19)	(8)	(27)
At 31 October 2002	33	101	649	69	852
Accumulated depreciation:					
At 1 November 2001	8	10	109	2	129
Provided during the year	6	17	127	10	160
Disposals	–	–	(3)	(2)	(5)
At 31 October 2002	14	27	233	10	284
Net book value:					
At 31 October 2002	19	74	416	59	568
At 31 October 2001	25	59	520	13	617

15. INVESTMENTS IN SUBSIDIARIES

Company

	2002	2001
	HK$'000	*HK$'000*
Unlisted investments, at cost	**10,957**	–

Except for the amount of HK$24,352,000 due from subsidiaries which bears interest at 5.125% per annum, the balances with other subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

Particulars of the subsidiaries as at 31 October 2002 are as follows:

Company name	**Place of incorporation and operations**	**Issued and paid-up share capital**	**Percentage of equity attributable to the Group**	**Principal activities**
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

15. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation and operations	Issued and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
East Miles International Limited	British Virgin Islands	US$1 ordinary	100	Investment holding
Tokawa Precision (Overseas) Co. Limited (formerly Sino Production Limited)	British Virgin Islands	US$1 ordinary	100	Investment holding
Tokawa Precision Co. Limited (formerly Glory Home International Limited)	Hong Kong	HK$10,000 ordinary	100	Marketing and sales of industrial environmental products
#Ningbo Tokawa Precision Co. Limited	PRC	US$100,000 ordinary	100	Marketing and sales of industrial environmental products

* Shares held directly by the Company

\# English translation

16. INVENTORIES

	2002	2001
	HK$'000	*HK$'000*
Finished goods	**4,511**	439

As at 31 October 2002, no inventories were stated at net realisable value (2001: Nil).

17. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 90 days to its trade customers.

An aged analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	2002	2001
	HK$'000	*HK$'000*
Within 90 days	**7,166**	1,646
91 – 180 days	**3,704**	–
181 – 365 days	**196**	–
	11,066	1,646

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**10,894**	4,663	**6,415**	–
Time deposits	**25,876**	6,158	**–**	–
	36,770	10,821	**6,415**	–
Less: Pledged for the issuance of letters of credit and bills facilities	**(10,651)**	–	**–**	–
Pledged for a performance bond facility	**(1,000)**	(1,000)	**–**	–
Cash and cash equivalents	**25,119**	9,821	**6,415**	–

As at 31 October 2002, the Group has pledged its bank deposits of approximately HK$11 million (2001: Nil) and HK$1 million (2001: HK$1 million) to secure for the issuance of letters of credit and bills facilities granted to the Group and a performance bond facility, respectively (note 23).

19. ACCOUNTS AND BILLS PAYABLE

An aged analysis of accounts payables as at the balance sheet date, based on invoice date, is as follows:

	2002	2001
	HK$'000	*HK$'000*
Within 90 days	**8,944**	236
91 – 180 days	**3,387**	–
181 – 365 days	**413**	13
More than 1 year	**14**	–
	12,758	249

20. PROVISION FOR WARRANTY

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**500**	–
Increase/(decrease) in provision for the year	**(178)**	500
At 31 October	**322**	500

SSAP 28 was implemented during the year, as detailed in note 3 of the financial statements. There are no significant effects on the discounted amounts of the provision to the present value at the balance sheet date for the year. Accordingly, no prior year adjustment is included in the financial statements.

During the year, the Group provided a warranty of a free replacement of diesel particulate traps to the eligible vehicle owners for claims which are caused by improper installation, up to a period of three years from the date of installation. 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. The level of provision required is assessed by the directors annually and an adjustment is made if necessary.

21. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

22. SHARE CAPITAL

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

	Notes	Number of shares: Ordinary shares of HK$0.10 each	Number of shares: Ordinary shares of HK$0.01 each	Value *HK$'000*
Authorised:				
On incorporation and at 31 October 2001	*(i)*	1,000,000	–	100
Change of nominal value of shares from HK$0.10 each to HK$0.01 each	*(iii)*	(1,000,000)	10,000,000	–
Increase in authorised share capital	*(iii)*	–	4,990,000,000	49,900
At 5 December 2001 (the listing date) and 31 October 2002		Nil	5,000,000,000	50,000
Issued and fully paid:				
Allotted, issued as nil paid	*(i), (ii)*	30,000	–	–
Change of nominal value of shares from HK$0.10 each to HK$0.01 each	*(iii)*	(30,000)	300,000	–
On acquisition of Eco-Tek (BVI)				
– consideration shares issues	*(iv)*	–	300,000	3
– nil paid shares credited as fully paid	*(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	*(v)*	–	414,000,000	–
Share capital of the Group at 31 October 2001		Nil	414,600,000	6
Capitalisation of the share premium account as set out above	*(v)*	–	–	4,140
New issue of shares	*(vi)*	–	138,200,000	1,382
At 5 December 2001 (the listing date) and 31 October 2002		Nil	552,800,000	5,528

22. 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 of the Company) to 31 October 2002:

(i) On 6 December 2000, 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 were 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).

22. SHARE CAPITAL (continued)

(v) Pursuant to written resolutions of the Company passed on 21 November 2001, the conditions of the share placement (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 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 can 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. No pre-IPO share option was exercised up to the date of approval of these financial statements.

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

22. SHARE CAPITAL (continued)

Share options (continued)

(ii) 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 a 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, result in the issue of 13,820,000 additional shares of HK$0.01 each. No ANT-Option was exercised up to the date of approval of these financial statements.

(iii) 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 (the "Eligible Person") 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.

22. SHARE CAPITAL (continued)

Share options (continued)

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors to each grantee, but in any event no later than 10 years from the date of the grant of the options.

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.

(iv) No valuation of the options granted under the above schemes is included in these financial statements as the directors considered that, in the absence of a readily available market value of the options on the Company's shares, they are unable to arrive at an accurate assessment of the value of the options granted.

23. CONTINGENT LIABILITIES

A performance bond of HK$1,000,000 has been granted by a banker in favour 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 2002.

At 31 October 2002, the Company had no significant contingent liabilities.

24. COMMITMENTS

The Group leases its office properties under an operating lease arrangement for terms ranging from one to three years.

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as at the balance sheet date falling due as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**450**	95	**260**	–
In the second to fifth years, inclusive	**113**	–	**31**	–
	563	95	**291**	–

Save as aforesaid, the Group and the Company did not have any other significant commitments at 31 October 2002.

25. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the following significant events took place:

On 18 November 2002, the Group concluded four non-exclusive contracts with the Environmental Protection Department of the Government. Pursuant to the terms of the contracts, the Group has procured a bank to provide four performance bonds with an aggregate amount of approximately HK$6.2 million to the Government for the performance of supply and installation of particulate devices to reduce particulate from the pre-Euro emission standard diesel vehicles. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits of HK$6.2 million.

26. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties in the prior 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.

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 a 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 terminated after March 2001.

27. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 December 2002.

Financial Summary

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

RESULTS

	Year ended 31 October			Period from 27 October 1999 to 31 October
	2002	**2001**	**2000**	**1999**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	31,380	20,144	1,621	–
Cost of sales	(19,533)	(4,792)	(421)	–
Gross Profit	11,847	15,352	1,200	–
Other revenue	1,238	470	–	–
Selling expenses	(981)	(468)	(51)	–
Administrative expenses	(7,283)	(5,585)	(1,057)	–
Profit before tax	4,821	9,769	92	–
Tax	(816)	(1,548)	–	–
Net profit from ordinary activities attributable to shareholders	4,005	8,221	92	–

Financial Summary

ASSETS AND LIABILITIES

	31 October			
	2002	**2001**	**2000**	**1999**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	1,568	1,617	129	–
Current assets	51,675	13,805	2,064	–
Current liabilities	15,716	7,008	2,000	–
Net current assets	35,959	6,797	64	–
	37,527	8,414	193	–

Notes:

1. The summary of consolidated 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 consolidated 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 consolidated results of the Group for the year ended 31 October 2001 and 2002 are as set out on page 32 of the audited financial statements.

2. The only published consolidated balance sheets of the Group that have been prepared to date are those as at 31 October 1999, 2000, 2001 and 2002. The consolidated 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 consolidated balance sheets as at 31 October 2001 and 2002 are as set out on page 33 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 Room R1109, 11/F, Shirley Chan Building, The Hong Kong Polytechnic University, Hung Hom, Hong Kong on Friday, 21 February 2003 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 2002;

2. To declare a final dividend;

3. To re-elect the retiring Directors and to authorize the Board of Directors to fix their remuneration;

4. To re-appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration;

5. 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 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 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)."

6. 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 5(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; and

(c) for the purpose of this Resolution, "Relevant Period" shall have the same meaning as in Resolution 5(d)(aa)."

7. 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. 5 and 6 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. 5 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. 6."

By Order of the Board

Pau Kwok Ping
Managing Director

Hong Kong, 30 December 2002

Notice of Annual General Meeting

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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 explanatory statement containing further details regarding the proposed Resolutions nos. 5 to 7 set out in the above notice will be dispatched to shareholders together with the 2002 Annual Report of the Company.