



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULTS

For the nine months ended 31 July 2003

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

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This announcement, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** for identification purpose only*

SUMMARY

- The Group recorded a turnover of approximately HK\$72.11 million for the nine months ended 31 July 2003, representing an increase of approximately 226% over the corresponding period in the last financial year. The substantial increase in turnover was primarily due to rapid business growth of the Group in the People's Republic of China (the "PRC") and the increase in number of installation of the Group's diesel oxidation catalysts on qualified diesel vehicles.
- Net profit attributable to shareholders for the nine months ended 31 July 2003 amounted to approximately HK\$8.38 million (2002: approximately HK\$3.57 million) which represented approximately 135% increase as compared with last corresponding period.
- Basic and diluted earnings per share for the nine months ended 31 July 2003 amounted to approximately HK1.52 cent (2002: HK0.67 cent) and HK1.29 cent (2002: HK0.56 cent) respectively.

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 31 July 2003 together with the comparative figures for the last corresponding periods. The unaudited consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	36,236	11,586	72,113	22,087
Cost of sales		<u>(21,180)</u>	<u>(8,067)</u>	<u>(44,172)</u>	<u>(12,300)</u>
Gross profit		15,056	3,519	27,941	9,787
Other revenue		51	88	237	313
Selling expenses		(597)	(292)	(1,579)	(574)
Administrative expenses		<u>(9,072)</u>	<u>(1,927)</u>	<u>(15,562)</u>	<u>(5,206)</u>
PROFIT FROM OPERATION		5,438	1,388	11,037	4,320
Finance costs		<u>(95)</u>	<u>(43)</u>	<u>(265)</u>	<u>(64)</u>
PROFIT BEFORE TAXATION		5,343	1,345	10,772	4,256
Tax	3				
- Hong Kong		(1,108)	(289)	(2,055)	(685)
- Elsewhere		<u>(61)</u>	-	<u>(335)</u>	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>4,174</u>	<u>1,056</u>	<u>8,382</u>	<u>3,571</u>
Dividends	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EARNINGS PER SHARE :	5				
Basic (Hong Kong Cent)		<u>0.76</u>	<u>0.19</u>	<u>1.52</u>	<u>0.67</u>
Diluted (Hong Kong Cent)		<u>0.64</u>	<u>0.16</u>	<u>1.29</u>	<u>0.56</u>

NOTES:

1. Principal accounting policies and basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts have also complied with the applicable disclosure provisions of GEM Listing Rules. The measurement basis used in the preparation of the accounts is historical cost.

The accounting policies and basis of preparation adopted for the preparation of the accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 October 2002 except that the Group has adopted SSAP 34 “Employee benefits” which prescribes the accounting and disclosure for employee benefits. However, this SSAP has no major impact on the consolidated results for the nine months ended 31 July 2003 of the Group.

2. Turnover

Turnover represents the sales of general and industrial environmental protection related products such as hydraulic filters and other related accessories and services.

3. Tax

Hong Kong profits tax has been provided at the proposed rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period under review. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No deferred tax liability has been recognized in the accounts in respect of the estimated assessable profits.

4. Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2003 (2002: nil).

5. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 July 2003 was based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$4,174,000 (2002: approximately HK\$1,056,000) and the number of 552,800,000 ordinary shares (2002: 552,800,000 shares) in issue during the period.

The calculation of basic earnings per share for the nine months ended 31 July 2003 was based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$8,382,000 (2002: approximately HK\$3,571,000) and the weighted average number of approximately 552,800,000 ordinary shares (2002: 536,600,733 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 July 2003 was based on the unaudited consolidated net profit attributable to shareholders of HK\$4,174,000 (2002: HK\$1,056,000) and the weighted average number of 649,332,700 ordinary shares in issue (2002: 654,225,945 shares) after adjusting for the effects of all dilutive potential ordinary shares.

The calculation of diluted earnings per share for the nine months ended 31 July 2003 was based on the unaudited consolidated net profit attributable to shareholders of HK\$8,382,000 (2002: HK\$3,571,000) and the weighted average number of 650,247,152 ordinary shares in issue (2002: 639,622,069 shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	Three months ended 31 July		Nine months ended 31 July	
	2003 Number of shares	2002 Number of shares	2003 Number of shares	2002 Number of shares
<i>Weighted average number of ordinary shares used in calculating basis earnings per share</i>	552,800,000	552,800,000	552,800,000	536,600,733
<i>Deemed issue of ordinary shares for no consideration</i>	96,532,700	101,425,945	97,447,152	103,021,336
<i>Weighted average number of ordinary shares used in calculating diluted earnings per share</i>	649,332,700	654,225,945	650,247,152	639,622,069

6. Movement of reserves

	<u>Share Capital</u> HK\$'000	<u>Share Premium</u> HK\$'000	<u>Capital Reserve</u> HK\$'000	<u>Exchange Reserve</u> HK\$'000	<u>Retained Profits</u> HK\$'000	<u>Proposed Dividend</u> HK\$'000	<u>Total</u> HK\$'000
At 1 November 2001	6	-	95	-	8,313	-	8,414
New issue of share	1,382	31,510	-	-	-	-	32,892
Capitalisation issue	4,140	(4,140)	-	-	-	-	-
Share issuance expenses	-	(7,784)	-	-	-	-	(7,784)
Profit for the nine months ended 31 July 2002	-	-	-	-	3,571	-	3,571
At 31 July 2002	5,528	19,586	95	-	11,884	-	37,093
At 1 November 2002	5,528	19,586	95	-	10,383	1,935	37,527
Dividend approved in respect of previous year	-	-	-	-	-	(1,935)	(1,935)
Exchange differences	-	-	-	(18)	-	-	(18)
Profit for the nine months ended 31 July 2003	-	-	-	-	8,382	-	8,382
At 31 July 2003	5,528	19,586	95	(18)	18,765	-	43,956

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group reported a turnover of approximately HK\$36.24 million and HK\$72.11 million for the three and nine months ended 31 July 2003, representing 213% and 226% increase as compared with last corresponding periods respectively. The substantial increase in turnover was primarily attributable to continuous growth in demand for the Group's industrial environmental protection related products such as hydraulic filters and pumps in the Greater China Region and the increase in number of qualified diesel vehicle owners requesting for the installation of diesel oxidation catalysts ("DOCs"), one of the Group's major product which employs gas exhaust filtration technology to reduce exhaust particulates according to pre-euro emission standard for qualified diesel vehicles (weight over four tons).

The gross profit of the Group for the nine months ended 31 July 2003 amounted to approximately HK\$27.94 million at a margin of 38.7% compared with a gross profit of around HK\$9.79 million at a margin of 44.3% for the corresponding period in last year. The decrease in gross margin was mainly due to the strong Euro and Japanese Yen over the past few months which had led to increase in the cost of imported goods and the change in product mix towards a lower gross profit.

The administrative expenses for the three and nine months ended 31 July 2003 increased by approximately 371% and 199% respectively as compared with the corresponding periods last year. The increase was mainly brought by prudent provisions made for doubtful debts of trade debtors from sales of industrial environmental protection related products and for warranty of DOCs which amounted to approximately HK\$3.41 million and HK\$3.35 million for the nine months ended 31 July 2003 respectively. In addition, due to significant inventory balance of approximately HK\$19.34 million as at 31 July 2003, the Directors consider the need, for prudence, to provide 5% or approximately HK\$0.97 million as general provision for stock obsolescence. If these three factors had been ignored, the net increase in administrative expenses for the three and nine months ended 31 July 2003 would have been only approximately 80% and 50% respectively as compared with the last corresponding periods.

The profit attributable to shareholders also increased by 295% and 135% for the three and nine months ended 31 July 2003 respectively as compared with last corresponding periods.

The source of finance of the Group was primarily from the initial placing proceeds, internally generated funds and an aggregate of HK\$20 million banking facilities granted to the Group for the issuance of letters of credit. As at 31 July 2003, the Group has pledged its bank deposits of approximately HK\$15.16 million and HK\$7.2 million to secure for trade bills facilities granted to the Group and performance bond facilities respectively. In spite of the above, the Group still had cash and bank balances of approximately HK\$11.82 million for its future expansion and development.

Business review and prospects

The Group was principally engaged in the development, sales and marketing of general and industrial environmental protection related products and other related accessories and services.

Diesel oxidation catalysts

During the period under review, the result of sale and installation of DOCs onto qualified diesel vehicles was encouraging. Up to the three months ended 31 July 2003, the number of DOCs installation increased substantially as compared with the first two quarters this year.

Hydraulic filters

The Group's industrial environmental protection products like hydraulic filters have been well accepted and recognised by the users during the period under review. As a result of marketing efforts made by the Group's offices in Ningbo, Shanghai and Beijing, more orders had been received. In order to capture more market share, the Group is identifying distributors in other regions of the PRC for possible business opportunities.

Ionized clean water system

Currently, the Group has successfully developed an ionized clean water system for domestic users which is remarkably a technology breakthrough of life science in the 21st century. It is the first clean water system in the market with the most sophisticated functions, including but not limited to water ionization process for pH value adjustment, active carbon cartridge filtering, magnetization and UV disinfections. The ionized clean water system is expected to be launched to the market in a short period of time.

Air purification system

Apart from the ionized clean water system, the Group also carried out research and development on an air purification system and the test results were satisfactory. It is anticipated that the product would be introduced to the consumer market later this year.

Soundproof barriers

The Group has been developing the soundproof barriers technology which can cancel instead of isolate noises during the period under review. Various tests on the quality of soundproof barriers have been conducted and the progress is satisfactory though modification was still required.

Outlook

Following the economic recovery from the treat of severe acute respiration syndrome ("SARS") and the rapid economic growth in the PRC, the Directors are confident that the Group can sustain a steady growth for the coming quarter. The Group will continue to search for potential investments in order to create synergetic effect on its business operations and to look for business development opportunities under the Closer Economic Partnership Arrangement entered into between the Mainland China and the Hong Kong Special Administrative Region in late June 2003. Going forward, the Directors are optimistic in the prospect of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2003, the following persons or companies (other than the Directors or chief executives of the Company) had interests or short positions in the shares, underlying shares and debentures of the

Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Future Ordinance (“SFO”).

1 Interest in shares of the Company

Name	Number of shares held	Percentage to issued shares as at 31/7/2003
Peace City Development Limited	299,341,200 (Note 1)	54.15%
Team Drive Limited	299,341,200 (Note 1)	54.15%
The Hong Kong Polytechnic University	89,000,800 (Note 2)	16.10%
Advance New Technology Limited	89,000,800 (Note 2)	16.10%
Mr. Lee Wai Man	35,620,000	6.44%

Note:

- 1 These shares are held by Team Drive Limited which is a wholly owned subsidiary of Peace City Development Limited, a company of which the entire issued shares are beneficially owned by Dr. Chiang Lily. Pursuant to Section 347 of Part XV of the SFO, Dr. Lily Chiang and Peace City Development Limited are deemed to be interested in all the shares held by Team Drive Limited. Such interest has been disclosed as corporate interest of Dr. Chiang Lily in the section headed “Directors’ and Chief Executives’ Interests or Short Positions in Shares, Underlying Shares and Debentures” below.
- 2 Advance New Technology Limited is a wholly owned subsidiary of The Hong Kong Polytechnic University (“HKPU”). By virtue of its interest in Advance New Technology Limited, HKPU is deemed to be interested in its entire issued shares of 89,000,800.

2 Interest in underlying shares of the Company

Name	Date of grant	Number of ANT-Option outstanding as at 31/7/2003	Percentage to issued shares as at 31/7/2003	Exercise period	Exercise price per share HK\$
The Hong Kong Polytechnic University (Note 3)	21/11/2001	13,820,000	2.50%	5/12/2002 to 4/12/2004	0.2142
Advance New Technology Limited (Note 3)	21/11/2001	13,820,000	2.50%	5/12/2002 to 4/12/2004	0.2142

Note:

- 3 On 21 November 2001, the Company granted the ANT-Option to Advance New Technology Limited as a reward to HKPU’s continuing support and collaboration with the Group and for the purpose of enhancing a future co-operation relationship between HKPU 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 initial placing of the Company’s shares on GEM and the capitalization 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 accounts.

Advance New Technology Limited is a wholly owned subsidiary of HKPU. HKPU is deemed to be interested in the ANT-Option.

3 Aggregate interest in the shares and underlying shares of the Company

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31/7/2003
Peace City Development Limited (Note 4)	299,341,200	-	299,341,200	54.15%
Team Drive Limited (Note 4)	299,341,200	-	299,341,200	54.15%
The Hong Kong Polytechnic University (Note 4)	89,000,800	13,820,000	102,820,800	18.60%
Advance New Technology Limited (Note 4)	89,000,800	13,820,000	102,820,800	18.60%
Mr. Lee Wai Man	35,620,000	-	35,620,000	6.44%

Note:

4. Please refer to Notes 1 to 3 above.

Save as disclosed above, as at 31 July 2003, there was no person or company (other than the Director or chief executives or their associates of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules were as follows:

1. Interest in shares of the Company

Name of Directors	Number of shares beneficially held			Percentage to issued shares as at 31/7/2003
	Personal interests	Corporate interests	Total	
Dr. Chiang Lily	-	299,341,200 (Note)	299,341,200 (Note)	54.15%
Dr. Pau Kwok Ping	16,584,000	-	16,584,000	3.00%
Mr. Shah Tahir Hussain	552,800	-	552,800	0.10%
			<u>316,478,000</u>	<u>57.25%</u>

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

2. Interest in underlying shares of the Company

Pursuant to a pre-IPO share option scheme (the “Pre-IPO Scheme”) adopted by the Company on 21 November 2001, the Company had granted pre-IPO share options on the Company’s ordinary shares to the executive Directors. Details of share options to subscribe for shares in the Company granted to the executive Directors as at 31 July 2003 were as follows:

<u>Executive Directors</u>					
Name	Date of grant	Number of share options outstanding as at 31/7/2003	Percentage to issued shares as at 31/7/2003	Exercise period	Exercise price per share HK\$
Dr. Chiang Lily	21/11/2001	55,280,000	10.00%	5/12/2002 to 4/12/2005	0.01
Dr. Pau Kwok Ping	21/11/2001	27,640,000	5.00%	5/12/2002 to 4/12/2005	0.01
Mr. Shah Tahir Hussain	21/11/2001	13,820,000	2.50%	5/12/2002 to 4/12/2005	0.01
		96,740,000	17.50%		

None of the options granted under the Pre-IPO Scheme have been exercised, cancelled or lapsed during the period from the date of grant of such options to 31 July 2003.

On 21 November 2001, the shareholders of the Company adopted a share option scheme (the “Post-IPO Scheme”), the principal terms of which were set out in the prospectus of the Company dated 27 November 2001. On 21 March 2003, share options to subscribe for an aggregate of 4,000,000 shares were granted under the Post-IPO Scheme to the following non-executive Directors, independent non-executive Directors and ex-independent non-executive Director :-

<u>Non-executive Directors</u>						
Name	Date of grant	Number of share options outstanding as at 31/7/2003	Percentage to issued shares as at 31/7/2003	Exercise period	Closing price immediately before the date of grant HK\$	Exercise price per share HK\$
Dr. Lui Sun Wing	21/3/2003	1,000,000	0.18%	21/9/2003 to 20/9/2005 *	0.245	0.28
Mr. Young Meng Cheung Andrew	21/3/2003	1,000,000	0.18%	21/9/2003 to 20/9/2005 *	0.245	0.28

Independent non-executive Directors

Name	Date of grant	Number of share options outstanding as at 31/7/2003	Percentage to issued shares as at 31/7/2003	Exercise period	Closing price immediately before the date of grant HK\$	Exercise price per share HK\$
Ms. Chan Siu Ping Rosa	21/3/2003	500,000	0.09%	21/9/2003 to 20/9/2005 *	0.245	0.28
Mr. Takeuchi Yutaka	21/3/2003	500,000	0.09%	21/9/2003 to 20/9/2005 *	0.245	0.28

Ex-independent non-executive Directors

Name						
Dr. Woon Yi Teng Eden	21/3/2003	1,000,000	0.18%	21/9/2003 to 20/9/2005 *	0.245	0.28
		<u>4,000,000</u>	<u>0.72%</u>			

* The options are vested in 2 exercisable periods as to (i) 50% exercisable on the expiry of 6 months from the date of grant; and (ii) 50% exercisable on the expiry of 12 months from the date of grant.

None of the options granted under the Post-IPO Scheme have been exercised, cancelled or lapsed during the period from the date of granted to 31 July 2003.

3. Aggregate interest in shares and underlying shares of the Company

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31/7/2003
Dr. Chiang Lily	299,341,200	55,280,000	354,621,200	64.15%
Dr. Pau Kwok Ping	16,584,000	27,640,000	44,224,000	8.00%
Mr. Shah Tahir Hussain	552,800	13,820,000	14,372,800	2.60%
Dr. Lui Sun Wing	-	1,000,000	1,000,000	0.18%
Mr. Young Meng Cheung Andrew	-	1,000,000	1,000,000	0.18%
Ms. Chan Siu Ping Rosa	-	500,000	500,000	0.09%
Mr. Takeuchi Yutaka	-	500,000	500,000	0.09%
	<u>316,478,000</u>	<u>99,740,000</u>	<u>416,218,000</u>	<u>75.29%</u>

Save as disclosed above, as at 31 July 2003, none of the Directors and chief executives or their associates of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company was listed on 5 December 2001 and up to 31 July 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPETING INTERESTS

As at 31 July 2003, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

SPONSORS' INTEREST

Celestial Capital Limited ("CCL") has been appointed as the continuing sponsor of the Company for the purpose of the GEM Listing Rules. Pursuant to the sponsorship agreement dated 26 November 2001 entered into between the Company and CCL, for a fee, CCL acts as the Company's continuing sponsor for the period up to 31 October 2004.

As updated and notified by CCL, CCL, its directors, employees and associates (as defined in the GEM Listing Rules), as at 31 July 2003, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of 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 Rules since the listing of the Company's shares on the GEM on 5 December 2001.

AUDIT COMMITTEE

As required by Rules 5.23 and 5.24 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems. The Audit Committee comprises of three members, Ms. Chan Siu Ping Rosa, Mr. Takeuchi Yutaka and Professor Ni Jun, who are independent non-executive Directors.

The Group's unaudited results for the nine months ended 31 July 2003 had been reviewed by the Audit Committee with an opinion that the preparation of such results had already complied with the applicable accounting standards and requirements and adequate disclosures had been made accordingly.

By Order of the Board
Eco-Tek Holdings Limited

Pau Kwok Ping
Managing Director

Hong Kong, 10 September 2003

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its publication.