



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY RESULTS

For the three months ended 31 January 2004

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

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

- Turnover of the Group for the three months ended 31 January 2004 amounted to approximately HK\$21.16 million (2003: approximately HK\$12.89 million), representing an increase of approximately 64% over the corresponding period in the last financial year.
- Net profit attributable to shareholders for the three months ended 31 January 2004 soared to approximately HK\$3.34 million (2003: approximately HK\$1.02 million), representing a rise of approximately 227%.
- Basic and diluted earnings per share for the three months ended 31 January 2004 amounted to approximately HK0.60 cent (2003: approximately HK0.18 cent) and HK0.52 cent (2003: HK0.16 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 three months ended 31 January 2004 together with the comparative figures for the last corresponding period.

		Three months ended 31 January	
		2004	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	2	21,164	12,892
Cost of sales		<u>(13,366)</u>	<u>(9,041)</u>
Gross profit		7,798	3,851
Other revenue		49	130
Selling expenses		(498)	(441)
Administrative expenses		(3,038)	(2,189)
Other operating expenses		(1,180)	-
		<u>3,131</u>	<u>1,351</u>
PROFIT BEFORE TAX			
Tax	3	<u>205</u>	<u>(330)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>3,336</u>	<u>1,021</u>
Dividends	4	<u>-</u>	<u>-</u>
EARNINGS PER SHARE :	5		
Basic		<u>HK0.60 cent</u>	<u>HK0.18 cent</u>
Diluted		<u>HK0.52 cent</u>	<u>HK0.16 cent</u>

NOTES:

1. Principal accounting policies and basis of preparation

The unaudited consolidated accounts 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.

The unaudited consolidated accounts include the accounts of the Company and its subsidiaries for the three months ended 31 January 2004. The accounting policies and basis of preparation adopted for the preparation of the unaudited consolidated accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 October 2003.

2. Turnover

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

3. Tax

	Three months ended 31 January	
	2004	2003
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	69	294
Elsewhere	62	36
	<hr/> 131	<hr/> 330
Deferred tax	<hr/> (336)	<hr/> -
Total tax (credit)/charge for the period	<hr/> (205)	<hr/> 330

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

At 31 January 2004, there was no significant unrecognised deferred tax liability (2003: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability to additional tax should such amounts be remitted.

4. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2004 (2003: nil).

5. Earnings per share

The earnings per share for the three months ended 31 January 2004 is calculated based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$3,336,000 (2003: approximately HK\$1,021,000) and the weighted average of 552,800,000 (2003: 552,800,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the three months ended 31 January 2004 is based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$3,336,000 (2003: approximately HK\$1,021,000) and 647,399,374 (2003: 651,416,516) ordinary shares, being the 552,800,000 (2003: 552,800,000) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 94,599,374 (2003: 98,616,516) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO share options, the option granted to Advance New Technology Limited ("ANT-Option"), and the Post-IPO share options.

6. Movement of reserves

	<u>Reserves</u>						<u>Proposed final dividend</u>	<u>Total</u>
	<u>Issued capital</u>	<u>Share premium account</u>	<u>Capital reserve</u>	<u>Exchange reserve</u>	<u>Retained profits</u>	<u>Sub-total</u>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 November 2002	5,528	19,586	95	-	10,383	10,478	1,935	37,527
Exchange differences	-	-	-	58	-	58	-	58
Dividend approved in respect of previous year	-	-	-	-	-	-	(1,935)	(1,935)
Profit for the period	-	-	-	-	1,021	1,021	-	1,021
At 31 January 2003	<u>5,528</u>	<u>19,586</u>	<u>95</u>	<u>58</u>	<u>11,404</u>	<u>11,557</u>	<u>-</u>	<u>36,671</u>
At 1 November 2003	5,528	19,586	95	-	17,012	17,107	6,357	48,578
Dividend approved in respect of previous year	-	-	-	-	-	-	(6,357)	(6,357)
Profit for the period	-	-	-	-	3,336	3,336	-	3,336
At 31 January 2004	<u>5,528</u>	<u>19,586</u>	<u>95</u>	<u>-</u>	<u>20,348</u>	<u>20,443</u>	<u>-</u>	<u>45,557</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group achieved an unaudited turnover of approximately HK\$21.16 million for the three months ended 31 January 2004, representing a rise of 64%. The growth in turnover was primarily attributable to continuous increase in demand for the installation of the Group's diesel oxidation catalysts ("Eco-Green") in Hong Kong, 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). In addition, sales of the Group's industrial environmental protection products such as hydraulic equipment in the Greater China Region were also encouraging.

The gross profit of the Group for the three months ended 31 January 2004 amounted to approximately HK\$7.80 million at a margin of 36.8% compared with a gross profit of around HK\$3.85 million at a margin of 29.9% for the corresponding period in last year. The increase in gross profit was mainly brought by the change in product mix as sale of Eco-Green contributed a higher profit margin than sales of industrial environmental protection products.

The administrative expenses for the three months ended 31 January 2004 increased by approximately 38.8% as compared to last corresponding period. The increase was mainly due to the expansion of the Group's operation in the People's Republic of China (the "PRC") and was in line with the increase in turnover during the period under review.

The other operating expenses represent prudent provision made for warranty of Eco-Green which amounted to approximately HK\$1.18 million.

The net profit attributable to shareholders also recorded a rise of approximately 227% for the three months ended 31 January 2004 as compared to last corresponding period.

The source of finance of the Group was primarily from the initial placing proceeds, internally generated funds, retained profits and an aggregate of HK\$36 million banking facilities granted to the Group for the issuance of letters of credit. As at 31 January 2004, the Group has pledged its bank deposits of approximately HK\$2.9 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\$30.7 million for its future expansion and development.

Business review and outlook

The Group was principally involved in the marketing, sale, servicing, research and development of environmental protection related products and services. There were no significant changes in the nature of the Group's principal activities during the period under review.

The business of sale and installation of Eco-Green continued to contribute steady income to the Group. Apart from the contracts with the Environmental Protection Department, the Group was being award a new contract from another department of the Hong Kong Government, which owns approximately 300 diesel vehicles attained Euro 1 and Euro 2 emission standard, looking for the installation of diesel oxidation catalysts. Revenue of the new contract is expected to be reflected in the second quarter.

The sales of industrial environmental protection products such as hydraulic equipment were satisfactory during the three months ended 31 January 2004. Major customers consist of companies which produce processing machines and construction machines. In order to diversify its client base, the Group also seeks for business opportunities with companies engaging in the marine construction business. The Directors are optimistic that the business of sale of industrial environmental protection products will maintain a steady growth in the coming quarters.

Recently, the Group has introduced two self-developed products, namely Eco-Water and Eco-Air to the domestic market. Eco-Water is a water purifying system which provides users with pH adjustable, purified and bacteria-free water ready for immediate consumption. Eco-Air is an air purifier which helps to suspend particulates, reduce bacteria count and minimize indoor air pollution. The Group has worked closely with its distributors in Hong Kong and the PRC to promote the sale of these products.

Apart from the above, there are certain environmental protection technologies and products under developments which include soundproof barriers and energy saving technology. It is the mission of the Company to continuously develop new environmental protection technologies and products in order to foster a healthy living environment and improve the quality of life for the general public.

Outlook

Going forward, the Group will continue to develop new environmental protection related products and diversify its product line so as to create a healthier and more pleasant living environment. In addition, the Group will also look for potential investment opportunities to create synergetic effect on its business operations. The Directors are optimistic in the business development of the Group in the coming quarters.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 January 2004, the following persons or companies (other than the Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the Securities and Future Ordinance ("SFO"):

Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Number of share options held	Aggregate in number	Percentage of the Company's issued share capital as at 31/01/2004
Substantial shareholders					
Peace City Development Limited (Note 1)	Through a controlled corporation	299,341,200	-	299,341,200	54.15
Team Drive Limited (Note 1)	Directly beneficially owned	299,341,200	-	299,341,200	54.15
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	85,430,800	13,820,000	99,250,800	17.95
Advance New Technology Limited (Note 2)	Directly beneficially owned	85,430,800	13,820,000	99,250,800	17.95
Other shareholder					
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	-	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. CHIANG Lily 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 interest of Dr. CHIANG Lily through controlled corporation in the section headed “Directors’ and chief executives’ interests and 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 (“PolyU”). By virtue of its interest in Advance New Technology Limited, PolyU is deemed to be interested in all the shares and share options of the Company held by Advance New Technology Limited.*

Interest in underlying shares of the Company

Name	Date of grant	Number of ANT-Option outstanding as at 31/01/2004	Percentage to issued shares as at 31/01/2004	Exercise period of share options	Exercise price per share HK\$
The Hong Kong Polytechnic University <i>(Note 3)</i>	21/11/2001	13,820,000	2.50	5/12/2002 to 4/12/2004	0.2142
Advance New Technology Limited <i>(Note 3)</i>	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 PolyU’s continuing support and collaboration with the Group and for the purpose of enhancing a future co-operation 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 then 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 of HK\$0.2142 per share (equivalent to 90% of the issue price), which may be exercised at any time between the first and third anniversaries of the listing date of 5 December 2001. No ANT-Option was exercised up to the date of approval of these accounts.*

Save as disclosed above, no person or company (other than the Directors and chief executive of the Company) had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

As at 31 January 2004, 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), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) were as follows:

Long positions in ordinary shares of the Company

Number of shares held, capacity and nature of interest

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital as at 31/01/2004
	Directly beneficially owned	Through controlled corporation	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>17,136,800</u>	<u>299,341,200</u>	<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.

In addition to the above, a director has a non-beneficial personal equity interest in a subsidiary held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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 January 2004 were as follows:

<u>Executive Directors</u>					
Name	Date of grant	Number of share options outstanding as at 31/01/2004	Percentage of the Company's issued share capital as at 31/01/2004	Exercise period of share options	Exercise price per share HKS
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
		<u>96,740,000</u>	<u>17.50</u>		

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 January 2004.

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. Details of share options to subscribe for shares in the Company granted under the Post-IPO Scheme as at 31 January 2004 were as follows :-

Non-executive Directors

Name	Date of grant	Number of share options outstanding as at 31/01/2004	Percentage of the Company's issued share capital as at 31/01/2004	Exercise period of share options	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 31/01/2004	Percentage of the Company's issued share capital as at 31/01/2004	Exercise period of share options	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
		3,000,000	0.54			

* The options are vested in two exercisable periods as to (a) 50% exercisable on the expiry of 6 months from the date of grant; and (b) 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 under review.

Aggregate long position in ordinary shares and underlying shares of the Company

Name of Directors	Total number of ordinary shares held	Number of options held and outstanding as at 31/01/2004	Aggregate in number	Percentage of the Company's issued share capital as at 31/01/2004
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
		99,740,000	416,218,000	75.29

Save as disclosed above, as at 31 January 2004, none of the Directors and chief executives of the Company had registered an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the section headed "Directors' and chief executive's interests and short

positions in shares, underlying shares and debentures” above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS’ INTEREST IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies and subsidiaries was a party during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 January 2004.

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, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months ended 31 January 2004.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the three months ended 31 January 2004.

SPONSORS’ INTEREST

Celestial Capital Limited (“CCL”) has been appointed as the continuing sponsor of the Company for the purpose of meeting the requirements 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) 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 during the three months ended 31 January 2004.

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, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, who are the independent non-executive Directors of the Company.

The Group's unaudited results for the three months ended 31 January 2004 have been reviewed by the audit 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.

By Order of the Board
Eco-Tek Holdings Limited

Pau Kwok Ping
Managing Director

Hong Kong, 11 March 2004

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.