



Interim Report

For the six months ended 30 April 2004



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The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- Turnover for the six months ended 30 April 2004 amounted to approximately HK\$51.34 million (2003: approximately HK\$35.88 million), representing an increase of approximately 43%. Such increase was mainly attributable to the increase in sales and installations of the Group's diesel oxidation catalysts which amounted to approximately HK\$14.63 million as compared to the same period in previous year.
- Net profit attributable to shareholders for the six months ended 30 April 2004 amounted to approximately HK\$8.68 million (2003: approximately HK\$4.21 million) which represented approximately 106% increase as compared to last corresponding period.
- Basic and diluted earnings per share for the six months ended 30 April 2004 amounted to approximately HK1.57 cent (2003: HK0.76 cent) and HK1.34 cent (2003: HK0.65 cent) respectively.

UNAUDITED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 April 2004 together with the comparative figures for the corresponding periods in last financial year.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 April		Six months ended 30 April	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	3	30,180	22,985	51,344	35,877
Cost of sales		(20,723)	(14,282)	(34,089)	(23,350)
Gross profit		9,457	8,703	17,255	12,527
Other revenue		35	56	84	186
Selling expenses		(541)	(541)	(1,039)	(982)
Administrative expenses		(2,955)	(2,008)	(5,993)	(4,170)
Other operating expenses		(587)	(2,132)	(1,767)	(2,132)
PROFIT BEFORE TAX	5	5,409	4,078	8,540	5,429
Tax	6	(61)	(891)	144	(1,221)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		5,348	3,187	8,684	4,208
Dividends	7	-	-	-	-
EARNINGS PER SHARE:	8				
Basic		HK0.97 cent	HK0.58 cent	HK1.57 cent	HK0.76 cent
Diluted		HK0.82 cent	HK0.49 cent	HK1.34 cent	HK0.65 cent

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at 30 April 2004 HK\$'000	As at 31 October 2003 HK\$'000
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NON-CURRENT ASSETS			
Fixed assets	9	1,122	1,250
Deferred tax assets	6	2,056	1,617
Accounts receivable	11	4,875	3,200
Pledged bank deposits	12	7,200	7,200
		15,253	13,267
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CURRENT ASSETS			
Inventories	10	22,772	21,223
Accounts receivable	11	19,838	21,167
Prepayments, deposits and other receivables		4,330	2,240
Pledged bank deposits	12	50	7,090
Cash and cash equivalents	12	26,662	32,082
		73,652	83,802
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CURRENT LIABILITIES			
Accounts and bills payable	13	24,586	34,750
Accrued liabilities and other payables		3,703	4,526
Provision for warranty	14	1,282	720
Tax payable		3,371	4,918
		32,942	44,914
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NET CURRENT ASSETS		40,710	38,888
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TOTAL ASSETS LESS CURRENT LIABILITIES		55,963	52,155
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NON-CURRENT LIABILITIES			
Provision for warranty	14	5,058	3,577
		50,905	48,578
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CAPITAL AND RESERVES			
Issued capital		5,528	5,528
Share premium account		19,586	19,586
Reserves		25,791	17,107
Proposed final dividend		-	6,357
		50,905	48,578
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April 2004 HK\$'000	Six months ended 30 April 2003 HK\$'000
CASH USED IN OPERATING ACTIVITIES	(6,123)	(5,912)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	4,223	(12,347)
NET CASH USED IN FINANCING ACTIVITIES	(6,357)	(2,265)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,257)	(20,524)
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	34,919	25,119
CASH AND CASH EQUIVALENTS AT 30 APRIL	26,662	4,595
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	14,608	4,595
Time deposits	19,304	23,799
Less: Pledged time deposits with maturity over three months	(7,250)	(23,799)
	26,662	4,595

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Issued capital	Share premium account	Capital reserve	Exchange reserve	Retained profits	Proposed final dividend	Total
	<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	1,935	37,527
2002 final dividend declared	-	-	-	-	-	(1,935)	(1,935)
Exchange differences	-	-	-	(1)	-	-	(1)
Profit for the six months ended 30 April 2003	-	-	-	-	4,208	-	4,208
At 30 April 2003	5,528	19,586	95	(1)	14,591	-	39,799
At 1 November 2003	5,528	19,586	95	-	17,012	6,357	48,578
2003 final dividend declared	-	-	-	-	-	(6,357)	(6,357)
Profit for the six months ended 30 April 2004	-	-	-	-	8,684	-	8,684
At 30 April 2004	5,528	19,586	95	-	25,696	-	50,905

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The Group's unaudited condensed interim financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed interim financial statements have been prepared under the historical cost convention. The accounting policies and basis of preparation adopted for the preparation of these accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 October 2003.

2. Comparative amounts

In accordance with the audited annual financial statements for the year ended 31 October 2003, the amounts of provision for doubtful debts and provision for warranty have been classified as other operating expenses. In addition, the exchange loss arising from settlement of purchases of the Group denominated in currencies other than Hong Kong dollars or United States dollars has been included in cost of sales of the audited annual financial statements for the year ended 31 October 2003. Accordingly, certain comparative amounts have been reclassified to conform with the current periods' and last year audited annual financial statements' presentation.

3. Turnover

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

4. Segment information

(a) Business segments

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

	General environmental protection related products and services		Industrial environmental products		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	21,844	6,597	29,500	29,280	51,344	35,877
Other revenue	-	5	7	97	7	102
Total	21,844	6,602	29,507	29,377	51,351	35,979
Segment results	6,385	170	2,679	5,748	9,064	5,918
Interest income					77	84
Unallocated expenses					(601)	(573)
Profit before tax					8,540	5,429
Tax					144	(1,221)
Net profit from ordinary activities attributable to shareholders					8,684	4,208
Segment assets	37,391	18,801	50,872	47,162	88,263	65,963
Unallocated assets					642	863
Total assets					88,905	66,826
Segment liabilities	10,349	3,162	27,490	23,678	37,839	26,840
Unallocated liabilities					161	187
Total liabilities					38,000	27,027

	General environmental protection related products and services		Industrial environmental products		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:						
Depreciation and amortisation	169	87	16	9	185	96
Capital expenditure	57	274	-	9	57	283
Increase in provision for warranty	2,043	764	-	-	2,043	764
(Decrease)/increase in provision for doubtful debts	-	-	(276)	1,368	(276)	1,368
Increase in provision against inventories	740	-	-	-	740	-

(b) *Geographical segments*

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

	Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	24,973	11,497	23,037	22,836	3,334	1,544	51,344	35,877
Other segment information:								
Segment assets	56,248	53,551	29,860	13,275	2,797	-	88,905	66,826
Capital expenditure	53	274	-	9	4	-	57	283

5. Profit before tax

	Three months ended 30 April		Six months ended 30 April	
	2004	2003	2004	2003
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Cost of inventories sold	20,723	14,282	34,089	23,350
Depreciation of fixed assets	95	51	185	96
Minimum lease payments under operating leases on land and buildings	252	143	462	255
Research and development costs	-	117	-	192
Increase in provision for warranty	863	764	2,043	764
(Decrease)/increase in provision for doubtful debts	(276)	1,368	(276)	1,368
Increase in provision against inventories	-	-	740	-
Exchange losses, net	373	331	707	358
Interest income	(35)	(25)	(77)	(84)

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

Cost of inventories sold	20,723	14,282	34,089	23,350
Depreciation of fixed assets	95	51	185	96
Minimum lease payments under operating leases on land and buildings	252	143	462	255
Research and development costs	-	117	-	192
Increase in provision for warranty	863	764	2,043	764
(Decrease)/increase in provision for doubtful debts	(276)	1,368	(276)	1,368
Increase in provision against inventories	-	-	740	-
Exchange losses, net	373	331	707	358
Interest income	(35)	(25)	(77)	(84)

6. Tax

	Three months ended 30 April		Six months ended 30 April	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Hong Kong	79	653	148	947
Elsewhere	85	238	147	274
	164	891	295	1,221
Deferred	(103)	–	(439)	–
Total tax charge/(credit) for the period	61	891	(144)	1,221

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 30 April 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.

Deferred tax assets

	Provision for warranty	Provision for doubtful debts	Provision against inventories	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 November 2003	700	638	279	1,617
Deferred tax credited/(debited) to the profit and loss account during the period	357	(48)	130	439
Net deferred tax assets at 30 April 2004	1,057	590	409	2,056

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2004 (2003: nil).

8. Earnings per share

The earnings per share for the three months ended 30 April 2004 is calculated based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$5,348,000 (2003: approximately HK\$3,187,000) and the weighted average of 552,800,000 (2003: 552,800,000) ordinary shares in issue during the period.

The earnings per share for the six months ended 30 April 2004 is calculated based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$8,684,000 (2003: approximately HK\$4,208,000) 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 30 April 2004 is based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$5,348,000 (2003: approximately HK\$3,187,000) and 649,044,914 (2003: 649,332,700) 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 96,244,914 (2003: 96,532,700) 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.

The calculation of the diluted earnings per share for the six months ended 30 April 2004 is based on the unaudited consolidated net profit attributable to shareholders of the Company of approximately HK\$8,684,000 (2003: approximately HK\$4,208,000) and 648,280,299 (2003: 650,556,747) 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 95,480,299 (2003: 97,756,747) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO share options, the ANT-Option, and the Post-IPO share options.

9. Fixed assets

	Motor vehicles	Office equipment	Plant and machinery	Furniture and fixtures	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:					
At 1 November 2003	416	305	804	243	1,768
Additions	40	14	2	1	57
At 30 April 2004	456	319	806	244	1,825
Accumulated depreciation:					
At 1 November 2003	39	71	364	44	518
Provided during the period	57	30	74	24	185
At 30 April 2004	96	101	438	68	703
Net book value:					
At 30 April 2004	360	218	368	176	1,122
At 31 October 2003	377	234	440	199	1,250

10. Inventories

	30 April 2004 HK\$'000	31 October 2003 HK\$'000
Finished goods	22,772	21,223

As at 30 April 2004, no inventories were stated at net realisable value (31 October 2003: Nil).

11. Accounts receivable

The Group has a policy of allowing an average credit period of 90 days to its trade customers. An ageing analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	30 April 2004 HK\$'000	31 October 2003 HK\$'000
Within 90 days	18,949	19,356
91 – 180 days	2,023	4,989
181 – 365 days	852	2,874
Over 365 days	6,259	794
	28,083	28,013
Provision for bad and doubtful debts	(3,370)	(3,646)
	24,713	24,367
Carry amount analysed for reporting purposes as:		
Non-current*	4,875	3,200
Current	19,838	21,167
	24,713	24,367

- * *The amount represents trade receivable from the Environmental Protection Department (the "EPD") of the Government of Hong Kong Special Administrative Region (the "Government") in respect of the supply and installation of diesel oxidation catalysts on qualified heavy diesel vehicles. The amount will be received by the Group if there is no complaint from the vehicle owners unresolved at the expiry of the warranty period which is sixty months from the date of installation.*

12. Cash and cash equivalents and pledged deposits

	30 April 2004 HK\$'000	31 October 2003 HK\$'000
Cash and bank balances	21,858	22,923
Time deposits	12,054	23,449
	33,912	46,372
Less: Pledged for the issuance of letters of credit and bills facilities	(50)	(6,255)
Pledged for performance bond facilities	(7,200)	(8,035)
Cash and cash equivalents	26,662	32,082
Pledged deposits analysed for reporting purposes as:		
Non-current	7,200	7,200
Current	50	7,090
	7,250	14,290

As at 30 April 2004, the Group had pledged its bank deposits of approximately HK\$50,000 (31 October 2003: approximately HK\$7,090,000) and HK\$7,200,000 (31 October 2003: HK\$7,200,000) to secure for the issuance of letters of credit and bills facilities granted to the Group and performance bond facilities, respectively.

13. Accounts and bills payable

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

	30 April 2004 HK\$'000	31 October 2003 HK\$'000
Within 90 days	18,299	21,766
91 – 180 days	2,764	9,698
181 – 365 days	719	610
Over 365 days	2,804	2,676
	24,586	34,750

14. Provision for warranty

	30 April 2004 HK\$'000	31 October 2003 HK\$'000
At beginning of the period/year	4,297	322
Increase in provision for the period/year	2,043	3,975
At end of the period/year	6,340	4,297
Portion classified as current liabilities	(1,282)	(720)
Long-term portion	5,058	3,577

During the periods under review, the Group further provided an amount of HK\$2,043,000 for warranties granted to the eligible vehicle owners for free-of-charge materials and workmanship of particulate removal devices and accessories, up to a period of five 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 periodically.

15. Contingent liabilities

Performance bond facilities of approximately HK\$7.2 million have been granted by bankers in favor of the Group. In the event of default by the Group in the performance of the services detailed in the tender contracts offered by the Government for the supply and installation of devices to reduce particulates from relevant exhaust of diesel vehicles, the Government is entitled to call for payment from the bankers to satisfy and discharge any damages, losses or expenses sustained by the Government up to the amount of approximately HK\$7.2 million. The bankers have the right of recourse to the Group. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits of approximately HK\$7.2 million as at 30 April 2004.

Save as aforesaid, the Group did not have any other significant contingent liabilities at 30 April 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover increased by approximately HK\$15.46 million to HK\$51.34 million during the six months period under review, representing 43% increase as compared with last corresponding period. Such increase was primarily due to increase in demand for the installation of the Group's diesel oxidation catalysts ("Eco-Green"). The number of sales and installations of Eco-Green has increased by 48% as compared with the same period last year. Besides, sale of the Group's industrial environmental protection related products such as hydraulic equipment remained steady during the period under review.

The gross profit of the Group for the six months ended 30 April 2004 amounted to approximately HK\$17.26 million at a margin of 33.6% compared with a gross profit of around HK\$12.53 million at a margin of 34.9% for the same period in the previous year. The slight drop in gross profit margin was due to the net effect of increase in sales of Eco-Green which earned a higher profit margin and the exchange loss arising from strong Japanese Yen, British Pound and Euro on settlement of purchases.

The administrative expenses for the six months ended 30 April 2004 increased by approximately HK\$1.82 million or 44% as compared to last corresponding period. The amount included a management bonus of HK\$0.9 million payable to the executive Directors, however, such amount had not been accrued until the third quarter of last financial year. In addition, the Group's Shanghai Representative Office commenced its operation in the third quarter of 2003, administrative expenses of which did not exist in last corresponding period. Apart from the above, the increase in administrative expenses was generally in line with the growth in turnover.

Other operating expenses comprised of prudent provision made for warranty of Eco-Green which amounted to HK\$2,043,000 (2003: HK\$764,000) and a reversal of provision for doubtful debts amounted to HK\$276,000 (2003: HK\$1,368,000 provision for doubtful debts had been made) due to the fact that some long overdue accounts receivable had been collected subsequently.

The source of finance of the Group was primarily from the initial placing proceeds and internally generated funds. As at 30 April 2004, the Group had pledged its bank deposits of approximately HK\$50,000 and HK\$7,200,000 to secure for trade bills facilities granted to the Group and performance bond facilities respectively. Nevertheless, the Group still had cash and bank balances of approximately HK\$26.66 million for its future expansion and development.

Business review and prospects

The Group is 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 sale of Eco-Green continued to contribute remarkable revenue to the Group. As a result of good quality of services provided and marketing efforts done by the staff of the Group, Eco-Green became more familiar and popular among the qualified diesel vehicle owners. It was evidenced by an increase of 48% in the number of sales and installations of Eco-Green during the six months ended 30 April 2004 as compared with the same period last year. Apart from the contract with the EPD, the new contract entered with another department of the Hong Kong Government, as mentioned in the First Quarterly Report for the three months ended 31 January 2004 of the Company, also contributed approximately HK\$1.8 million income to the Group in the second quarter this year.

The housing of Eco-Green is currently produced by a contractor in the PRC. In order to better control the quality and delivery lead time, the Company has decided to commence in-house production by establishing production facilities in the PRC. The establishment of production facilities is expected to be completed by the second half of this year. The capital expenditure required is estimated to be HK\$4 million.

Income from sale of the Group's industrial environmental protection products such as hydraulic equipment maintained at similar level as compared with last corresponding period. However, the operating profits dropped by approximately HK\$3 million. The decrease was mainly due to strong Japanese Yen and British Pound over the past few months, which raised the cost of imported goods. Nevertheless, the Directors are optimistic that following the increase in sales volume, the Group will achieve a remarkable profit figure eventually.

Sales of the two self-developed products, namely Eco-Water and Eco-Air in the domestic market were satisfactory during the period under review. Negotiations with potential distributors in Taiwan and the PRC have been conducted and the progress is satisfactory.

Outlook

The Group will continue to promote the sense of healthy living environment by introducing various environmental protection related products. Furthermore, the Group will seek for new business opportunities in order to create synergistic effect on its core business and generate satisfactory returns for its shareholders. Looking forward, the Directors are confident that the Group will achieve a satisfactory result in the financial 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 the placement, after deduction for relevant expenses, was approximately HK\$25,108,000. The Group intends to apply these proceeds in the manner disclosed in the prospectus of the Company dated 27 November 2001 (the "Prospectus"). For the periods under review, the Group financed its operations with its own available funding and did not have any bank loans. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employee information

As at 30 April 2004, the Group had 29 employees (2003: 21 employees) working in Hong Kong and in the PRC. The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the six months under review amounted to approximately HK\$3,347,000 (2003: approximately HK\$2,979,000). The dedication and hard work of the Group's staff during the six months ended 30 April 2004 are greatly appreciated and recognised.

Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides mandatory provident fund scheme for the staff in Hong Kong and central pension scheme for the staff in the PRC.

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.

Significant investments

For the six months ended 30 April 2004, the Group had no significant investments.

Material acquisitions and disposals/future plans for material investments

The Group had no material acquisitions or disposals during the six months ended 30 April 2004. However, the Group has decided to establish production facilities in the PRC to carry out in-house production. The establishment of production facilities is expected to be completed in the second half this year and the capital expenditure required is estimated to be HK\$4 million. Apart from this, it has no plans for material investments or capital assets other than those set out in the Prospectus.

Charge on group assets and contingent liabilities

As at 30 April 2004, the Group has pledged its bank deposits of approximately HK\$50,000 and approximately HK\$7,200,000 to secure for the issuance of letters of credit and bills facilities granted to the Group and performance bond facilities, respectively (further details of which are set out in notes 12 and 15 above).

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2004.

Gearing ratio

As at 30 April 2004, the Group had cash and cash equivalents of approximately HK\$26,662,000 (31 October 2003: approximately HK\$32,082,000) and no bank borrowings. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 30 April 2004 (31 October 2003: Nil).

Exposure to fluctuations in exchange rates

Sales of the Group are mainly denominated in Hong Kong dollars, United States dollars or Renminbi and the exchange rates of United States dollars and Renminbi have been stable for the periods under review. No hedging or other alternatives have been implemented.

For purchases of the Group denominated in currencies other than Hong Kong dollars, United States dollars or Renminbi, foreign currency exposures are immediately hedged at the time when purchases are concluded, for example, when letters of credit are issued to overseas vendors. In addition, forward exchange contracts were used for hedging payment in certain volatile foreign currencies. As at 30 April 2004, the Group had outstanding hedging instruments amounted to approximately HK\$4.3 million (31 October 2003: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS FOR THE PERIOD FROM 1 NOVEMBER 2003 TO 30 APRIL 2004

Business objectives as stated in the Prospectus

Actual business progress

Eco-Trap

Eco-Trap

- | | |
|--|---|
| 1. Continue to promote the use of Eco-Trap in Guangdong Province, the PRC | Promotions have been postponed due to the buying habit of Chinese customers |
| 2. Expand the promotion and commence sales of Eco-Trap to Fujian Province, the PRC | Promotions and commencement of sales of Eco-Trap have been postponed due to the buying habit of Chinese customers |

Diesel oxidation catalysts

Diesel oxidation catalysts

- | | |
|--|---|
| 1. Modify the Group's diesel oxidation catalyst for the PRC market | The Group's diesel oxidation catalyst has been modified to cater for the PRC market |
| 2. Appoint distribution agents for the PRC market for the Group's diesel oxidation catalyst | Negotiations with potential distribution agents have been carried out |
| 3. Initiate marketing efforts for the Group's diesel oxidation catalyst in the PRC through the distribution agents and by direct promotion and sales call to garages | Negotiations with appropriate distribution agents in the PRC to initiate marketing efforts in the PRC have been carried out |
| 4. Provide training to distribution agents for selling the Group's diesel oxidation catalyst in the PRC | Training to distribution agents has been postponed as no distribution agent has been appointed at this moment |

**Business objectives as stated
in the Prospectus**

Actual business progress

5. Recruit 1 project engineer for the diesel oxidation catalyst in the PRC for its enhancement and commercialization

The work has been carried out by staff in Hong Kong. Recruitment of the project engineer has been postponed

Hydraulic filters

Hydraulic filters

1. Continue to sell hydraulic filters in US and Europe

Sales of hydraulic filters in US and Europe have been postponed as the Group still not yet found appropriate distributors

Soundproof barrier

Soundproof barrier

1. Complete the testing of the Group's soundproof barrier

Testing has been completed and the results were satisfactory.

2. Promote the idea of quiet road and rail in Hong Kong by installing soundproof barrier

Negotiations with potential customers have been carried out

Waste plastic recycling process

Waste plastic recycling process

1. Complete the testing of the Group's waste plastic recycling process

The testing has been postponed due to the building of prototype has been postponed

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES FOR THE PERIOD FROM 5 DECEMBER 2001 TO 30 APRIL 2004

The actual net proceeds from issuance of new shares in December 2001 (“IPO”) was around HK\$25,108,000 as compared to the budgeted net proceeds of HK\$23,800,000 in the Prospectus. The surplus of about HK\$1,308,000 has been utilized for general working capital purpose. Details of the utilization 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 30 April 2004 (the “Period”) are as follows:

	Proposed total fundings required from net proceeds <i>HK\$'000</i>	Proposed fundings required during the Period <i>HK\$'000</i>	Actual fundings spent during the Period <i>HK\$'000</i>
For product and service developments			
Eco-Trap	2,000	2,000	1,877
Diesel oxidation catalysts	1,800	1,800	1,794
Hydraulic filters	1,000	1,000	999
Soundproof barrier	4,000	3,700	3,113
Waste plastic recycling process	1,000	800	783
	9,800	9,300	8,566
For setting up of the Group's production facilities in the PRC			
	7,000	7,000	–
For general working capital of the Group			
	7,000	–	–
	23,800	16,300	8,566

As at 30 April 2004, the Group had cash and cash equivalents and pledged bank deposits of approximately HK\$33,912,000 (31 October 2003: HK\$46,372,000) and it used its internally generated funds, together with the abovementioned surplus of about HK\$1,308,000 from IPO as its working capital during the six months ended 30 April 2004.

Unused proceeds are mainly kept as bank deposits as disclosed in notes 12 and 15 above and the Directors believe that the net proceeds will be sufficient for future business objectives as stated in the Prospectus.

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

As at 30 April 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 30/04/2004
Substantial shareholders					
Peace City Development Limited (<i>Note 1</i>)	Through a controlled corporation	299,341,200	-	299,341,200	54.15
Team Drive Limited (<i>Note 1</i>)	Directly beneficially owned	299,341,200	-	299,341,200	54.15

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 30/04/2004
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

Notes:

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. By virtue 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	Percentage to	Exercise	Exercise price per share
		ANT-Option outstanding as at 30/04/2004	issued shares as at 30/04/2004	period of share options	
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:

- 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 30 April 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 5.46 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

Name of Directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital as at 30/04/2004
	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
	17,136,800	299,341,200	316,478,000	57.25

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 30 April 2004 were as follows:

Name	Date of grant	Number of share options outstanding as at 30/04/2004	Percentage of the Company’s issued share capital as at 30/04/2004		Exercise period of share options	Exercise price per share <i>HK\$</i>
Executive Directors						
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 30 April 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. Details of share options to subscribe for shares in the Company granted under the Post-IPO Scheme as at 30 April 2004 were as follows:

Name	Date of grant	Number of share options outstanding as at 30/04/2004	Percentage of the Company's issued share capital as at 30/04/2004	Closing price		
				Exercise period of share options	Exercise immediately before the date of grant HK\$	Exercise price per share HK\$
Non-executive Directors						
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						
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 30/04/2004	Aggregate in number	Percentage of the Company's issued share capital as at 30/04/2004
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
	316,478,000	99,740,000	416,218,000	75.29

Save as disclosed above, as at 30 April 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 5.46 of the GEM Listing Rules.

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.

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 six months ended 30 April 2004.

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 six months ended 30 April 2004.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six months ended 30 April 2004.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 April 2004. Having made specific enquiry of all Directors, the Company's Directors have complied with such code of conduct and required standard of dealings throughout the six months ended 30 April 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 six months ended 30 April 2004.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.29 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 six months ended 30 April 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.

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Dr. Chiang Lily (*Chairman*)

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

Mr. Takeuchi Yutaka

Professor Ni Jun

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

Hong Kong, 12 June 2004