ECO-TEK HOLDINGS LIMITED

環康集團有限公司 *

(incorporated in the Cayman Islands with limited liability)

FINAL RESULTS ANNOUNCEMENT
For the year ended 31 October 2003

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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's turnover for the year ended 31 October 2003 increased by approximately 232% to HK$104.0 million as compared to last financial year. The substantial increase in turnover was mainly due to expansion of operations in the People's Republic of China (the "PRC") and successful bidding of 4 tenders issued by the Environmental Protection Department ("EPD") of the Government of the Hong Kong Special Administrative Region (the "Government").

- Net profit attributable to shareholders for the year ended 31 October 2003 amounted to approximately HK$13.0 million (2002: HK$4.0 million) which represented approximately 224% increase as compared to last year.

- Basic and diluted earnings per share for the year ended 31 October 2003 amounted to approximately HK2.35 cents (2002: HK0.74 cent) and HK2.00 cents (2002: HK0.62 cent) respectively.

AUDITED CONSOLIDATED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 October 2003 together with the comparative figures as follows.

	Notes	**2003** **HK$'000**	2002 HK$'000
TURNOVER	*4*	**104,039**	31,380
Cost of sales		**(69,213)**	(19,533)
Gross profit		**34,826**	11,847
Other revenue		**353**	1,238
Selling expenses		**(1,695)**	(981)
Administrative expenses		**(10,026)**	(7,283)
Other operating expenses		**(7,621)**	–
PROFIT BEFORE TAX	*5*	**15,837**	4,821
Tax	*6*	**(2,851)**	(816)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**12,986**	4,005
Dividend	*7*	**6,357**	1,935
EARNINGS PER SHARE:	*8*		
Basic		**HK2.35 cents**	HK0.74 cent
Diluted		**HK2.00 cents**	HK0.62 cent

NOTES:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 October 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised) : "Income tax"
- SSAP 34 : "Employee benefits"

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

SSAP 12

For the purpose of the preparation of the financial statements for the year ended 31 October 2003, the Company has early adopted SSAP 12 (Revised) which is effective after the balance sheet date. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of SSAP 12 on these financial statements is described below:

Measurement and recognition:

Deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future.

The adoption of SSAP 12 had no significant impact for the financial statements for the year ended 31 October 2002 on the amounts recorded for income taxes.

Disclosures:

The related note disclosures of deferred tax assets and liabilities are now more extensive than previously required. These disclosures are presented in note 6 and include a reconciliation between the accounting profit and the tax income for the year.

Further details of these changes are included in the accounting policy for deferred tax in note 6.

SSAP 34

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option schemes. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the adoption of this SSAP.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

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

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

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

(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	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**32,799**	5,955	**71,240**	25,425	**104,039**	31,380
Other revenue	**5**	813	**166**	48	**171**	861
Total	**32,804**	6,768	**71,406**	25,473	**104,210**	32,241
Segment results	**8,183**	203	**8,913**	5,233	**17,096**	5,436
Interest income					**182**	377
Unallocated expenses					**(1,441)**	(992)
Profit before tax					**15,837**	4,821
Tax					**(2,851)**	(816)
Net profit from ordinary activities attributable to shareholders					**12,986**	4,005
Segment assets	**24,178**	1,865	**40,513**	26,119	**64,691**	27,984
Unallocated assets					**32,378**	25,259
Total assets					**97,069**	53,243
Segment liabilities	**9,520**	890	**37,733**	13,503	**47,253**	14,393
Unallocated liabilities					**1,238**	1,323
Total liabilities					**48,491**	15,716
Other segment information:						
Depreciation and amortisation	**220**	154	**4**	–	**224**	154
Unallocated amounts					**10**	6
					234	160
Capital expenditure	**730**	84	**185**	–	**915**	84
Unallocated amounts					**1**	49
					916	133
Provision for doubtful debts	**–**	–	**3,646**	–	**3,646**	–
Provision against inventories	**400**	–	**732**	–	**1,132**	–
Loss on disposal of fixed assets	**–**	21	**–**	–	**–**	21
Increase/(decrease) in provision for warranty	**3,975**	(178)	**–**	–	**3,975**	(178)

(b) Geographical segments

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

	Hong Kong		Mainland China		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**44,675**	10,763	**54,155**	20,601	**5,209**	16	**104,039**	31,380
Other segment information:								
Segment assets	**67,819**	44,040	**28,623**	9,203	**627**	–	**97,069**	53,243
Capital expenditure	**748**	84	**164**	49	**4**	–	**916**	133

4. TURNOVER

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

5. PROFIT BEFORE TAX

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

	2003	2002
	HK$'000	*HK$'000*
Cost of inventories sold*	**69,213**	19,533
Depreciation of fixed assets	**234**	160
Minimum lease payments under operating leases on land and buildings	**695**	414
Loss on disposal of fixed assets	**–**	21
Research and development costs**	**1,027**	1,096
Auditors' remuneration:		
Current year provision	**300**	300
Overprovision for the prior year	**–**	(50)
	300	250
Staff costs (excluding directors' emoluments):		
Wages and salaries	**3,172**	2,642
Pension scheme contributions	**110**	104
	3,282	2,746
Provision for warranty***:		
Additional provisions	**3,975**	142
Reversal of unutilised provisions	**–**	(320)
	3,975	(178)
Provision for doubtful debts***	**3,646**	–
Provision against inventories	**1,132**	–
Exchange losses/(gain), net	**1,997**	(71)
Interest income	**(182)**	(377)

* *The costs of inventories sold for the year ended 31 October 2003 include HK$3,287,000 (2002: HK$152,000), relating to direct staff costs, depreciation, provision against inventories and net exchange losses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses for the year.*

** *The research and development costs for the year ended 31 October 2003 include HK$720,000 (2002: HK$900,000), relating to directors' remuneration, which is also included in the total amounts of directors' remuneration.*

*** *The provision for doubtful debts and the provision for warranty for the year (2002: Nil) are included in "Other operating expenses" on the face of the consolidated profit and loss account.*

6. CURRENT AND DEFERRED TAX

	2003	2002
	HK$'000	*HK$'000*
Current:		
Hong Kong	**3,116**	811
Elsewhere	**1,352**	5
	4,468	816
Deferred	**(1,617)**	–
Total tax charge for the year	**2,851**	816

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the financial year ended 31 October 2003. 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.

Ningbo Tokawa Precision Co. Ltd.（寧波東川精確液壓設備有限公司）a subsidiary of the Company established in the PRC, is subject to the PRC corporate income tax. PRC corporate income tax has been provided at the rate of 33% on the estimated assessable profits arising in the PRC for the year ended 31 October 2003.

The representative offices of certain Group companies established in the PRC are subject to the PRC corporate income tax at the rate of 33% on operating expenses.

Macau complementary profits tax has been calculated at the rate of 15.75% on the estimated assessable profits of Tokawa Precision (Overseas) Co. Limited, a subsidiary of the Company which was engaged in marketing and sales of environmental products for the year ended 31 October 2003.

According to the relevant laws and regulations in Macau, Tokawa Precision (Overseas) Company Limited – Macao Company Offshore, a subsidiary of the Company established and operating in Macau, was exempted from Macau complementary profits tax.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2003	2002
	HK$'000	*HK$'000*
Profit before tax	**15,837**	4,821
Tax at the applicable rates to profits in the countries concerned	**2,727**	720
Income not subject to tax	**(26)**	(216)
Expenses not deductible for tax	**301**	76
Tax losses utilised from previous periods	**(100)**	–
Tax losses not recognised	**4**	180
Others	**(55)**	56
Tax charges at the Group's effective rate	**2,851**	816

Deferred tax assets

	Provision for warranty	**Provision for doubtful debts**	**Provision against inventories**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2002	–	–	–	–
Deferred tax credited to the profit and loss account during the year	700	638	279	1,617
Net deferred tax assets at 31 October 2003	700	638	279	1,617

The Group has tax losses arising in Hong Kong of HK$22,000 (2002: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 October 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. There were no material effects on the Group's deferred tax assets or liabilities as at 31 October 2002. Accordingly, no prior year adjustment is included in the financial statements.

7. DIVIDENDS

	2003	2002
	HK$'000	*HK$'000*
Proposed final dividend: HK1.15 cent (2002: HK0.35 cent) per ordinary share	**6,357**	1,935

The proposed final dividend for the year ended 31 October 2003 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The earnings per share amount for the year is calculated based on the consolidated net profit attributable to shareholders of the Company for the year of HK$12,986,000 (2002: HK$4,005,000) and the weighted average of 552,800,000 ordinary shares in issue during the year (2002: 540,683,836 ordinary shares, deemed to have been issued and issuable on the assumption that the group reorganisation and the capitalisation issue of 414,000,000 ordinary shares of the Company had been effective on 27 October 1999 (pro forma formation date of the Group)).

The calculation of the diluted earnings per share for the year ended 31 October 2003 is based on the consolidated net profit attributable to shareholders of the Company for the year of HK$12,986,000 (2002: HK$4,005,000) and 649,626,979 (2002: 642,535,091) ordinary shares, being the 552,800,000 (2002: 540,683,836) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 96,826,979 (2002: 101,851,255) 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.

9. MOVEMENT OF RESERVES

			Reserves				
	Issued capital	**Share premium account**	**Capital reserve**	**Retained profits**	**Sub-total**	**Proposed final dividend**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2001	6	–	95	8,313	8,408	–	8,414
New issue of shares	1,382	31,510	–	–	–	–	32,892
Capitalisation issue	4,140	(4,140)	–	–	–	–	–
Share issue expenses	–	(7,784)	–	–	–	–	(7,784)
Net profit for the year	–	–	–	4,005	4,005	–	4,005
Proposed 2002 final dividend	–	–	–	(1,935)	(1,935)	1,935	–
At 31 October and 1 November 2002	5,528	19,586	95	10,383	10,478	1,935	37,527
2002 final dividend declared	–	–	–	–	–	(1,935)	(1,935)
Net profit for the year	–	–	–	12,986	12,986	–	12,986
Proposed 2003 final dividend	–	–	–	(6,357)	(6,357)	6,357	–
At 31 October 2003	5,528	19,586	95	17,012	17,107	6,357	48,578

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The turnover of the Group for the year ended 31 October 2003 amounted to approximately HK$104.0 million (2002: HK$31.4 million), representing an increase of approximately 232% as compared to last financial year. The net profit attributable to shareholders of the Company also increased to approximately HK$13.0 million (2002: HK$4.0 million) or 224% as compared to the year ended 31 October 2002. The outstanding performance of the Group during the year ended 31 October 2003 was mainly brought by the successful bidding of four tenders issued by the Environmental Protection Department ("EPD") of the Government of the Hong Kong Special Administrative Region (the "Government") in November 2002 which encouraged qualified vehicle owners to adopt particulate removal devices or diesel oxidation catalysts (that of the Group known as "Eco-Green") to reduce vehicle emission and the increase in demand for the Group's industrial environmental protection products in the industrial sector in the PRC.

The gross profit of the Group for the year ended 31 October 2003 amounted to approximately HK$34.8 million at a margin of 33% compared with a gross profit of around HK$11.8 million at a margin of 38% for 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. It is expected that the gross profit margin may further decrease in the coming year if Euro and Japanese Yen continue to be strong.

The administrative expenses for the year ended 31 October 2003 increased by approximately 38% as compared to last year. The amount included a management bonus of approximately HK$1.6 million payable to the executive directors. Since the audited consolidated profits exceeded HK$5 million, the executive Directors are entitled to a management bonus which shall be in an aggregate amount equals to 10% of the audited consolidated profits of the Group before taxation for the year ended 31 October 2003 as disclosed on pages 107 and 184 of the prospectus of the Company dated 27 November 2001 (the "Prospectus").

The other operating expenses comprises prudent provisions made for long overdue debts of trade debtors from sales of industrial environmental protection related products in Hong Kong and the PRC and provision made for warranty of Eco-Green which amounted to approximately HK$3.6 million and HK$4.0 million respectively. Although the provision for doubtful debts has been made, the Group will make every effort to collect those long overdue debts.

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 October 2003, the Group has pledged its bank deposits of approximately HK$6.3 million and HK$8.0 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$32.1 million for its future expansion and development.

Business review and outlook

The Group was principally involved in the marketing, sales, servicing, research and development of environmental protection related products and services. In January 2003, the Eco-Green program was first launched to the market in Hong Kong. Various promotions have been made by the Group's salesmen to qualified vehicle owners from time to time. Up to the year ended 31 October 2003, approximately 30,000 brochures had been despatched to potential customers and the Group received positive responses from the qualified vehicle owners. The Eco-Green program will last for 18 months and the Directors anticipate that the program will continue to generate income to the Group in the coming financial year.

Due to continuous growth of the PRC domestic economy, demands for the Group's industrial environmental protection products are increasing, especially for companies which produce processing machines and construction machines. In order to capture more market share, the Group not only enhanced its marketing effort through its offices in Beijing, Shanghai and Ningbo but also worked closely with its distributors in the PRC.

During the year, the Group had successfully developed an ionized clean water system ("Eco-Water") for domestic users. 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 Eco-Water was introduced to the market in Hong Kong in September 2003. The Directors are optimistic that the Eco-Water will sooner be accepted by the domestic users.

Apart from the Eco-Water, the Group has been also developing other environmental technologies and products such as air purification system, soundproof barriers and waste plastic recycling process. Recently, the Group has been carrying out research and study on energy saving technology. Through the launch of diversified environmental protection products and technologies, the Group's mission to foster a healthy living environment and improve the quality of life for the general public can be accomplished.

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. For the year 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 31 October 2003, the Group had 31 employees (2002: 17 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 year under review amounted to approximately HK$7.6 million (2002: HK$5.5 million). The dedication and hard work of the Group's staff during the year ended 31 October 2003 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 year ended 31 October 2003, 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 year ended 31 October 2003. 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 31 October 2003, the Group has pledged its bank deposits of approximately HK$6.3 million and approximately HK$8.0 million to secure for the issuance of letters of credit and bills facilities granted to the Group and performance bond facilities, respectively.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2003.

Gearing ratio

As at 31 October 2003, the Group had cash and cash equivalents of approximately HK$32,082,000 (2002: approximately HK$25,119,000) 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 31 October 2003 (2002: Nil).

Exposure to fluctuations in exchange rates

Sales of the Group are denominated either in Hong Kong dollars or United States dollars and the exchange rate of United States dollars has 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 or United States dollars, foreign currency exposures are immediately hedged at the time when purchases are concluded, for example, when letters of credit are issued to overseas vendors. In addition, forward exchange contracts were used for hedging payment in certain volatile foreign currencies.

COMPARISION OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual business progress in comparison with the business objectives set out in the Prospectus for the period from 1 May 2003 to 31 October 2003.

Business objectives as stated in the Prospectus	**Actual business progress**
Eco-Trap	*Eco-Trap*
1. Identify revenue generating opportunities for provision of cleaning services of Eco-Trap in Guangdong Province, the PRC	The Group has postponed the study due to the buying habit of Chinese customers
2. Commence in-house production of Eco-Trap in the Group's production facilities in the PRC with initial production capacity of 20 Eco-Traps per day	Affected by Severe Acute Respiration Syndrome ("SARS"), the Group has postponed to set up the production facilities in the PRC. The Group is analyzing the effect of SARS and will resume the project once the economic environment is stabilized. The Group will continue the production by outsourcing

Business objectives as stated in the Prospectus	Actual business progress
Diesel oxidation catalysts	*Diesel oxidation catalysts*
1. Continue to promote the use of the Group's diesel oxidation catalyst to the Diesel Heavy Vehicle Owners	Promotions in relation to Eco-Green, the Group's diesel oxidation catalysts, have been made by the Group's salesmen to heavy vehicle owners from time to time. Approximately 30,000 brochures have been sent out to potential customers
2. Modify the Group's diesel oxidation catalyst for the diesel engine driven machinery market	The Group's diesel oxidation catalyst has been modified to cater for diesel engine driven machinery market in May 2003
3. Market the Group's diesel oxidation catalyst for diesel engine driven machinery market	The Group has promoted the diesel oxidation catalyst for the diesel power generating market in the PRC
4. Recruit 1 sales engineer for the Group's diesel oxidation catalyst specifically for the diesel engine driven machinery	One sales engineer has been recruited in October 2003
5. Commence in-house production of diesel oxidation catalyst in the PRC with the initial production capacity of 20 diesel oxidation catalyst per day from February 2003	Affected by SARS, the Group had decided to postpone the program. The Group is analyzing the effect of SARS and will resume the project once the economic environment is stabilized. The Group will continue the production by outsourcing
Hydraulic filters	*Hydraulic filters*
1. Commence in-house production of hydraulic filters in the PRC with initial production capacity of 30 hydraulic filters per day	Affected by SARS, in-house production of hydraulic filters in the PRC has been postponed. The Group is analyzing the effect of SARS and will resume the project once the economic environment is stabilized. The Group will continue the production by outsourcing
2. Continue to develop the markets in the PRC, Taiwan and the United States of America ("USA")	Working closely with distributors in the PRC, Taiwan and Hong Kong and still looking for potential distributor in the USA
3. Identify and appoint distributors in Europe	Negotiations with potential distributor in Italy have been carried out

Business objectives as stated in the Prospectus	Actual business progress
Soundproof barrier	*Soundproof barrier*
1. Recruit 2 technical staff dedicated to the soundproof barrier project	2 technicians have been dedicated to the research of soundproof barrier
2. Continue to negotiate with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier	The Group has promoted to various departments including Architectural Services Department
3. Complete the research and development of the Group's soundproof barrier and start to build prototype	The demand of effectiveness of the sound shadow is high compared with the original design. The research is still in progress due to the Hong Kong's market requirement
4. Conduct testing of the Group's soundproof barrier	Based on preliminary research and development of the soundproof barrier, testing was done by Hong Kong Institutional Vocational Education and modification is carrying out
Waste plastic recycling process	*Waste plastic recycling process*
1. Continue with/conclude negotiation with the relevant government authorities in Hong Kong on the use of the Group's waste plastic recycling process	Negotiation with the Government has been continued but no conclusion has been made at this stage due to existing policy
2. Start to build prototype per requisite plant machinery	Potential customer has not yet agreed to try the system. Therefore, building of prototype has been postponed. The project will be resumed once the customer has solid intention
3. Commence 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 31 OCTOBER 2003

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 funding from the actual net proceeds of issuance of new shares versus that envisaged in the Prospectus during the period from 5 December 2001 to 31 October 2003 (the "Period") are as follows:

	Proposed total fundings required from net proceeds *HK$'000*	Proposed fundings required during the Period *HK$'000*	Actual fundings spent during the Period *HK$'000*
For product and service developments			
Eco-Trap	2,000	1,600	1,491
Diesel oxidation catalysts	1,800	1,800	1,794
Hydraulic filters	1,000	1,000	999
Soundproof barrier	4,000	2,700	2,490
Waste plastic recycling process	1,000	500	473
	9,800	7,600	7,247
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	14,600	7,247

As at 31 October 2003, the Group had cash and cash equivalents and pledged bank deposits of approximately HK$46,372,000 (2002: HK$36,770,000) 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 year ended 31 October 2003.

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

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) 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 year ended 31 October 2003.

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 year ended 31 October 2003.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 October 2003.

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 Rules 5.28 to 5.39 of the GEM Listing Rule throughout the year ended 31 October 2003.

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. Professor NI Jun was appointed as the independent non-executive director and member of the audit committee of the Company with effect from 25 February 2003 and Dr. WOON Yi Teng Eden resigned as the independent non-executive director and member of the audit committee of the Company on 1 July 2003.

In the course of the supervision of the financial reporting process and internal control system of the Group, four meetings were held during the year ended 31 October 2003 to review the operations.

The Group's audited results for the year ended 31 October 2003 have been reviewed by the committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

Hong Kong, 12 January 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.