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Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

First Quarterly Report

For the three months ended 31 January 2007

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.

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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

- The Group's turnover for the three months ended 31 January 2007 amounted to approximately HK$26.70 million (2006: HK$23.87 million), representing an increase of approximately 12% as compared with last corresponding period under review.

- Profit attributable to equity holders of the Company for the three months ended 31 January 2007 amounted to approximately HK$3.03 million (2006: HK$4.19 million) which represented approximately 28% decrease as compared with last corresponding period.

- Basic earnings per share for the three months ended 31 January 2007 amounted to approximately HK0.47 cent (2006: HK0.67 cent).

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 January 2007 together with the comparative figures as follows.

		Three months ended 31 January	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
REVENUE – TURNOVER	*2*	**26,697**	23,865
Cost of sales		**(20,191)**	(15,770)
Gross profit		**6,506**	8,095
Other income		**331**	179
Selling expenses		**(531)**	(747)
Administrative expenses		**(3,801)**	(3,476)
Other operating income		**390**	87
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**–**	134
Share of profit/(loss) of a joint controlled entity		**33**	(85)
PROFIT BEFORE TAXATION		**2,928**	4,187
Taxation	*3*	**(121)**	(99)
PROFIT FOR THE PERIOD		**2,807**	4,088
ATTRIBUTABLE TO:			
Equity holders of the Company		**3,026**	4,186
Minority interest		**(219)**	(98)
		2,807	4,088
Dividends	*4*	**–**	–
EARNINGS PER SHARE:	*5*		
– Basic		**HK0.47 cent**	HK0.67 cent
– Diluted		**N/A**	HK0.65 cent

NOTES:

1. Principal accounting policies and basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed financial statements for the three months ended 31 January 2007 are prepared under the historical cost convention except for revaluation of certain assets and liabilities and the basis of preparation and accounting policies adopted therein are consistent with those followed in the Group's annual financial statements for the year ended 31 October 2006.

The unaudited condensed consolidated financial statements for the three months ended 31 January 2007 have not been audited by external auditors, but have been reviewed by the Company's audit committee.

Adoption of new or amended HKFRSs

From 1 November 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision Contingent Liabilities and Contingent Assets" ("HKAS 37").

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

The adoption of amendments to HKAS 39 has no material impact on the Group's operations.

Other than the above, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered.

The adoption of these new and amended HKFRSs did not result in any significant changes in the Company's accounting policies.

New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]

[1] Effective for annual periods beginning on or after 1 January 2007

2. Revenue – Turnover

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

3. Taxation

	Three months ended 31 January	
	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	65
Elsewhere	**53**	19
	53	84
Deferred tax	**68**	15
Total tax charge for the period	**121**	99

No Hong Kong profits tax has been provided as the Group has utilised its loss brought forward to offset against its assessable profit for the three months ended 31 January 2007. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the three months ended 31 January 2006. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

At 31 January 2007, there was no significant unrecognised deferred tax liability (2006: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

4. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2007 (2006: nil).

5. Earnings per share

The basic earnings per share amount for the three months ended 31 January 2007 is calculated based on the unaudited profit attributable to equity holders of the Company for the period of HK$3,026,000 (2006: HK$4,186,000) and the weighted average of 649,540,000 (2006: 625,970,435) ordinary shares in issue during the period.

No diluted earnings per share has been presented because there is no potential ordinary shares outstanding during the three months ended 31 January 2007.

The calculation of the diluted earnings per share for the three months ended 31 January 2006 is based on the unaudited profit attributable to equity holders of the Company for the period of HK$4,186,000 and 648,304,542 ordinary shares, being the 625,970,435 ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 22,334,107 ordinary shares assumed to have been issued on the deemed exercise of the share options under the pre-IPO share option scheme.

6. Movement of reserves

	Share premium HK$'000	Capital reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 November 2005	19,586	95	138	45,845	3,248	68,912	–	68,912
Acquisition of a subsidiary	–	–	–	–	–	–	(147)	(147)
Exchange difference, net income recognised directly in equity	–	–	438	–	–	438	–	438
Profit for the period	–	–	–	4,186	–	4,186	(98)	4,088
At 31 January 2006	19,586	95	576	50,031	3,248	73,536	(245)	73,291
At 1 November 2006	19,586	95	1,687	55,641	3,248	80,257	555	80,812
Exchange difference, net expense recognised directly in equity	–	–	(224)	–	–	(224)	–	(224)
Profit for the period	–	–	–	3,026	–	3,026	(219)	2,807
At 31 January 2007	19,586	95	1,463	58,667	3,248	83,059	336	83,395

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the three months ended 31 January 2007, the Group recorded an increase in turnover of approximately HK$2.8 million or 12% as compared to last corresponding period. Profits attributable to equity holders of the Company amounted to approximately HK$3.0 million (2006: HK$4.2 million), represented a decrease of approximately 28% to that of the last corresponding period.

In last corresponding period, around HK$10 million revenue was generated from the sales of general environmental protection related products. With the completion of the tenders from the Environmental Protection Department ("EPD") in August 2006, revenue from these products are not expected in the near future and the Group tries to expand and widen its revenue bases in order to maintain its profitability.

The Group increases its marketing efforts in the promotion of the industrial environmental protection related products. With the gradual settlement in the effects from the implementation of the austerity measures in the PRC on demands of industrial machines, construction and marine equipment, revenue generated from the sales of industrial environmental protection related products has been increased by 1.24 times comparing to that of the corresponding period of 2006.

Gross profits of the Group for the three months ended 31 January 2007 amounted to approximately HK$6.5 million, representing a decrease of approximately 20%. The reduction in gross profits ratios from last corresponding period's 34% to current period's 24% was due to the change in the product mix. In last corresponding period, around 50% revenue was generated from general environmental protection related products which has a higher gross profits margins.

The administrative expenses for the three months ended 31 January 2007 was increased by around 9% to that of the last corresponding period.

Business review and prospects

The Group is principally involved in the marketing, sales, servicing, research and development of environmental protection and quality health related products and services.

With the completion of the EPD tenders for the VISP for Heavy Vehicles in August 2006, revenue generated from the general environmental protection related products and services in 2007 is not expected. The Group will continue to focus on the promotion of the industrial environmental products and on widening other sources of revenue and range of products and services. In this review period, the Group continues its works in the pilot testing of filters into the diesel-powered vehicles under the Euro I and Euro II European Standards Vehicles for the preparation of the possible new tender launched from the EPD in the future.

For the Joint Venture in the Jiangsu Province, it is mainly engaged in the promotion and installation of the automatic surveillance systems for the end users to monitor their water pollution status and in providing environmental protection consultancy services in the region. It will also try to promote the Group's other environmental protection related products in the region.

For the water supply plant in Tianjin, the construction progress was satisfactory and according to the original plan. The substantial part of the construction works has been completed and it is expected that the plant can start to operate and generate profits in the second half of the year.

With the continuous increase in revenue generated from the sales of industrial environmental protection products, additional revenue generated from both the water supply plant in Tianjin and the Joint Venture in Jiangsu, the reduction of revenue due to the completion of the EPD tender will be reduced or compensated. Also, with the increase in the public awareness of the quality of air in Hong Kong, it is possible that the EPD may launch new programs for the general environmental protection related products. With the past successful experience with the EPD, managements are optimized to obtain tenders in the future and to the prospects of the Group.

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

As at 31 January 2007, the interests and short positions of the Directors and chief executive 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 Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest		
Name	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital as at 31 January 2007**
Executive Director			
Mr. SHAH Tahir Hussain	Directly beneficially owned	14,372,800	2.2
Chief Executive Officer			
Dr. PAU Kwok Ping *(Note)*	Through a discretionary trust	44,224,000	6.8
		58,596,800	9.0

Note:

The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

Save as disclosed above, as at 31 January 2007, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors or chief executives of the Company, as at 31 January 2007, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 31 January 2007
Substantial shareholders			
Cititrust (Cayman) Limited *(Note 1)*	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited *(Note 1)*	Through a controlled corporation	344,621,200	53.06

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 31 January 2007
Team Drive Limited *(Note 1)*	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University *(Note 2)*	Through a controlled corporation	70,440,800	10.84
PolyU Enterprise Limited *(Note 2)*	Through a controlled corporation	70,440,800	10.84
Advance New Technology Limited *(Note 2)*	Directly beneficially owned	70,440,800	10.84
ING Trust Company (Jersey) Limited *(Note 3)*	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited *(Note 3)*	Directly beneficially owned	44,224,000	6.81
Other shareholder			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	5.48

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.

2. Advance New Technology Limited is a wholly-owned subsidiary of PolyU Enterprise Limited, which is wholly owned by 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 of the Company held by Advance New Technology Limited.

3. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

Save as disclosed above, as at 31 January 2007, so far as is known to the Directors or chief executives of the Company, no other persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the three months ended 31 January 2007. The Company has not redeemed any of its listed securities during the period under review.

COMPETITION AND CONFLICT OF INTEREST

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 2007.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises four members, Ms. HUI Wai Man Shirley, 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 2007 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 report, the directors of the Company are as follows:

Executive directors:
Mr. Shah Tahir Hussain
Mr. Han Ka Lun
Mr. Ng Chi Fai

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
Ms. Hui Wai Man Shirley

By Order of the Board
Eco-Tek Holdings Limited
Shah Tahir Hussain
Chairman

Hong Kong, 15 March 2007