



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors of Eco-Tek Holdings Limited (“the Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

This announcement will remain on the GEM website on the “Latest Company Announcements” for 7 days from the date of its posting.

* For the purpose of identification only

FIRST QUARTERLY RESULT
For the three months ended 31 January 2003

SUMMARY

Financial performance

- Turnover increased by 162% to approximately HK\$13 million due to the increase in sale of industrial environmental protection related products
- Profit attributable to shareholders amounted to over HK\$1 million, a drop of 39% as compared with last corresponding period as a result of change in product mix and higher selling and administration cost

Business development

- Satisfactory progress in related to the new project granted by the EPD of HK Government about the installation of diesel oxidation catalysts to qualified diesels vehicles
- Steady source of income from the sale of various filters and successfully diversified and penetrated into PRC market
- Development of soundproof barriers had reached final stage subject to verification and performance test

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 2003 together with the comparative figures for the last corresponding period are as follows:

		Unaudited three months ended 31 January	
	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	12,892	4,912
Cost of sales		<u>(9,041)</u>	<u>(1,162)</u>
Gross profit		3,851	3,750
Other revenue		130	105
Selling expenses		(441)	(31)
Administrative expenses		<u>(2,189)</u>	<u>(1,785)</u>
PROFIT BEFORE TAX		1,351	2,039
Taxation	3		
– Hong Kong		(294)	(357)
– Others		<u>(36)</u>	<u>–</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>1,021</u>	<u>1,682</u>
Earning per share	4		
– Basic		<u>0.18 cent</u>	<u>0.33 cent</u>
– Diluted		<u>0.16 cent</u>	<u>0.28 cent</u>

Notes:

1. Principal accounting policies and basis of preparation

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

2. Turnover

Turnover represents the sales of general and industrial environmental protection related products.

3. Taxation

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

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

4. Earning per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 January 2003 is based on the unaudited consolidated profit attributable to shareholders of HK\$1,021,000 (2002: HK\$1,682,000) and the weighted average number of 552,800,000 ordinary shares in issue (2002: 504,730,435 shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 January 2003 is based on the unaudited consolidated profit attributable to shareholders of HK\$1,021,000 (2002: HK\$1,682,000) and the weighted average number of 651,416,516 ordinary shares in issue (2002: 598,787,729 shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	Unaudited three months ended 31 January	
	2003	2002
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basis earnings per share	552,800,000	504,730,435
Deemed issue of ordinary shares for no consideration	98,616,516	94,057,294
	<u>651,416,516</u>	<u>598,787,729</u>

5. Movement of reserves

	Share premium	Capital reserve*	Exchange reserve	Retained profits	Proposed 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>
At 1 November 2001	–	95	–	8,313	–	8,408
Premium on issuance of shares	31,510	–	–	–	–	31,510
Capitalization issue	(4,140)	–	–	–	–	(4,140)
Share issuance expenses	(7,784)	–	–	–	–	(7,784)
Profit for the three months ended 31 January 2002	–	–	–	1,682	–	1,682
At 31 January 2002	<u>19,586</u>	<u>95</u>	<u>–</u>	<u>9,995</u>	<u>–</u>	<u>29,676</u>
At 1 November 1 2002	19,586	95	–	10,383	1,935	31,999
Dividend approved in respect of previous year	–	–	–	–	(1,935)	(1,935)
Exchange differences	–	–	58	–	–	58
Profits for the three months ended 31 January 2003	–	–	–	1,021	–	1,021
At 31 January 2003	<u>19,586</u>	<u>95</u>	<u>58</u>	<u>11,404</u>	<u>–</u>	<u>31,143</u>

* Capital reserve represents the difference between the aggregate nominal value of the share capital of subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefore.

DIVIDEND

The Board does not recommend payment of any dividend for the three months ended 31 January 2003 (2002: Nil).

REVIEW AND OUTLOOK

Financial Review

During the period under review, the operating profit for the Group were mainly due to the trading business of industrial environmental-related products which generated a stable source of income for the Group. For the three months ended 31 January 2003, our Group achieved a 162% increase in turnover to HK\$13 million as compared with the last corresponding period. This was attributable to the success in diversification of the markets and increased market penetrations of our products in other countries such as PRC. Despite the Group was able to record a profit attributable to shareholders of over HK\$1 million, this represented a drop of 39% when compared with the same corresponding period. The profit attributable to shareholders dropped as a result of a change in product mix and higher selling and administration expenses for the period under review. However, the performance of these product mix had been in line with or outperformed when compared with the fourth quarter result last year.

Our liquidity remained strong and healthy with no bank borrowings. As at 31 January 2003, the Group had cash and cash equivalents of around HK\$35 million, of which HK\$22 million was pledged deposits against either the performance bond granted by the bank for any default by the Group in the performance of the services to the Hong Kong Special Administration Region Government (“HK Government”) or the issuance of letter of credit line facilities. The Group’s exposure to foreign currencies risk was minimal as all the purchases denominated in currencies other than Hong Kong dollars or United States dollars will be hedged immediately at the time when purchases were concluded. As at 31 January 2003, the Group had an outstanding hedging instrument amounted to over HK\$4 million.

Business Review

Diesel oxidation catalysts

The coming year is a critical year for our Group. Leveraged on our branding strength in the field of environmental-related products, our Company was able to capture new business opportunities as we had successfully bid four tenders issued by the Environmental Protection Department (“EPD”) of HK Government in November last year for the second time working with EPD since our last project “Eco-Trap”, a Voluntary Installation and Subsidy Program which encouraged qualified vehicle owners to adopt products that reduce vehicle emissions.

The four tenders issued by the EPD of HK Government was related to the installation of a particulate removal device or diesel oxidation catalyst (“Eco-Green”) that employed gas exhaust filtration technology to reduce exhaust particulates under pre-euro emission standard to those qualified diesel vehicles (over four tons). In spite of late commencement of the operation, the Group was able to develop its business in a satisfactory progress with all the pilot tests or quality control tests being successfully carried out before installation of our products onto the qualified vehicles in the first quarter of the financial year.

Based on the current development, the Board expects promising orders for the coming next two quarters that will significantly uplift the Company’s profitability for the year. To accommodate the accelerating orders, the Group is seeking to increase the manpower support by recruiting more experienced engineers and is negotiating additional service agents for installation works. Apart from this, the Group also endeavors to improve the quality control inspections and further enhance the research and developments

so as to increase our products' competitiveness Following the success experience of our previous product "Eco-Trap", the Board is of the opinion that the new tender will bring a positive effect to the Group's financial result during the service period of around two years as stipulated in the tenders.

Hydraulic filters

During the period under review, the sale of hydraulic filters, suction filters and return line filters generated a steady source of income to the Group. With the establishments of our office in Ningbo and Beijing, these products had successfully penetrated into the PRC markets as more orders had been received with the help of our PRC distributors or agents. In order to capture more market share, the Group is also identifying distributors in the other regions for possible business opportunities.

Soundproof barriers

In collaboration with our strategic partners in Japan, the Company was developing new active sound edge technology ("ASE") in which this technology possessed the ability to eliminate noise instead of isolate it, a distinct feature as compared with the traditional solutions to combat with the noise problems. The soundproof barriers technology had already been developed to the final stage subject to a verification of the performance of it.

Outlook

The Board envisages that the coming year will be a profitable year and accordingly has adequately provided Hong Kong taxation for the coming financial year at the proposed profits tax rate of 17.5%. With our solid financial position, the Board will continue to cautiously seek for more potential investment opportunities that will bring a promising return to the Company as well as its shareholders. At the same time, the Board will also adopt a prudent approach in our business operations in order to contain our strength for meeting any probable politic unrest or economic downturn in the future.

SUBSTANTIAL SHAREHOLDERS

As at 31 January 2003, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

Name	Number of shares held	Percentage of holding
Dr. Chiang Lily	299,341,200 (<i>Note 1</i>)	54.15%
Peace City Development Limited	299,341,200 (<i>Note 1</i>)	54.15%
Team Drive Limited	299,341,200 (<i>Note 1</i>)	54.15%
The Hong Kong Polytechnic University	89,000,800 (<i>Note 2</i>)	16.10%
Advance New Technology Limited	89,000,800 (<i>Note 2</i>)	16.10%

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. Pursuant to SDI Ordinance, Dr. Lily Chiang and Peace City Development Limited is deemed to be interested in all the shares held by Team Drive Limited.
2. By virtue of its interest in Advance New Technology Limited, The Hong Kong Polytechnic University is deemed to be interested in its entire issued shares of 89,000,800.

Save as disclosed above, as at 31 January 2003, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 January 2003, the directors' and chief executive's interests in and rights to subscribe the issued share capital of the Company, subsidiaries and other associated corporations (within the meaning of the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

1. Interest in shares or debentures

Name of directors	Number of shares beneficially held			Total
	Personal Interests	Corporate interests	Other interest	
Dr. Chiang Lily	–	299,341,200 <i>(Note)</i>	–	299,341,200
Dr. Pau Kwok Ping	16,584,000	–	–	16,584,000
Mr. Shah Tahir Hussain	552,800	–	–	552,800

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.

Save as disclosed above, as at 31 January 2003, none of the directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its subsidiaries or any of its associated corporations.

2. Rights to acquire shares in the Company

Details of share options to subscribe for shares in the Company granted to the directors of the Company under the share option schemes of the Company as at 31 January 2003 were as follows:

Name of director	Date of grant	Number of share options outstanding as at 31/1/2003	Exercise period	Exercise price per share HK\$
Dr. Chiang Lily	21/11/2001	55,280,000	5/12/2002 to 4/12//2005	0.01
Dr. Pau Kwok Ping	21/11/2001	27,640,000	5/12/2002 to 4/12//2005	0.01
Mr. Shah Tahir Hussain	21/11/2001	13,820,000	5/12/2002 to 4/12//2005	0.01
		<u>96,740,000</u>		

Save as disclosed above, during the three months ended 31 January 2003, none of the directors or chief executive of the Company or any of their spouse or children under 18 years of age was granted or holding options to acquire shares in or debentures of the Company.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company had complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

COMPETING INTERESTS

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

SPONSORS' INTEREST

As confirmed by the Company's sponsor, Celestial Capital Limited ("CCL"), CCL, their directors or employees or associates (as defined under the GEM Listing Rules), did not have any interests in the share capital of the Company as at 31 January 2003 save for a sponsor's agreement dated 26 November 2001 entered into between CCL and the Company, CCL will receive a fee for acting as the Company's sponsor for a period of two years.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months ended 31 January 2003, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

As required by Rule 5.23 and 5.24 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises four members, Ms. Chan Siu Ping Rosa, Dr. Woon Yi Teng Eden, Mr. Takeuchi Yutaka and Dr. Ni Jun who are independent non-executive directors of the Company.

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

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

Hong Kong, 13 March 2003