



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8169)

FIRST QUARTERLY RESULTS ANNOUNCEMENT

For the three months ended 31 January 2005

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

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

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

This announcement, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** for identification purpose only*

SUMMARY

- The Group's turnover for the three months ended 31 January 2005 amounted to approximately HK\$17.36 million (2004: HK\$21.16 million), representing a drop of approximately 18% as compared with last corresponding period under review. The decrease in turnover was primarily attributable to the decrease of approximately HK\$3.7 million in sales and installation of diesel oxidation catalysts in Hong Kong.
- Profit attributable to shareholders for the three months ended 31 January 2005 amounted to approximately HK\$3.02 million (2004: HK\$3.34 million) which represented approximately 10% decrease as compared with last corresponding period.
- Basic and diluted earnings per share for the three months ended 31 January 2005 amounted to approximately HK0.55 cent (2004: HK0.60 cent) and HK0.47 cents (2004: HK0.52 cent) respectively.

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 2005 together with the comparative figures as follows.

		Three months ended 31 January	
		2005	2004
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	2	17,362	21,164
Cost of sales		(11,396)	(13,366)
Gross profit		5,966	7,798
Other revenue		165	49
Selling expenses		(596)	(498)
Administrative expenses		(2,683)	(3,038)
Other operating income/(expenses)		263	(1,180)
PROFIT BEFORE TAXATION		3,115	3,131
Taxation	3	(96)	205
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		3,019	3,336
Dividends	4	-	-
EARNINGS PER SHARE :	5		
Basic		HK0.55 cent	HK0.60 cent
Diluted		HK0.47 cent	HK0.52 cent

NOTES:

1. Principal accounting policies and basis of preparation

The unaudited consolidated accounts are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited consolidated accounts are prepared under the historical cost convention.

The unaudited consolidated accounts incorporate the accounts of the Company and its subsidiaries for the three months ended 31 January 2005. All material intercompany transactions and balances within the Group are eliminated on consolidation. The accounting policies and basis of preparation adopted for the preparation of the unaudited consolidated accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 October 2004.

2. Turnover

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

3. Taxation

	Three months ended 31 January	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current:		
Hong Kong	32	69
Elsewhere	18	62
	<u>50</u>	<u>131</u>
Deferred	46	(336)
	<u>96</u>	<u>(205)</u>
Total tax charge/(credit) for the period		

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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

At 31 January 2005, there was no significant unrecognised deferred tax liability (2004: 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 2005 (2004: nil).

5. Earnings per share

The earnings per share amount for the three months ended 31 January 2005 is calculated based on the unaudited consolidated profit attributable to shareholders of the Company for the period of HK\$3,019,000 (2004: HK\$3,336,000) and the weighted average of 552,800,000 (2004: 552,800,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the three months ended 31 January 2005 is based on the unaudited consolidated profit attributable to shareholders of the Company for the period of HK\$3,019,000 (2004: HK\$3,336,000) and 646,058,211 (2004: 647,399,374) ordinary shares, being the 552,800,000 (2004: 552,800,000) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 93,258,211 (2004: 94,599,374) ordinary shares assumed to have been issued on the deemed exercise of the share options under the pre-IPO share option scheme, ANT share option scheme and post-IPO share option scheme.

6. Movement of reserves

	<u>Share premium</u> HK\$'000	<u>Capital reserve</u> HK\$'000	<u>Retained profits</u> HK\$'000	<u>Proposed final dividend</u> HK\$'000	<u>Total</u> HK\$'000
At 1 November 2003	19,586	95	17,012	6,357	43,050
2003 final dividend declared	-	-	-	(6,357)	(6,357)
Profit for the period	-	-	3,336	-	3,336
At 31 January 2004	19,586	95	20,348	-	40,029
At 1 November 2004	19,586	95	26,904	8,292	54,877
Profit for the period	-	-	3,019	-	3,019
At 31 January 2005	19,586	95	29,923	8,292	57,896

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the three months ended 31 January 2005, the Group reported a turnover of approximately HK\$17.36 million, representing a decrease of approximately HK\$3.8 million or 18% as compared with same period last year. The drop in turnover was primarily due to the decrease in revenue derived from sale and installation of the Group's diesel oxidation catalysts ("Eco-Green") which will be completed entirely in the next quarter. The Group's sale of industrial environmental products remained steady as compared with last corresponding period.

The gross profit of the Group for the three months ended 31 January 2005 amounted to approximately HK\$6.0 million at a margin of 34.4% compared with a gross profit of around HK\$7.8 million at a margin of 36.8% for last corresponding period. The decrease in gross margin was mainly due to the

change in product mix since sale of Eco-Green earned a higher profit margin than sale of industrial environmental protection products.

Other operating income represented the net amount of a further provision for warranty of Eco-Green of HK\$149,000 and write-back of doubtful debts of HK\$412,000 during the period under review. The Group will continue to make every effort to collect overdue debts from trade debtors.

The source of finance of the Group was primarily derived from the initial placing proceeds, internally generated funds, retained profits and an aggregate of HK\$46 million banking facilities granted to the Group for the issuance of letters of credit. As at 31 January 2005, the Group had pledged its bank deposits of approximately HK\$7.2 million to secure for performance bond facilities. In spite of the above, the Group still had unpledged cash and bank balances of approximately HK\$28 million for its future expansion and development.

Business review and outlook

The Group is principally engaged in the marketing, sale, servicing, research and development of environmental protection and quality health related products and services. During the period under review, sale and installation of the Group's Eco-Green decreased as the contract entered into between the Group and the Environmental Protection Department ("EPD") of the Hong Kong Government in November 2002 for supply and installation of Eco-Green has almost been completed. In January 2005, the Group had submitted its application to bid for a new tender issued by the EPD. The new tender relates to the supply and installation of particulate removal device to reduce particulate emission for diesel vehicle that needs to undertake long idling duties. The result of the tender is expected to be announced by the EPD in the next quarter.

As mentioned in the Company's annual report for the year ended 31 October 2004, the Group had established a wholly-owned factory in the Mainland China which just commenced its operation and started to contribute small amount of revenue to the Group during the period under review. The factory is principally engaged in manufacturing the Group's in-house developed products. When the excess production capacity is available, it will also provide subcontract service to other industrial manufacturers. The Company is confident that the factory will contribute a reasonable amount of revenue to the Group in the near future following the enhancement of sales and marketing efforts.

As a supplier and service provider of environmental protection and quality health related products, the Group has always been engaging in continuous research and development. The Group recently has carried out study on waste water treatment technology and related projects in the Mainland China since treatment of waste water discharged from various sectors has always been one of the critical environmental issues faced by the provincial governments. Several waste water treatment plants have been visited and the research result is encouraging. In addition to this, the development of energy saving device for industrial machine has been undergoing and the progress is satisfactory.

The Group's sale of industrial environmental protection related products had been steady during the period under review. The Group had established a new sales team in Guangzhou in January 2005, not only for catering the existing customers but also for exploring new potential customers. The Group understands that the macro economic control measures implemented by the Mainland China will continue for a certain period of time. The Group will keep close monitor on the latest development and take appropriate measures as such austerity measures may cause adverse impact to the Group's revenue derived from the Mainland China.

Apart from improving the environmental quality, it is also the Group's mission to foster a personalized quality of health. Two self-invented products namely Eco-Air and Eco-Water have been launched to the market with positive recognition. Looking forward, the Group will continue to develop new products and seek for new investment opportunities which can help to broaden the range of products and services currently provided.

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

As at 31 January 2005, 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 Future Ordinance ("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 Director	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital as at 31 January 2005
		Directly beneficially owned	
Dr. PAU Kwok Ping		16,584,000	3.00
Mr. SHAH Tahir Hussain		552,800	0.10
		17,136,800	3.10

Interest in underlying shares of the Company

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 21 November 2001, the Company had granted Pre-Scheme share options on the Company's ordinary shares to the executive Directors. Details of share options to subscribe for shares in the Company granted to the executive Directors as at 31 January 2005 were as follows:

Name	Date of grant	Number of share options outstanding as at 31 January 2005	Percentage of the Company's issued share capital as at 31 January 2005	Exercise period of share options	Exercise price per share HK\$
<u>Executive Directors</u>					
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
		41,460,000	7.50		

None of the options granted under the Pre-Scheme have been exercised, cancelled or lapsed during the period under review.

On 21 November 2001, the shareholders of the Company adopted a share option scheme (the "Post-Scheme"), the principal terms of which were set out in the prospectus of the Company dated 27 November 2001. Details of share options to subscribe for shares in the Company granted under the Post-Scheme as at 31 January 2005 were as follows:-

Name	Date of grant	Number of share options outstanding as at 31 January 2005	Percentage of the Company's issued share capital as at 31 January 2005	Exercise period of share options	Closing price immediately before the date of grant HK\$	Exercise price of share option HK\$
<u>Non-executive Directors</u>						
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
<u>Independent non-executive Directors</u>						
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 (i) 50% exercisable on the expiry of 6 months from the date of grant; and (ii) 50% exercisable on the expiry of 12 months from the date of grant.

None of the options granted under the Post-Scheme have been exercised, cancelled or lapsed during the period under review.

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

Name of Directors	Total number of ordinary shares held	Number of options held and outstanding as at 31 January 2005	Aggregate in number	Percentage of the Company's issued share capital as at 31 January 2005
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
	17,136,800	44,460,000	61,596,800	11.14

Save as disclosed above, as at 31 January 2005, 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.

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

As at 31 January 2005, 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 SFO:

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 2005
Substantial shareholders			
Cititrust (Cayman) Limited (<i>Note 1</i>)	Through a unit trust and controlled corporation	299,341,200	54.15
Wide Sky Management Limited (<i>Note 1</i>)	Through a controlled corporation	299,341,200	54.15
Team Drive Limited (<i>Note 1</i>)	Directly beneficially owned	299,341,200	54.15
The Hong Kong Polytechnic University (<i>Note 2</i>)	Through a controlled corporation	80,680,800	14.59
Advance New Technology Limited (<i>Note 2</i>)	Directly beneficially owned	80,680,800	14.59
Other shareholder			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	6.44

Notes:

- 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, a discretionary trust founded by Dr. CHIANG Lily, who resigned as an executive Director and chairman of the Company with effect from 5 December 2004, and the beneficiaries of which are Dr. CHIANG Lily's children and certain charitable objects. 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.*
- 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 of the Company held by Advance New Technology Limited.*

Interest in underlying shares of the Company

Name	Date of grant	Number of ANT-Option outstanding as at 1 November 2004	Number of ANT-Option lapsed during the period	Number of ANT-Option outstanding as at 31 January 2005	Exercise price per share HK\$
The Hong Kong Polytechnic University (Note 3)	21/11/2001	13,820,000	(13,820,000)	-	0.2142
Advance New Technology Limited (Note 3)	21/11/2001	13,820,000	(13,820,000)	-	0.2142

Note:

- 3 On 21 November 2001, the Company granted the ANT-Option to Advance New Technology Limited as a reward to PolyU's continuing support and collaboration with the Group and for the purpose of enhancing a future co-operation relationship between PolyU and the Group. The ANT-Option was granted at a consideration of HK\$1.00 to subscribe for such number of shares that shall represent 2.5% of the then issued share capital of the Company immediately after completion of the initial placing of the Company's shares on GEM and the capitalization issue at an exercise price of HK\$0.2142 per share (equivalent to 90% of the issue price), which may be exercised at any time between the first and third anniversaries of the listing date of 5 December 2001. The ANT-Option lapsed on 4 December 2004 following the expiry of exercise period of share options.

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.

DISCLOSURE OF TRADE RECEIVABLES UNDER CHAPTER 17 OF THE GEM LISTING RULES

Pursuant to Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, the following trade receivables of the Group as at 31 January 2005 exceeded 8% of the audited consolidated total asset value of the Group as at 31 October 2004 which amounted to approximately HK\$98,974,000.

<u>Customer</u>	<u>Amount due to the Group HK\$'000</u>	<u>Percentage of the audited consolidated total asset value of the Group as at 31 October 2004</u>
The Environmental Protection Department of the Government of Hong Kong Special Administrative Region ("EPD")	8,049	8.1

EPD is customer of the Group and is independent of, and is not connected with, the Company or its subsidiaries, the directors, chief executive or substantial shareholders of the Company and its subsidiaries or their respective associates (as defined in the GEM Listing Rules).

The amount due from EPD was resulted from sales of the Group's product in its ordinary course of business and, in the opinion of the directors, on normal commercial terms. The amount is unsecured and interest free.

EPD's repayment term is to pay the Group for its purchases in accordance with the contract signed with the Group (i.e. EPD is required to pay (i) 80% of the invoice amount to the Group one month upon receiving the claims submitted by the Group; (ii) another 10% of the invoice amount to the Group three months after the invoice date; and (iii) the remaining 10% of the invoice amount to the Group after expiry of warranty period if no complaints are received from the qualified diesel vehicle owners after successful installations of the diesel oxidation catalysts).

Save for the above, there was no other advance which give rise to disclosure obligation under Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules.

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 2005. 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 2005.

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. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Ms. HUI Wai Man Shirley, who are the independent non-executive directors of the Company.

The Group's unaudited results for the three months ended 31 January 2005 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 of the Company are as follows:

Executive directors:

Dr. Pau Kwok Ping

Mr. Shah Tahir Hussain

Mr. Han Ka Lun

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

Pau Kwok Ping
Chairman

Hong Kong, 10 March 2005

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.