



ECO-TEK HOLDINGS LIMITED
環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 8169)

SECOND QUARTERLY RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 APRIL 2006

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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

- Turnover for the six months ended 30 April 2006 amounted to approximately HK\$45.22 million (2005: HK\$31.43 million), representing an increase of approximately 43.8%. Net profit attributable to shareholders amounted to approximately HK\$6.6 million (2005: HK\$5.11 million) which represented approximately 30% increase as compared with last corresponding period. The increase in turnover and net profit was primarily due to the increase in sales and installation of diesel oxidation catalysts for Heavy Vehicles (long idling duties) in current period.
- Basic and diluted earnings per share for the six months ended 30 April 2006 amounted to approximately HK1.04 cent (2005: HK0.93 cent) and HK0.9 cent (2005: HK0.79 cent) respectively.

UNAUDITED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the following unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 April 2006 together with the comparative figures for the corresponding periods in last financial year.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	Three months ended 30 April		Six months ended 30 April	
		2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
REVENUE	3	21,357	14,066	45,222	31,428
Cost of sales		(15,399)	(10,114)	(31,169)	(21,510)
Gross profit		5,958	3,952	14,053	9,918
Other income		146	95	325	260
Selling expenses		(917)	(555)	(1,664)	(1,151)
Administrative expenses		(3,657)	(2,298)	(7,133)	(4,981)
Other operating income		154	1,198	375	1,461
PROFIT FROM OPERATION		1,684	2,392	5,956	5,507
Finance cost		(121)	–	(121)	–
Share of loss of a jointly controlled entity		(10)	–	(95)	–
PROFIT BEFORE TAXATION	5	1,553	2,392	5,740	5,507
Taxation	6	(2)	(306)	(101)	(402)
PROFIT FOR THE PERIOD		<u>1,551</u>	<u>2,086</u>	<u>5,639</u>	<u>5,105</u>
Attributable to					
Equity holders of the Company		2,449	2,086	6,635	5,105
Minority Interest		(898)	–	(996)	–
PROFIT FOR THE PERIOD		<u>1,551</u>	<u>2,086</u>	<u>5,639</u>	<u>5,105</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
EARNINGS PER SHARE:	8				
Basic		<u>HK0.38 cent</u>	HK0.38 cent	<u>HK1.04 cent</u>	HK0.93 cent
Diluted		<u>N/A</u>	HK0.32 cent	<u>HK0.90 cent</u>	HK0.79 cent

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at 30 April 2006 HK\$'000	As at 31 October 2005 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	31,789	4,034
Leasehold interest in land		5,012	–
Goodwill		247	–
Deferred tax assets	6	2,540	2,601
Accounts receivable	11	15,341	13,077
Pledged bank deposits	12	9,020	9,020
Interest in a jointly controlled entity		2,023	915
		<u>65,972</u>	<u>29,647</u>
CURRENT ASSETS			
Inventories	10	13,776	21,481
Accounts receivable	11	21,057	37,870
Deposits, prepayments and other receivables		5,254	3,463
Tax recoverable		1,801	1,801
Cash and cash equivalents	12	24,766	7,624
		<u>66,654</u>	<u>72,239</u>
CURRENT LIABILITIES			
Accounts and bills payable	13	15,088	15,114
Accrued liabilities and other payables		7,082	4,671
Provision for warranty	14	2,540	1,486
Provision for tax		1,500	1,500
Bank loan-secured	15	9,600	–
		<u>35,810</u>	<u>22,771</u>
NET CURRENT ASSETS		<u>30,843</u>	<u>49,468</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>96,816</u>	<u>79,115</u>
NON-CURRENT LIABILITY			
Provision for warranty	14	3,246	4,675
Long term shareholders loan		11,871	–
		<u>81,699</u>	<u>74,440</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		6,495	5,528
Share premium		19,586	19,586
Capital reserve		95	95
Exchange translation reserve		559	138
Retained profits		52,480	45,845
Proposed final dividend		–	3,248
		<u>79,215</u>	<u>74,440</u>
Minority interest		2,484	–
		<u>81,699</u>	<u>74,440</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	22,585	2,988
NET CASH USED IN INVESTING ACTIVITIES	(12,876)	(3,037)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>7,433</u>	<u>(8,292)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,142	(8,341)
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	<u>7,624</u>	<u>30,169</u>
CASH AND CASH EQUIVALENTS AT 30 APRIL	<u>24,766</u>	<u>21,828</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,529	8,824
Time deposits	<u>11,257</u>	<u>23,077</u>
	33,786	31,901
Less: time deposits pledged for performance bond facilities	<u>(9,020)</u>	<u>(10,073)</u>
	<u>24,766</u>	<u>21,828</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Minority interest HK\$'000	
At 1 November 2004	5,528	19,586	95	–	26,904	8,292	–	60,405
2004 final dividend declared	–	–	–	–	–	(8,292)	–	(8,292)
Profit for the period	–	–	–	–	5,105	–	–	5,105
At 30 April 2005	<u>5,528</u>	<u>19,586</u>	<u>95</u>	<u>–</u>	<u>32,009</u>	<u>–</u>	<u>–</u>	<u>57,218</u>
At 1 November 2005	5,528	19,586	95	138	45,845	3,248	–	74,440
Exchange difference	–	–	–	421	–	–	–	421
Profit for the period	–	–	–	–	6,635	–	(996)	5,639
Purchase of subsidiary	–	–	–	–	–	–	3,611	3,611
Other contribution by minority interest	–	–	–	–	–	–	(131)	(131)
Issue of shares on exercise of share options	967	–	–	–	–	–	–	967
2005 final dividend declared	–	–	–	–	–	(3,248)	–	(3,248)
At 30 April 2006	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>559</u>	<u>52,480</u>	<u>–</u>	<u>2,484</u>	<u>81,699</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended 31 October 2005.

2. Principal accounting policies

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are consistent with those used in the 2005 Annual Financial Statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards and HKASs (“New HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005. The adoption of these New HKFRSs have no significant impact on the Group’s results of operations.

3. Revenue

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

4. Segment Information

(a) Business segments

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

	Water supply plant		General environmental protection related products and services		Industrial environmental products		Consolidated	
	2006 HK\$’000	2005 HK\$’000	2006 HK\$’000	2005 HK\$’000	2006 HK\$’000	2005 HK\$’000	2006 HK\$’000	2005 HK\$’000
Segment revenue:								
Sales to external customers	<u>-</u>	<u>-</u>	<u>14,020</u>	<u>6,130</u>	<u>31,202</u>	<u>25,298</u>	<u>45,222</u>	<u>31,428</u>
Segment results	<u>(1,024)</u>	<u>-</u>	<u>5,249</u>	<u>1,869</u>	<u>3,427</u>	<u>4,451</u>	<u>7,652</u>	<u>6,320</u>
Interest income							<u>283</u>	<u>226</u>
Unallocated expenses							<u>(1,979)</u>	<u>(1,039)</u>
Profit from operation							<u>5,956</u>	<u>5,507</u>
Finance costs							<u>(121)</u>	<u>-</u>
Share of loss of a jointly controlled entity							<u>(95)</u>	<u>-</u>
Profit before taxation							<u>5,740</u>	<u>5,507</u>
Taxation							<u>(101)</u>	<u>(402)</u>
Profits for the period							<u>5,639</u>	<u>5,105</u>

	Water supply plant		General environmental protection related products and services		Industrial environmental products		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	46,259	–	35,901	33,176	45,245	49,016	127,405	82,192
Interest in a jointly controlled entity							658	–
Tax asset							2,539	2,346
Unallocated assets							2,024	407
Total assets							<u>132,626</u>	<u>84,945</u>
Segment liabilities	24,480	–	6,481	6,536	18,941	19,522	49,902	26,058
Unallocated liabilities							1,025	1,669
Total liabilities							<u>50,927</u>	<u>27,727</u>
Other segment information:								
Depreciation	35	–	146	170	245	32	426	202
Capital expenditure	25,970	–	2	7	254	436	26,226	443
Write back of doubtful debts	–	–	–	–	–	(1,095)	–	(1,095)
Write back of provision for warranty	–	–	(117)	(366)	–	–	(117)	(366)

(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	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	19,110	10,842	25,840	19,134	272	1,452	45,222	31,428
Other revenue	–	–	28	34	–	–	28	34
Other segment information:								
Segment assets	42,834	48,537	86,595	31,519	–	2,543	129,429	82,599
Interest in a jointly controlled entity							658	–
Tax assets							2,539	2,346
Capital expenditure	2	7	26,223	436	1	–	26,226	443

5. Profit before taxation

	Three months ended 30 April		Six months ended 30 April	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
The Group's profit before taxation is arrived at after charging/(crediting):				
Cost of inventories sold	14,327	10,066	28,370	21,418
Depreciation	202	108	426	202
Exchange (gains)/losses, net	291	(499)	411	125
Operating lease charges in respect of land and buildings	286	356	538	658
Provision for slow-moving inventories	–	–	13	–
Staff costs (including Directors' emoluments)				
Wages and salaries	1,335	1,459	2,960	3,041
Pension scheme contributions	31	28	63	69
Write back of provision for warranty	(29)	(515)	(117)	(366)
Write back of doubtful debts	–	(683)	–	(1,095)
Interest income	(142)	(120)	(283)	(226)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. Taxation and deferred tax assets

	Three months ended 30 April		Six months ended 30 April	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current:				
Hong Kong	–	–	–	32
Elsewhere	–	13	36	31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	–	13	–	63
Deferred	50	293	65	339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total tax charge for the period	<u>50</u>	<u>306</u>	<u>101</u>	<u>402</u>

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 April 2005: 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 30 April 2006, there was no significant unrecognised deferred tax liability (31 October 2005: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

The following are deferred tax assets recognised in the balance sheet and the movements during current period:

	Provision for warranty <i>HK\$'000</i>	Provision for doubtful debts <i>HK\$'000</i>	Provision for slow-moving inventories <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 November 2005	1,078	552	971	2,601
Exchange difference	–	–	4	4
Charged to the income statement during the period	(65)	–	–	(65)
At 30 April 2006	<u>1,013</u>	<u>552</u>	<u>975</u>	<u>2,540</u>

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2006 (six months ended 30 April 2005: nil).

8. Earnings per share

The earnings per share amount for the three months ended 30 April 2006 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$2,449,000 (three months ended 30 April 2005: HK\$2,086,000) and the weighted average of 649,540,000 (three months ended 30 April 2005: 552,800,000) ordinary shares in issue during the period.

The earnings per share amount for the six months ended 30 April 2006 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$6,635,000 (six months ended 30 April 2005: HK\$5,105,000) and the weighted average of 637,958,000 (six months ended 30 April 2005: 552,800,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the six months ended 30 April 2006 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$6,635,000 (six months ended 30 April 2005: HK\$5,105,000) and 734,220,000 (six months ended 30 April 2005: 645,569,350) ordinary shares, being the 637,958,000 (six months ended 30 April 2005: 552,800,000) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 96,262,000 (six months ended 30 April 2005: 92,769,350) 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.

Diluted earnings per share for the three months period ended 30 April 2006 is not disclosed as there was no dilutive potential ordinary shares.

The calculation of the diluted earnings per share for the three months ended 30 April 2005 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$2,086,000 and 645,201,883 ordinary shares, being the 552,800,000 ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 92,401,883 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.

9. Property, plant and equipment

	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total
Closing net book value							
Opening net book value	589	311	2,543	110	481	–	4,034
Additions	239	39	15	–	100	25,833	26,226
Acquisition of subsidiaries	341	55	–	–	–	1,559	1,955
Depreciation	(107)	(51)	(192)	(23)	(53)	–	(426)
	<u>1,062</u>	<u>354</u>	<u>2,366</u>	<u>87</u>	<u>528</u>	<u>27,392</u>	<u>31,789</u>
At 30 April 2006							
Cost	1,487	619	3,283	240	654	27,392	33,675
Accumulated depreciation	(425)	(265)	(917)	(153)	(126)	–	(1,886)
Net book amount	<u>1,062</u>	<u>354</u>	<u>2,366</u>	<u>87</u>	<u>528</u>	<u>27,392</u>	<u>31,789</u>

10. Inventories

	30 April 2006 <i>HK\$'000</i>	31 October 2005 <i>HK\$'000</i>
Finished goods	17,063	24,755
Provision for slow-moving inventories	(3,287)	(3,274)
	<u>13,776</u>	<u>21,481</u>

As at 30 April 2006, the carrying amount of inventories that are carried at net realisable value amounted to HK\$1,666,000 (31 October 2005: HK\$2,816,000).

11. Accounts receivable

The Group has a policy of allowing an average credit period of 90 days to its trade customers, except for the Environmental Protection Department of the Hong Kong Government (“EPD”), one of the major customers of the Group. The EPD’s repayment term is to pay (i) 70% to 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% to 20% of the invoice amount to the Group after expiry of warranty period if no complaints are received in respect of the products sold to the qualified diesel vehicle owners. An ageing analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	30 April 2006 HK\$’000	31 October 2005 HK\$’000
Outstanding balances with ages:		
Within 90 days	13,080	41,481
91 – 180 days	7,935	3,100
181 – 365 days	10,164	1,719
Over 365 days	6,892	6,320
	38,071	52,620
Provision for doubtful debts	(1,673)	(1,673)
	36,398	50,947
Carrying amount analysed for reporting purposes as:		
Non-current*	15,341	13,077
Current	21,057	37,870
	36,398	50,947

* *The balance shall be payable by the EPD at the expiry of warranty period of five years from the date of performance of installation services.*

12. Cash and cash equivalents and pledged deposits

	30 April 2006 HK\$’000	31 October 2005 HK\$’000
Cash and bank balances	22,529	5,545
Time deposits	11,257	11,099
	33,786	16,644
Less: Pledged for performance bond facilities	(9,020)	(9,020)
Cash and cash equivalents	24,766	7,624
Pledged deposits analysed for reporting purposes as:		
Non-current	(9,020)	(9,020)
Current	–	–
	(9,020)	(9,020)

13. Accounts and bills payable

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

	30 April 2006 HK\$'000	31 October 2005 HK\$'000
Outstanding balances with ages:		
Within 90 days	12,357	9,393
91 – 180 days	2,515	5,528
181 – 365 days	136	90
Over 365 days	80	103
	<u>15,088</u>	<u>15,114</u>

14. Provision for warranty

	30 April 2006 HK\$'000	31 October 2005 HK\$'000
At beginning of the period/year	6,161	6,617
Provision for the period/year	405	1,435
Less: unused amounts reversed	<u>(522)</u>	<u>(1,605)</u>
Amounts credit to income statement	<u>(117)</u>	<u>(170)</u>
	6,044	6,447
Less: amounts utilised	<u>(258)</u>	<u>(286)</u>
At end of the period/year	5,786	6,161
Portion classified as current liabilities	<u>(2,540)</u>	<u>(1,486)</u>
Portion classified as non-current liabilities	<u>3,246</u>	<u>4,675</u>

Provision for warranty costs is made on an accrual basis by reference to the Directors' best estimates of the expenditure required to settle the obligations, and is charged to the income statement in the period in which the related sales are made. The level of provision required was assessed by the Directors annually.

15. Bank loan-secured

Bank borrowing was denominated in Hong Kong dollars which bears interest at variable rate, which was 5.9% per annum at 30 April 2006 and was secured by the Group's non-current accounts receivables.

16. Contingent liabilities

Performance bond facilities of approximately HK\$9 million have been granted by the banks in favor of the Group. In the event of default by the Group in the performance of the services detailed in the tender contracts offered by the EPD for the supply and installation of devices to reduce particulates from relevant exhaust of diesel vehicles, the EPD is entitled to call for payment from the banks to satisfy and discharge any damages, losses or expenses sustained by the EPD up to the amount of approximately HK\$9 million. The banks have the right of recourse to the Group. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits of approximately HK\$9 million as at 30 April 2006.

Save as aforesaid, the Group did not have any other significant contingent liabilities at 30 April 2006.

17. Capital commitment

As at 30 April 2006, the Group had a capital commitment, which was contracted but not provided for, in respect of the construction and development of a water supply plant in Tianjin, the Mainland China amounting to approximately HK\$34.9 million.

Save as aforesaid, the Group did not have any other significant capital commitments at 30 April 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 April 2006, the Group recorded a great increase in turnover of approximately HK\$13.8 million or 43.8% as compared to last corresponding period. Net profits attributable to shareholders amounted to approximately HK\$6.6 million (2005: HK\$5.1 million), represented an increase of 30% to that of the last corresponding period. The increase in turnover was mainly attributable to the launch of VISP for Heavy Vehicles (long idling duties) in May 2005. Over 1,000 Eco-Green Supreme were recorded in this review period, and accounted for the increase in the revenue of general environmental protection related products and services by approximately 1.29 times from HK\$6.1 million to HK\$14 million. Besides, sales of industrial environmental protection related products also increased by 23.3%. After the implementation of the austerity measures in the PRC in the past two years, its effects on demands of industrial machines, construction and marine equipment was gradually reduced in the six months ended 30 April 2006. As a result of this, the demands of hydraulic components were also rebounded and lead to the increase in the Group's revenue in the same period.

The gross profit of the Group for the six months ended 30 April 2006 amounted to approximately HK\$14.1 million, representing an increase of approximately 41.7% over the gross profit of around HK\$9.9 million for the six months ended 30 April 2005 and the gross profit margins for both periods were around 31%.

The administrative expenses for the six months ended 30 April 2006 increased by approximately 43.2% from approximately 5 million to HK\$7.1 million. Such increase is mainly due to the increase in the professional costs arising from the acquisition of 42.5% interests in Asian Way in December 2005 and the **Introduction** exercise in current period as stated in the Section "PROPOSED LISTING ON THE MAIN BOARD" below.

Other operating income for the six months ended 30 April 2006 includes the write back of provision for warranty amounted to approximately HK\$117,000, which represented write back of the excess provision for the free materials and workmanship of Eco-Green and Eco-Green Supreme.

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 substantial completion of the EPD tenders for the VISP for Heavy Vehicles, the Group's revenue generated from the general environmental protection related products and services in the second half of the year is expected to be reduced. The Group will focus more on the promotion of the industrial environmental products and on widening other sources of revenue and range of products and services.

In December 2005, the Group has purchased 42.5% interests in Asian Way International Limited (“Asian Way”), a company invested in the Water Supply Plant, in the Tianjin Province of the PRC. The Directors consider that the investment in the Water Supply Plant, which will supply water after carrying out various processes including purification upon completion of its construction, will provide an opportunity for the Group to further promote and develop its business presence in the PRC. Asian Way’s management is trying to shorten the originally planned construction period, which is 18 months starting from November 2005. For details of the acquisition of Asian Way, please refer to the circular dated 16 December 2005.

In April 2005, the Group has formed a Joint Venture in the Jiangsu Province to promote the Group’s environmental products such as Eco-Green, Eco-Air, Eco-Water and other environmental related solutions in the region. In current review period, such Joint Venture starts to cooperate with other professional consultants to provide environmental protection consultancy services to its customers and is applying for the professional license to provide such consultancy services. It is expected that such license can be obtained within a year. Also, in the meantime, the Joint Venture plans to start its business in the industrial environmental products in the region.

Proposed listing on the main board

On 22 May 2006, the Group has made an advance booking of the application for the Proposed Listing on the Main Board to the Stock Exchange of Hong Kong Limited. The Directors believe that the Group’s business will continue to develop and the proposed listing of the Shares on the Main Board will enhance the corporate profile, increase the recognition from financial institutions and institutional investors, which will be beneficial and complementary to the future development of the Group and also help to raise the Group’s corporate image. All of these will benefit the future business development of the Group and increase the financial flexibility of the Group.

Liquidity and financial resources

The Group adopts a conservative policy in its financial resources management. The Group had total cash and bank balances of approximately HK\$33.8 million and approximately HK\$16.6 million as at 30 April 2006 and 31 October 2005 respectively.

The Group finances its operations with internally generated cash flows and banking facilities. As at 30 April 2006, the Group has secured short term bank borrowings of HK\$9.6 million (31 October 2005: nil). Such bank borrowings are secured by the Group’s receivable.

Treasury policies

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

Employee information

As at 30 April 2006, the Group had 93 employees (2005: 45 employees) working in Hong Kong and in the PRC. The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the six months under review amounted to approximately HK\$3.02 million (2005: HK\$3.11 million). The dedication and hard work of the Group’s staff during the six months ended 30 April 2006 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

In December 2005, the Group had acquired 4,250 Asian Way Shares (representing 42.5% shareholding interest in Asian Way) to seek for investment opportunities in constructing a water supply plant in Tianjin Province and to further promote and develop its business presence in the PRC and to enrich the product/service portfolio of the Group.

Save as disclosed above, the Group had no significant investments for the six months ended 30 April 2006.

Material acquisitions and disposals/future plans for material investments

Except for the construction of the Water Supply Plant as stated above, the Group had no other material acquisitions or disposals and has no plans for material investments or capital assets during the six months ended 30 April 2006.

Charge on group assets and contingent liabilities

As at 30 April 2006, the Group has pledged its bank deposits of approximately HK\$9 million to secure for the performance bond facilities (further details of which are set out in notes 12 and 16 above).

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2006.

Exposure to fluctuations in exchange rates

The Group's purchases are denominated in Euros, Sterling Pounds, Japanese Yen and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rates.

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

As at 30 April 2006, 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 30 April 2006
<i>Executive Director</i>			
Mr. SHAH Tahir Hussain	Directly beneficially owned	14,372,800	2.2
<i>Chief Executive Officer</i>			
Dr. PAU Kwok Ping (<i>Note</i>)	Through a discretionary trust	44,224,000	6.8
		<u>58,596,800</u>	<u>9.0</u>

Note:

Dr. PAU Kwok Ping resigned as Chairman and Managing Director and acts as Chief Executive Officer of the Group on 3 March 2006.

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.

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 30 April 2006 were as follows:

Name	Date of grant	Number of options outstanding as at 1 November 2005	Number of options exercised during the period	Number of options outstanding as at 30 April 2006	Exercise price per share HK\$
<i>Executive Director</i>					
Mr. SHAH Tahir Hussain	21/11/2001	13,820,000	(13,820,000)	–	0.01
<i>Chief Executive Officer</i>					
Dr. PAU Kwok Ping	21/11/2001	27,640,000	(27,640,000)	–	0.01
		<u>41,460,000</u>	<u>(41,460,000)</u>	<u>–</u>	

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

Name	Total number of ordinary shares held	Number of options held and outstanding as at 30 April 2006	Aggregate in number	Percentage of the Company’s issued share capital as at 30 April 2006
<i>Executive Director</i>				
Mr. SHAH Tahir Hussain	14,372,800	–	14,372,800	2.2
<i>Chief Executive</i>				
Dr. Pau Kwok Ping	44,224,000	–	44,224,000	6.8
	<u>58,596,800</u>	<u>–</u>	<u>58,596,800</u>	<u>9.0</u>

Save as disclosed above, as at 30 April 2006, 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 30 April 2006, 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 2006
Substantial shareholders			
Cititrust (Cayman) Limited (<i>Note 1</i>)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (<i>Note 1</i>)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (<i>Note 1</i>)	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University (<i>Note 2</i>)	Through a controlled corporation	77,430,800	11.92
PolyU Enterprise Limited (<i>Note 2</i>)	Through a controlled corporation	77,430,800	11.92
Advance New Technology Limited (<i>Note 2</i>)	Directly beneficially owned	77,430,800	11.92
ING Trust Company (Jersey) Limited (<i>Note 3</i>)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (<i>Note 3</i>)	Directly beneficially owned	44,224,000	6.81
Other shareholder			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	5.48

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. 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 and PolyU Enterprise Limited are 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.

Other share options granted under the Pre-Scheme:

Name	Date of grant	Number of options outstanding as at 1 November 2005	Number of options exercised during the period	Number of options outstanding as at 30 April 2006	Exercise price per share HK\$
Dr. CHIANG Lily	21/11/2001	55,280,000	(55,280,000)	–	0.01

Save as disclosed above, as at 30 April 2006, 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.

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

As at 30 April 2006, there were 649,540,000 shares of the Company in issue. Based on the average closing price of the Company’s shares of HK\$0.281 per share as stated in the Stock Exchange’s daily quotation sheets for the trading days from 24 April to 28 April 2006 (both days inclusive), being the five business days immediately preceding 30 April 2006, the five-day average market capitalisation of the Company was approximately HK\$182,521,000 (the “Total Market Capitalisation”).

Pursuant to Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, the following trade receivable of the Group as at 30 April 2006 exceeded 8% of the Total Market Capitalisation and the audited consolidated total asset value of the Group as at 31 October 2005 which amounted to approximately HK\$101,886,000.

Customer	Amount due to the Group (HK\$’000)	% of Total Market Capitalisation	% of the audited consolidated total asset value of the Group as at 31 October 2005
The Environmental Protection Department of the Hong Kong Government (“EPD”)	19,661	10.8%	19.3%

The EPD is one of the customers of the Group and is not a connected person 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 trade receivable was resulted from sales of the Group's products in its ordinary course of business and, in the opinion of the directors of the Company, on normal commercial terms. The amount is interest free and acts as security for the bank loan of the Group.

The EPD's payment term is to pay the Group for its purchases in accordance with the contracts signed with the Group (i.e. the EPD is required to pay (i) 70% to 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 3 months to 12 months after the invoice date; and (iii) the remaining 10% to 20% of the invoice amount to the Group after the completion of 60 months from the invoice date if no complains are received from the qualified diesel vehicle owners after successful installations of the Group's products).

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 30 April 2006. The Company has not redeemed any of its listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the "CG Code") set out in Appendix 15 of the GEM Listing Rules for the review period, except for the code provisions A.4.1 and A.4.2, under which the non-executive directors should be appointed for a specific term, subject to re-election and all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At present, the non-executive directors and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. In addition, not every director is subject to retirement by rotation. Directors are subject to rotation in accordance with the Articles of Association of the Company provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in rotation or be taken into account in determining the number of directors to retire in each year. At such, with the exception of the Chairman, all directors are subject to retirement by rotation in accordance with the Company's Articles of Association. In order to comply with code provision A.4.1, letter of appointments with specific terms will be prepared for all the non-executive directors in the second half of the year. For code provision A.4.2 of the Corporate Governance Practices, amendments to the Articles of Association will be proposed at the forthcoming shareholders meeting to specify that every Director shall be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 10 March 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in the Listing Rules. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The remuneration committee comprises four members, Ms. CHAN Siu Ping Rosa, Ms. HUI Wai Man Shirley, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee on 27 February 2006 with written terms of reference according to the Code on Corporate Governance Practices set out in the Listing Rules. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the directors. The nomination committee comprises four members, Ms. HUI Wai Man Shirley, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

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 six months ended 30 April 2006 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, 9 June 2006

This announcement will remain on the "Latest Company Announcements" page on the GEM website for at least 7 days from the date of its posting.