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ECO-TEK HOLDINGS LIMITED
環康集團有限公司*

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

ANNOUNCEMENT

Impact on the results of the Group due to cessation of income generated from the contracts on services for the supply and installation of particulate removal devices with the EPD which were completed in August 2006 upon the expiry of the Subsidy Programme for Heavy Vehicles (long idling duties)

The Directors hereby would like to draw to the attention of its shareholders and potential investors that the Subsidy Programme for Heavy Vehicles (long idling duties) in relation to the provision of grants by the Government of Hong Kong to owners of qualified heavy diesel-powered vehicles to install qualified particulate removal devices (including Eco-Green Supreme) expired in August 2006 and the Group's contracts with the EPD were also completed in August 2006. The Group's revenue and hence its profitability for the second half of the year ending 31 October 2006 are likely to be affected due to the cessation of generation of income from such programme.

Although such programme has expired, the Group will continue to strengthen its sales of other products including hydraulic components, energy saving devices, Eco-Water and Eco-Air; the provision of processing and other services; and the development of the water supply business. Also, the Group will continue to pay attention to any future EPD tenders and take an initiative to cooperate with the EPD again in the future. With the past successful experience in the Subsidy Programmes, the Group has confidence to obtain new tenders from the EPD if relevant business opportunity arises.

The Company previously disclosed in the first quarterly report for the three months ended 31 January 2006 and interim report for the six months ended 30 April 2006 that the contracts with the EPD would be completed in the current year, and that with the substantial completion of the contracts with the EPD, the Group's revenue generated from the general environmental protection related products and services in the second half of the year ending 31 October 2006 is expected to be reduced.

The Directors hereby would like to draw to the attention of its shareholders and potential investors that the Subsidy Programme for Heavy Vehicles (long idling duties) in relation to the provision of grants by the Government of Hong Kong to owners of qualified heavy diesel-powered vehicles to install qualified particulate removal devices (including Eco-Green Supreme) expired in August 2006 and the Group's contracts with the EPD were also completed in August 2006.

About 30.8%, 29.3%, and 37.0% of the revenue of the Group was attributable to the sales and installation of Eco-Trap, Eco-Green and Eco-Green Supreme in connection with the Subsidy Programmes in each of the three years ended 31 October 2005 respectively. As the Subsidy Programmes for Light Vehicles and Heavy Vehicles expired in 2002 and 2004 respectively and the Subsidy Programme for Heavy Vehicles (long idling duties) also expired in August 2006, the Group's revenue and hence its profitability for the second half of the year ending 31 October 2006 are likely to be affected due to the cessation of generation of income from such programmes.

The following table shows a breakdown of the Group's revenue by products for the three years ended 31 October 2005:

	For the year ended 31 October					
	2003		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hydraulic components Eco-Trap, Eco-Green and Eco-Green Supreme – under the Subsidy Programmes	71,153	68.4	68,733	64.6	53,494	57.3
Eco-Trap, Eco-Green and Eco-Green Supreme – retail sales	242	0.2	5,131	4.8	417	0.5
Eco-Water and Eco-Air Water purification system	241	0.2	562	0.5	85	0.1
Processing fee (<i>Note 1</i>)	255	0.3	19	0.1	–	–
Other services (<i>Note 2</i>)	–	–	–	–	3,727	4.0
	102	0.1	784	0.7	1,064	1.1
Total	104,039	100.0	106,378	100.0	93,381	100.0

Notes:

1. Processing fee represented income generated from the provision of subcontracting services in relation to the manufacturing of machine frames for the Group's customers of hydraulic components.
2. Revenue from other services represented income generated from the provision of cleaning services of Eco-Trap and sales of hydraulic filters.

The following table sets out the gross profit by products of the Group for the three years ended 31 October 2005:

	For the year ended 31 October		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hydraulic components	17,199	10,212	11,108
Eco-Trap, Eco-Green and Eco-Green Supreme	17,236	21,316	20,823
Others (<i>Note</i>)	391	1,115	2,003
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Total	<u>34,826</u>	<u>32,643</u>	<u>33,934</u>

Note: Others included sales of Eco-Water, Eco-Air, water purification system, provision of processing and other services.

Although the Subsidy Programmes have expired, the Group will continue to strengthen its sales of other products including hydraulic components, Eco-Water and Eco-Air and the provision of processing and other services. Revenue generated from the sales of hydraulic components for the six months ended 30 April 2006 has increased by around 23.3% as compared to that of the corresponding period of 2005. The Group will also continue the development of the water supply business. According to the original construction plan, it is expected that the water supply plant in Tianjin City, the PRC will be completed in around mid-2007. The management of the Group is now trying to speed up the construction progress. Furthermore, the Group has completed the development of an energy saving device which according to the initial product design can save up to 80% of electricity consumption of industrial machines. The new product is designed not only to save electricity consumption of industrial machines but also operating costs of the manufacturers. It is expected that the new product will be launched to the market in the fourth quarter of the year ending 31 October 2006. The Group expects that the widening of the revenue bases can compensate part of the reduction in revenue resulting from the completion of the contracts with the EPD. Also, the Group will continue to pay attention to any future EPD tenders and take an initiative to cooperate with the EPD again in the future. With the past successful experience in the Subsidy Programmes, the Group has confidence to obtain new tenders from the EPD if relevant business opportunity arises.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Company”	Eco-Tek Holdings Limited, a company incorporated on 6 December 2000 in the Cayman Islands with limited liability, the issued shares of which are listed on GEM as at the date of this announcement
“Directors”	the directors of the Company
“Eco-Air”	the indoor air purifier developed and launched by the Group with the aim to improve the indoor air quality

“Eco-Green”	the particulate removal devices launched by the Group in late 2002, which can remove some of the harmful particulates emitted by diesel-powered vehicles by converting the particulates into harmless natural substances such as carbon dioxide (“CO ₂ ”) and water vapour through oxidation effect
“Eco-Green Supreme”	the particulate removal devices launched by the Group in 2005, which can remove some of the harmful particulates emitted by diesel-powered vehicles that undertake long idling duties by converting the particulates into harmless natural substances such as CO ₂ and water vapour through oxidation effect
“Eco-Trap”	the diesel particulate trap launched by the Group in 2000, which is an add-on device that is connected to the exhaust pipe of diesel-powered light vehicles to physically trap some of the diesel emission particulates
“Eco-Water”	the ionised clean water system developed and launched by the Group for the purpose of providing purified water mainly for household and office users
“EPD”	the Environmental Protection Department of the Government of Hong Kong
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“Subsidy Programme for Heavy Vehicles”	the voluntary installation and subsidy programme launched by the EPD, which commenced in December 2002 and expired in December 2004, in relation to the provision of grants by the Government of Hong Kong to owners of pre-Euro emission standard heavy diesel-powered vehicles with gross weight of over four tonnes and were first registered on or before 31 March 1995, to install qualified particulate removal devices (including Eco-Green)

“Subsidy Programme for Heavy Vehicles (long idling duties)”	the voluntary installation and subsidy programme launched by the EPD, which commenced in May 2005 and expired in August 2006, in relation to the provision of grants by the Government of Hong Kong to owners of pre-Euro emission standard heavy diesel-powered vehicles with gross weight of over four tonnes and need to undertake long idling duties and were first registered on or before 31 March 1995, to install qualified particulate removal devices (including Eco-Green Supreme)
“Subsidy Programme for Light Vehicles”	the voluntary installation and subsidy programme launched by the EPD, which commenced in September 2000 and expired in May 2002, in relation to the provision of grants by the Government of Hong Kong to owners of pre-Euro emission standard diesel-powered light vehicles with gross weight of up to four tonnes and were first registered on or before 31 March 1995 (for private cars and goods vans), 31 December 1995 (for diesel-powered taxis) or 31 March 1997 (for diesel-powered light buses) to install qualified particulate removal devices (including Eco-Trap)
“Subsidy Programme(s)”	any of the Subsidy Programme for Light Vehicles, the Subsidy Programme for Heavy Vehicles and/or the Subsidy Programme for Heavy Vehicles (long idling duties), as the case may be

DIRECTORS OF THE COMPANY

As at the date of this announcement, the board of Directors comprises Mr. Shah Tahir Hussain, Mr. Han Ka Lun and Mr. Ng Chi Fai (being the executive Directors), Dr. Lui Sun Wing and Mr. Young Meng Cheung Andrew (being the non-executive Directors), Ms. Chan Siu Ping Rosa, Mr. Takeuchi Yutaka, Professor Ni Jun and Ms. Hui Wai Man Shirley (being the independent non-executive Directors).

By order of the board of Directors
Eco-Tek Holdings Limited
 環康集團有限公司*
Shah Tahir Hussain
 Chairman

Hong Kong, 4 September 2006

* for identification purpose only

The announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with 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 aspects and not misleading; (2) there are no other matters the omissions 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.

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