



*Fostering a healthy environment*

## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

### Third Quarterly Report

For the nine months ended 31 July 2006

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

## SUMMARY

- Turnover for the three months and nine months ended 31 July 2006 amounted to HK\$24.4 million (2005: HK\$13.2 million) and HK\$69.6 million (2005: HK\$44.7 million), representing an increase of 85% and 56% respectively as compared with the same periods last year.
- Profit attributable to equity holders of the Company for the three months and nine months ended 31 July 2006 amounted to HK\$3.7 million (2005: HK\$0.4 million) and HK\$10.3 million (2005: HK\$5.5 million), representing an increase of 8.2 times and 87% respectively as compared with last corresponding periods.
- Basic earnings per share for the three months ended 31 July 2006 amounted to HK0.56 cent (2005: HK0.08 cent) and the diluted earnings per share for the three months ended 31 July 2005 amounted to HK0.07 cent.
- Basic and diluted earnings per share for the nine months ended 31 July 2006 amounted to HK1.61 cent (2005: HK1.01 cents) and HK1.40 cent (2005: HK0.86 cents) respectively.

## UNAUDITED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 July 2006 together with the comparative figures for the corresponding periods in the last financial year.

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
REVENUE	2	<b>24,393</b>	13,246	<b>69,615</b>	44,674
Cost of sales		<b>(17,030)</b>	(11,328)	<b>(48,199)</b>	(32,838)
Gross profit		<b>7,363</b>	1,918	<b>21,416</b>	11,836
Other income		<b>132</b>	618	<b>457</b>	878
Selling expenses		<b>(508)</b>	(660)	<b>(2,172)</b>	(1,811)
Administrative expenses		<b>(4,052)</b>	(2,234)	<b>(11,185)</b>	(7,215)
Other operating income		<b>381</b>	1,168	<b>756</b>	2,629
PROFIT FROM OPERATION		<b>3,316</b>	810	<b>9,272</b>	6,317
Finance cost		<b>(307)</b>	-	<b>(428)</b>	-
Share of loss of a jointly controlled entity		<b>(115)</b>	-	<b>(210)</b>	-
PROFIT BEFORE TAXATION		<b>2,894</b>	810	<b>8,634</b>	6,317
Taxation	3	<b>(256)</b>	(369)	<b>(357)</b>	(771)
PROFIT FOR THE PERIOD		<b>2,638</b>	441	<b>8,277</b>	5,546
Attributable to:					
Equity holders of the Company		<b>3,664</b>	441	<b>10,299</b>	5,546
Minority interest		<b>(1,026)</b>	-	<b>(2,022)</b>	-
		<b>2,638</b>	441	<b>8,277</b>	5,546
Dividends	4	-	-	-	-
EARNINGS PER SHARE:	5				
- Basic		<b>HK0.56 cent</b>	HK0.08 cent	<b>HK1.61 cent</b>	HK1.01 cent
- Diluted		<b>N/A</b>	HK0.07 cent	<b>HK1.40 cent</b>	HK0.86 cent

## NOTES:

## 1. Principal accounting policies and basis of preparation

The Group's unaudited quarterly results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Statements issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

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.

## 2. Revenue

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

## 3. Taxation

	Three months ended 31 July		Nine months ended 31 July	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current:				
Hong Kong	–	–	–	32
Elsewhere	188	19	224	50
	188	19	224	82
Deferred	68	350	133	689
Total tax charge for the period	256	369	357	771

Hong Kong profits tax has been provided at the rate of 17.5% (nine months ended 31 July 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 31 July 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.

#### 4. Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2006 (nine months ended 31 July 2005: nil).

#### 5. Earnings per share

The earnings per share amount for the three months ended 31 July 2006 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$3,664,000 (three months ended 31 July 2005: HK\$441,000) and the weighted average of 649,540,000 (three months ended 31 July 2005: 552,800,000) ordinary shares in issue during the period.

The earnings per share amount for the nine months ended 31 July 2006 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$10,299,000 (nine months ended 31 July 2005: HK\$5,546,000) and the weighted average of 641,861,000 (nine months ended 31 July 2005: 552,800,000) ordinary shares in issue during the period.

Diluted earnings per share for the three months period ended 31 July 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 31 July 2005 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$441,000 and 644,578,974 ordinary shares, being the 552,800,000 ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 91,778,974 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.

The calculation of the diluted earnings per share for the nine months ended 31 July 2006 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$10,299,000 (nine months ended 31 July 2005: HK\$5,546,000) and 738,167,000 (nine months ended 31 July 2005: 644,711,030) ordinary shares, being the 641,861,000 (nine months ended 31 July 2005: 552,800,000) ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 96,306,000 (nine months ended 31 July 2005: 91,911,030) 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

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 November 2004	19,586	95	26,904	-	8,292	-	54,877
Exchange difference	-	-	-	851	-	-	851
2004 final dividend declared	-	-	-	-	(8,292)	-	(8,292)
Profit for the period	-	-	5,546	-	-	-	5,546
At 31 July 2005	19,586	95	32,450	851	-	-	52,982
<b>At 1 November 2005</b>	<b>19,586</b>	<b>95</b>	<b>45,845</b>	<b>138</b>	<b>3,248</b>	<b>-</b>	<b>68,912</b>
Purchase of subsidiary	-	-	-	-	-	3,611	3,611
Other contribution by minority interest	-	-	-	-	-	(131)	(131)
Exchange difference	-	-	-	(335)	-	-	(335)
2005 final dividend declared	-	-	-	-	(3,248)	-	(3,248)
Profit for the period	-	-	10,299	-	-	(2,022)	8,277
At 31 July 2006	19,586	95	56,144	(197)	-	1,458	77,086

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the nine months ended 31 July 2006, the Group recorded an increase in turnover of approximately HK\$24.9 million or 55.7% as compared to last corresponding period. Net profits attributable to equity holders of the Company amounted to approximately HK\$10.3 million (2005: HK\$5.5 million), represented an increase of 87.3% to that of the last corresponding period. Revenue generated from both general and industrial environmental protection related products have been increased during the review period. For the general environmental protection related products, sales has been increased from HK\$5.8 million to HK\$13.9 million. The increase in turnover was mainly attributable to the launch of VISA for Heavy Vehicles (long idling duties) in May 2005. Under such program, the Group has installed over 1000 pieces of Eco-Green Supreme on qualified vehicles and this lead to the increase in revenue during the period. At the date of this report, such tender has been completed.

For the sales of the industrial environmental protection related products, turnover has been increased by nearly 49.4% from HK\$35.8 million to HK\$53.5 million. There are two main reasons for such increase. Firstly, 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 settled in the nine months ended 31 July 2006. The demands for hydraulic components were also subsequently rebounded. Secondly, with the increase in the marketing efforts of the management, such as the opening of department store in the first quarter of the year, sales of industrial products have also been increased.

The gross profits of the Group for the nine months ended 31 July 2006 amounted to approximately HK\$21.4 million, representing an increase of approximately 81.4% over the gross profit of around HK\$11.8 million for the nine months ended 31 July 2005 and the gross profit margins was consistent with that of the interim period of around 30.7% (2005: 26.5%).



The administrative expenses for the nine months ended 31 July 2006 increased by approximately 55.6% from approximately HK\$7.2 million to HK\$11.2 million. Such increase is mainly due to the increase in the professional costs arising from the acquisition of 42.5% interests in Asian Way International Limited (“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 nine months ended 31 July 2006 includes the write back of provision for warranty amounted to approximately HK\$896,000, which represented write back of the excess provision for the free materials and workmanship of Eco-Green.

## Business review and prospects

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

With the completion of the EPD tenders for the VISP for Heavy Vehicles in this review period, the Group’s revenue generated from the general environmental protection related products and services in future are expected to be reduced. The Group will continue to focus on the promotion of the industrial environmental products and on widening other sources of revenue and range of products and services. At the same time, the Group will continue to pay attention to the EPD tenders and takes an initiative to cooperate with EPD again in the future.

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.

In December 2005, the Group has purchased 42.5% interests in 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. It is originally expected that the construction works can be completed in 18 months time started in November 2005. For the best interests of the Group, management will try to shorten the construction period. For details of the acquisition of Asian Way, please refer to the circular dated 16 December 2005.

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

## 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.

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

As at 31 July 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

Name	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital as at 31 July 2006
	Capacity and nature of interest	Number of ordinary shares held	
<b><i>Executive Director</i></b>			
Mr. SHAH Tahir Hussain	Directly beneficially owned	14,372,800	2.2
<b><i>Chief Executive Officer</i></b>			
Dr. PAU Kwok Ping (Note)	Through a discretionary trust	44,224,000	6.8
		58,596,800	9.0

Note:

Dr. PAU Kowk 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 31 July 2006 were as follows:

Name	Date of grant	Number of	Number of	Number of	Exercise price per share HK\$
		options outstanding as at 1 November 2005	options exercised during the period	options outstanding as at 31 July 2006	
<b>Executive Director</b>					
Mr. SHAH Tahir Hussain	21/11/2001	13,820,000	(13,820,000)	–	0.01
<b>Chief Executive Officer</b>					
Dr. PAU Kwok Ping	21/11/2001	27,640,000	(27,640,000)	–	0.01
		41,460,000	(41,460,000)	–	

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

<b>Name</b>	<b>Total number of ordinary shares held</b>	<b>Number of options held and outstanding as at 31 July 2006</b>	<b>Aggregate in number</b>	<b>Percentage of the Company's issued share capital as at 31 July 2006</b>
<b><i>Executive Director</i></b>				
Mr. SHAH Tahir Hussain	14,372,800	–	14,372,800	2.2
<b><i>Chief Executive</i></b>				
Dr. PAU Kwok Ping	44,224,000	–	44,224,000	6.8
	58,596,800	–	58,596,800	9.0

Save as disclosed above, as at 31 July 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 31 July 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 July 2006
<b><i>Substantial shareholders</i></b>			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	77,430,800	11.92
PolyU Enterprise Limited (Note 2)	Through a controlled corporation	77,430,800	11.92
Advance New Technology Limited (Note 2)	Directly beneficially owned	77,430,800	11.92

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital as at 31 July 2006</b>
ING Trust Company (Jersey) Limited (Note 3)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 3)	Directly beneficially owned	44,224,000	6.81
<b>Other shareholder</b>			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	5.48

*Notes:*

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.
2. Advance New Technology Limited is a wholly-owned subsidiary of PolyU Enterprise Limited, which is wholly owned by The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU 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 31 July 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 31 July 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.

## 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 nine months ended 31 July 2006. 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 nine months ended 31 July 2006.



## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises four members, Ms. HUI Wai Man Shirley, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, who are the independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 31 July 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, 11 September 2006