



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8169

For the six months ended 30 April 2008

Interim Report

fostering a
healthy environment



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 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 six months ended 30 April 2008 amounted to approximately HK\$87.7 million (2007: HK\$54.1 million), representing an increase of approximately 62.0%. Net profit attributable to shareholders amounted to approximately HK\$12.2 million (2007: HK\$5.6 million) which represented approximately 1.18 times compared with last corresponding period.
- Basic earnings per share for the six months ended 30 April 2008 amounted to approximately HK1.87 cents (2007: HK0.86 cent).
- The Board does not recommend the payment of an interim dividend.

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 2008 together with the comparative figures for the corresponding periods in last financial year.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 April		Six months ended 30 April	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE	3	45,315	27,422	87,681	54,119
Cost of sales		(34,683)	(21,933)	(68,611)	(42,124)
Gross profit		10,632	5,489	19,070	11,995
Other income		132	148	249	479
Selling expenses		(1,647)	(1,242)	(2,466)	(1,773)
Administrative expenses		(3,689)	(2,651)	(7,804)	(6,452)
Other operating income		260	371	650	761
PROFIT FROM OPERATIONS		5,688	2,115	9,699	5,010
Finance costs		(224)	—	(541)	—
Share of (loss)/profit of a jointly controlled entity		(85)	—	65	33
PROFIT BEFORE TAXATION	5	5,379	2,115	9,223	5,043
Taxation	6	(143)	37	(916)	(84)
PROFIT FOR THE PERIOD		5,236	2,152	8,307	4,959
Attributable to:					
Equity holders of the Company		7,352	2,566	12,171	5,592
Minority interest		(2,116)	(414)	(3,864)	(633)
PROFIT FOR THE PERIOD		5,236	2,152	8,307	4,959
Dividend	7	—	—	—	—
EARNINGS PER SHARE:	8				
Basic		HK1.13 cents	HK0.40 cent	HK1.87 cents	HK0.86 cent
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 April 2008	As at 31 October 2007
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	124,459	118,710
Leasehold interest in land		5,551	5,230
Interest in a jointly controlled entity		1,832	1,767
Deferred tax assets		1,419	2,499
Accounts receivable	11	11,434	12,208
Pledged bank deposits	12	9,020	9,020
		153,715	149,434
CURRENT ASSETS			
Inventories	10	31,520	28,216
Accounts receivable	11	46,207	42,146
Deposits, prepayments and other receivables		11,754	6,059
Amount due from a minority shareholder	17	26,179	26,179
Tax recoverable		1,801	1,801
Cash and cash equivalents	12	14,027	10,491
		131,488	114,892
CURRENT LIABILITIES			
Accounts and bills payable	13	44,982	49,658
Accrued liabilities and other payables		50,167	30,807
Provision for warranty	14	1,915	1,748
Provision for tax		1,013	1,500
Bank loans	15	23,900	27,000
		121,977	110,713
NET CURRENT ASSETS		9,511	4,179
TOTAL ASSETS LESS CURRENT LIABILITIES		163,226	153,613
NON-CURRENT LIABILITIES			
Provision for warranty	14	644	1,591
Loans from minority shareholders		25,360	25,145
		26,004	26,736
		137,222	126,877

	As at 30 April 2008	As at 31 October 2007
<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	6,495	6,495
Share premium	19,586	19,586
Capital reserve	95	95
Exchange translation reserve	11,712	6,426
Capital contribution reserve	11,126	11,126
Share option reserve	376	376
Retained profits	78,034	65,863
Proposed final dividend	—	3,248
	127,424	113,215
Minority interest	9,798	13,662
TOTAL EQUITY	137,222	126,877

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	12,142	8,404
NET CASH USED IN INVESTING ACTIVITIES	(1,717)	(11,951)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(6,889)	8,747
INCREASE IN CASH AND CASH EQUIVALENTS	3,536	5,200
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	10,491	9,434
CASH AND CASH EQUIVALENTS AT 30 APRIL	14,027	14,634

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company									Minority interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Share option reserve	Retained profits	Proposed final dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 November 2006	6,495	19,586	95	1,687	—	—	55,641	3,248	86,752	555	87,307
Exchange difference (net expense recognised directly in equity)	—	—	—	(181)	—	—	—	—	(181)	—	(181)
Profit for the period	—	—	—	—	—	—	5,592	—	5,592	(633)	4,959
Total recognised income and expense for the period	—	—	—	(181)	—	—	5,592	—	5,411	(633)	4,778
Other contribution by minority interest	—	—	—	—	—	—	—	—	—	2,380	2,380
2006 final dividend declared	—	—	—	—	—	—	—	(3,248)	(3,248)	—	(3,248)
At 30 April 2007	6,495	19,586	95	1,506	—	—	61,233	—	88,915	2,302	91,217
At 1 November 2007	6,495	19,586	95	6,426	11,126	376	65,863	3,248	113,215	13,662	126,877
Exchange difference (net income recognised directly in equity)	—	—	—	5,286	—	—	—	—	5,286	—	5,286
Profit for the period	—	—	—	—	—	—	12,171	—	12,171	(3,864)	8,307
Total recognised income and expense for the period	—	—	—	5,286	—	—	12,171	—	17,457	(3,864)	13,593
2007 final dividend declared	—	—	—	—	—	—	—	(3,248)	(3,248)	—	(3,248)
At 30 April 2008	6,495	19,586	95	11,712	11,126	376	78,034	—	127,424	9,798	137,222

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 2007.

2. Principal accounting policies

The unaudited condensed financial statements for the six months ended 30 April 2008 are prepared under the historical cost convention and the accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the 2007 Annual Financial Statements. The condensed consolidated accounts have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

From 1 November 2007, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA which were first effective on 1 November 2007 and relevant to the Group’s operation.

The adoption of these new and amended HKFRSs did not result in significant changes in the Group’s accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in any material financial impact on the Group’s financial statements:

HKFRS 8	Operating Segments ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HK (IFRIC) — Interpretation 12	Service Concession Arrangements ²
HK (IFRIC) — Interpretation 13	Customer Loyalty Programmes ³
HK (IFRIC) — Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction ⁴
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ⁵

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual period beginning on or after 1 January 2008.

⁵ Effective for annual period beginning on or after 1 July 2008.

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		Unallocated**		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Segment revenue										
Sales to external customers	2,605	—	10	350	84,906	53,769	160	—	87,681	54,119
Segment results	(2,687)	(1,156)	(135)	(623)	14,044	8,215	(42)	—	11,170	6,236
Interest income									130	222
Unallocated expenses									(1,601)	(1,448)
Profit from operations									9,699	5,010
Finance costs									(541)	—
Share of profit of a jointly controlled entity									65	33
Profit before taxation									9,223	5,043
Taxation									(916)	(64)
Profit for the period									8,307	4,959
Segment assets	152,404	146,256	27,337	26,367	99,650	83,069	329	186	279,720	257,878
Interest in a jointly controlled entity									1,832	1,767
Tax assets									3,220	4,300
Unallocated assets									431	381
Total assets									285,203	264,326
Segment liabilities	82,326	45,329	3,076	3,792	59,836	48,391	—	57	145,238	134,699
Tax liabilities									1,013	1,500
Unallocated liabilities									1,730	1,250
Total liabilities									147,981	137,449
Other segment information										
Depreciation	3,759	124	100	115	301	200	—	—	4,160	439
Capital expenditure	—	12,254	44	195	1,803	28	—	—	1,847	12,477
Write back of provision for warranty	—	—	(650)	(643)	—	—	—	—	(650)	(643)

* Unallocated revenue and results represented revenue and results from various kinds of consultancy and advertising services.

** Unallocated assets and liabilities represented assets and liabilities from various kind of consultancy and advertising services.

(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	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales to external customers	14,288	11,013	73,393	42,334	—	772	87,681	54,119
Other revenue	215	246	34	18	—	215	249	479
Segment assets	48,961	42,157	231,190	196,128	—	19,974	280,151	258,259
Interest in a jointly controlled entity							1,832	1,767
Tax assets							3,220	4,300
							285,203	264,326
Other segment information								
Capital expenditure	311	202	1,536	12,275	—	—	1,847	12,477

[#] Others represents unallocated items

5. Profit before taxation

	Three months ended 30 April		Six months ended 30 April	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group's profit before taxation is arrived at after charging/(crediting):				
Cost of inventories sold	32,378	19,099	64,311	39,290
Depreciation	2,531	291	4,160	439
Exchange gains, net	(396)	(624)	(1,673)	(511)
Operating lease charges in respect of land and buildings	564	359	906	632
Provision for bad debt	127	—	127	—
Provision for slow-moving inventories	—	8	132	8
Staff costs (including Directors' remunerations)				
Wages and salaries	3,181	1,083	4,933	2,369
Pension scheme contributions	33	32	65	63
Write back of provision for warranty	(260)	(253)	(650)	(643)
Interest income	(37)	(115)	(130)	(222)

6. Taxation

	Three months ended 30 April		Six months ended 30 April	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Elsewhere — tax for the year	457	17	1,162	70
— over provision for the period	(382)	—	(382)	—
Sub-total	75	17	780	70
Deferred tax	68	(54)	136	14
Total tax charge/(credit) for the period	143	(37)	916	84

No Hong Kong profits tax has been provided in the financial statements as the Group has utilised its loss brought forward to offset against its assessable profit for the six months ended 30 April 2008 (six months ended 30 April 2007: Nil).

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 2008, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries (2007: Nil).

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2008 (six months ended 30 April 2007: Nil).

8. Earnings per share

The earnings per share for the three months ended 30 April 2008 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$7,352,000 (three months ended 30 April 2007: HK\$2,566,000) and the weighted average of 649,540,000 (three months ended 30 April 2007: 649,540,000) ordinary shares in issue during the period.

The earnings per share amount for the six months ended 30 April 2008 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$12,171,000 (six months ended 30 April 2007: HK\$5,592,000) and the weighted average of 649,540,000 (six months ended 30 April 2007: 649,540,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for the three months and six months period ended 30 April 2008 since the exercise price of the Company's options was higher than the average market price for the period.

Diluted earnings per share for the three months and six months period ended 30 April 2007 is not disclosed as there was no dilutive potential ordinary shares.

9. Property, plant and equipment

	Motor vehicles	Office equipment	Plant, moulds and machinery	Furniture and fixtures	Leasehold improvements	Building and structure	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Closing net book value							
Opening net book value	978	356	32,589	52	278	84,457	118,710
Additions	206	88	1,481	72	—	—	1,847
Depreciation	(145)	(66)	(1,730)	(26)	(60)	(2,133)	(4,160)
Translation differences	42	30	2,246	—	37	5,707	8,062
	1,081	408	34,586	98	255	88,031	124,459
At 30 April 2008							
Cost	1,643	921	38,800	356	643	91,200	133,563
Accumulated depreciation	(562)	(513)	(4,214)	(258)	(388)	(3,169)	(9,104)
Net book amount	1,081	408	34,586	98	255	88,031	124,459

10. Inventories

	As at 30 April 2008	As at 31 October 2007
	HK\$'000	HK\$'000
Finished goods	35,382	31,946
Provision for slow-moving inventories	(3,862)	(3,730)
	31,520	28,216

11. Accounts receivable

The Group has a policy of allowing an average credit period of 90 days to its trade customers, except for one customer. This customer's repayment term is to pay (i) 70% to 80% of the invoice amount to the Group one month after the invoice date; (ii) another 10% of the invoice amount to the Group three months or twelve 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 customer. An ageing analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	As at 30 April 2008 <i>HK\$'000</i>	As at 31 October 2007 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	25,955	23,805
91 — 180 days	11,625	12,862
181 — 365 days	4,479	2,389
Over 365 day	17,556	17,145
	59,615	56,201
Provision for doubtful debts	(1,974)	(1,847)
	57,641	54,354
Carrying amount analysed for reporting purposes as:		
Non-current (<i>Note a</i>)	11,434	12,208
Current	46,207	42,146
	57,641	54,354

Notes:

- (a) The balance shall be payable by the customer at the expiry of warranty period of five years from the date of performance of installation services.
- (b) Accounts receivable with carrying amount of approximately HK\$15.1 million (2007: HK\$15.4 million) was pledged to secure a bank loan of the Group.

12. Cash and cash equivalents and pledged deposits

	As at 30 April 2008	As at 31 October 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	14,027	10,491
Bank deposits	9,020	9,020
	23,047	19,511
<i>Less: Pledged bank deposits for performance bond facilities</i>	(9,020)	(9,020)
Cash and cash equivalents	14,027	10,491
Pledged deposits analysed for reporting purposes as: non-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:

	As at 30 April 2008	As at 31 October 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	33,702	40,440
91 — 180 days	10,567	8,763
181 — 365 days	633	3
Over 365 days	80	452
	44,982	49,658

14. Provision for warranty

	30 April 2008	31 October 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the period/year	3,339	5,014
<i>Less: unused amounts reversed and credited to income statement</i>	(650)	(1,350)
	2,689	3,664
<i>Less: amounts utilised</i>	(130)	(325)
At end of the period/year	2,559	3,339
Portion classified as current liabilities	(1,915)	(1,748)
Portion classified as non-current liabilities	644	1,591

The provision for warranty is made for warranties granted to the eligible vehicle owners for the free-of-charge materials and workmanship of particulate removal devices and accessories, up to a period of five years from the date of installation.

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 loans

Bank loans were denominated in Hong Kong dollars with interest at variable rate of 1.8% over one month HIBOR, which was 3.5% (2007: 6.4%) per annum at 30 April 2008. These bank loans were secured by corporate guarantee and the Group's non-current accounts receivables and have maturity of one to two months for both years.

16. Contingent liabilities

The Group concluded totally 7 (2007: 7) non-exclusive contracts with the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region (the "Government"). Pursuant to the terms of the contracts, the Group has procured a bank to provide 7 (2007: 7) performance bonds with an aggregate amount of approximately HK\$9 million (2007: HK\$9 million) to the Government for the performance of supply and installation of particulate removal devices to reduce particulate from the pre-Euro emission standard diesel vehicles. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits.

Save as aforesaid, the Group did not have any other significant contingent liabilities at 30 April 2008.

17. Capital commitment/Amount due from a minority shareholder

The Company has no capital commitment as at 30 April 2008 (2007: Nil).

On 16 November 2005, the Group entered into a legally binding memorandum of understanding and a sale and purchase agreement (collectively known as the "Agreements") in relation to the acquisition of 42.5% interest in Asian Way. According to the Agreements, the total construction fee for the water supply plant was estimated to be RMB80 million and any excess sum of construction fee should be solely borne by Mr. Tang Hin Lun ("Mr. Tang"), the minority shareholder of Asian Way. As at 31 October 2007, the total construction fee for the water supply plant was approximately RMB110,350,000 (equivalent to HK\$114,948,000).

A confirmation ("Confirmation") was signed by Mr. Tang to the Group on 22 January 2008 to confirm the amount agreed between the Group and Mr. Tang under the Agreements. Pursuant to the Confirmation, the construction fee borne by the Group was amounted to approximately RMB85,218,000 (equivalent to HK\$88,769,000) and the remaining amount of approximately RMB25,132,000 (equivalent to HK\$26,179,000) was solely borne by Mr. Tang and this amount was reported as "amount due from a minority shareholder" under current assets and "capital contribution reserve" under equity as it was contribution from Mr. Tang.

As at 30 April 2008, the Group has an amount due to the main contractor of the water supply plant of approximately RMB25,132,000 (equivalent to HK\$26,179,000) which was included in the consolidated balance sheet as "other payable". Pursuant to the Confirmation, Mr. Tang will settle this balance on behalf of the Group as his settlement on the amount due from him of RMB25,132,000 (equivalent to HK\$26,179,000).

18. Related party transactions

Included in staff costs is key management personnel compensation (including executive directors' remuneration) which comprises the following categories:

	Three months ended 30 April		Six months ended 30 April	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	650	550	1,123	940
Bonuses	49	—	1,002	—
	699	550	2,125	940

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 April 2008, the Group recorded an increase in turnover of approximately HK\$33.6 million or 62.0% as compared to last corresponding period. Net profits attributable to shareholders amounted to approximately HK\$12.2 million (2007: HK\$5.6 million), represented an increase of approximately 1.18 times to that of the last corresponding period.

In this review period, the Group continues its main efforts in its marketing works in the promotion and diversification of its industrial environmental protection related products. The snow storm in the Mainland China in February 2008 had increased in the demand of our products.

Gross profits of the Group for the six months ended 30 April 2008 amounted to approximately HK\$19.1 million, representing an increase of approximately 59%. Gross profits ratios for the six months ended 30 April 2008 was 21.7% which remained stable from last year's 22.2%.

With the continue increase in the scale of business of industrial environmental protection related products, the opening of the water supply plant in Tianjin and the continue appreciation of the RMB, administrative expenses and selling expenses for the six months ended 30 April 2008 was increased by around HK\$1.4 million and HK\$700,000 or 20.9% and 39% respectively to that of the last corresponding period.

Business Review and Prospects

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

For the industrial environmental protection related products segments, the Group will continue its efforts to promote its products to different customers in diversified industries and will open more representative offices in different regions. With the continue increases in both the prices of natural resources and the awareness of the environmental protection, demand for industrial environmental protection related products will surely increase. Also, the recent earthquake happened in Sichun will increase the demand for construction machines which will ultimately increase the demand for our products. To further diversify our products, the Group has also started engaging directly in the manufacturing of other industrial processing machines.

For the water supply plant in Tianjin, with the rapid economic development of the region and the exclusive rights of supplying processed water, demand for our processed water will surely be increased and the Group is confident that the plant contribute stable revenue to the Group in the future.

Increasing environmental challenges, rising costs, and global uncertainty, the Group need to look beyond maximizing efficiency and exploiting competitive advantage to achieve continuous growth. The Group have developed sustainable ways of achieving their success — particularly in resource consumption and inspire the changes that will endow the next generation with a better future.

Liquidity and Financial Resources

For the year under review, the Group financed its operations with its own available funding. To finance the construction of the Water Supply Plant in Tianjin as stated in the circular dated 16 December 2005, the Group has raised around HK\$25 million loan from the banks. Taking into account the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirement.

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 requirement.

Employee Information

As at 30 April 2008, the Group had 149 employees (2007: 75) 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 period under review amounted to approximately HK\$3.9 million (2007: HK\$2.4 million). The dedication and hard work of the Group's staff during the period ended 30 April 2008 are greatly appreciated and recognized.

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 board 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.

Charge on Group Assets and Contingent Liabilities

As at 30 April 2008, the Group has pledged its bank deposits of approximately HK\$9 million to secure for the performance bond facilities and has pledged its accounts receivables of approximately HK\$15.1 million to secure for the bank loan.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2008.

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 2008, 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:

Interest in underlying shares of the Company

Pursuant to a share option scheme (the "Scheme") adopted by the Company on 21 November 2001, the Company had granted share options on the Company's ordinary shares to various Directors. Details of share options to subscribe for shares in the Company granted to these Directors as at 30 April 2008 were as follows:

Name	Date of grant	Number of options outstanding as at 1 November 2007	Number of options granted during the period	Number of options outstanding as at 30 April 2008	Exercise price per share HK\$
Executive Director and Chief Executive					
Mr. NG Chi Fai	13/8/2007	500,000	—	500,000	0.350
Non-Executive Director					
Ms. HUI Wai Man Shirley	2/4/2007	500,000	—	500,000	0.235
Independent Non-Executive Directors					
Ms. CHAN Siu Ping Rosa	2/4/2007	500,000	—	500,000	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	500,000	—	500,000	0.235
Professor NI Jun	2/4/2007	500,000	—	500,000	0.235
		2,500,000	—	2,500,000	

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

Name	Total number of ordinary shares held as at 30 April 2008	Number of options held and outstanding as at 30 April 2008	Aggregate in number as at 30 April 2008	Percentage of the Company's issued share capital as at 30 April 2008
<i>Executive Director and Chief Executive</i>				
Mr. NG Chi Fai	—	500,000	500,000	0.08
<i>Non-Executive Director</i>				
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
<i>Independent Non-Executive Directors</i>				
Ms. CHAN Siu Ping Rosa	—	500,000	500,000	0.08
Mr. TAKEUCHI Yutaka	—	500,000	500,000	0.08
Professor NI Jun	—	500,000	500,000	0.08
	—	2,500,000	2,500,000	0.40

Save as disclosed above, as at 30 April 2008, 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 2008, 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 in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 30 April 2008
Substantial shareholders			
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	70,440,800	10.84
PolyU Enterprise Limited (Note 2)	Through a controlled corporation	70,440,800	10.84
Advance New Technology Limited (Note 2)	Directly beneficially owned	70,440,800	10.84
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
Other shareholder			
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.

Other share options granted under the Scheme

Name	Date of grant	Number of options outstanding as at 1 November 2007	Number of options granted during the period	Number of options outstanding as at 30 April 2008	Exercise price per share
		<i>HK\$</i>			
Mr. CHEUNG Ka Fai	13/8/2007	500,000	—	500,000	0.35

Save as disclosed above, as at 30 April 2008, 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 period ended 30 April 2008. The Company had not redeemed any of its listed securities during the period ended 30 April 2008.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provision of the Code on Corporate Governance Practice (the “CG Code”) set out in Appendix 15 of the GEM Listing Rules for the review period.

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 and six months ended 30 April 2008.

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, Mr. CHAU Kam Wing Donald, 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, Mr. CHAU Kam Wing Donald, 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 control system of the Group. The audit committee comprises four members, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Mr. CHAU Kam Wing Donald, who are the independent non-executive directors of the Company.

The Group's unaudited results for the three months and six months ended 30 April 2008 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each director had confirmed that during the six months ended 30 April 2008, he had fully complied with the required standard of dealings and there was no event of non-compliance.

As at the date of this report, the directors of the Company are as follows:

Executive directors:

Mr. Han Ka Lun

Mr. Ng Chi Fai

Non-executive directors:

Dr. Lui Sun Wing

Mr. Young Meng Cheung Andrew

Ms. Hui Wai Man Shirley

Independent non-executive directors:

Ms. Chan Siu Ping Rosa

Mr. Takeuchi Yutaka

Professor Ni Jun

Mr. Chau Kam Wing Donald

By Order of the Board
Eco-Tek Holdings Limited
HUI Wai Man Shirley
Chairman

Hong Kong, 13 June 2008