

Interim Report **2010**



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8169

HEALTHY environment
Quality life



For the six months ended 30 April 2010

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 full 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.

FINANCIAL SUMMARY

- Turnover for the six months ended 30 April 2010 amounted to HK\$84 million (2009: HK\$67 million), representing an increase of 25% as compared with last corresponding period.
- Profits attributable to equity holders of the company for the six months ended 30 April 2010 amounted to HK\$8.1 million (2009: HK\$4.9 million) representing an increase of 65% as compared with last corresponding period.
- Basic earnings per share for the six months ended 30 April 2010 amounted to HK1.25 cents (2009: HK0.75 cent).

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 April 2010 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	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	3	40,092	36,565	83,707	66,829
Cost of sales		(27,244)	(27,951)	(61,722)	(51,306)
Gross profit		12,848	8,614	21,985	15,523
Other income		98	89	522	453
Selling expenses		(459)	(1,881)	(1,261)	(2,545)
Administrative expenses		(5,282)	(3,954)	(10,495)	(10,189)
Other operating income		20	—	104	299
Operating profit		7,225	2,868	10,855	3,541
Share of (loss)/profit of a jointly controlled entity		(196)	(445)	56	131
Profit before finance costs and tax		7,029	2,423	10,911	3,672
Finance costs		(273)	(227)	(585)	(362)
Profit before income tax	5	6,756	2,196	10,326	3,310
Income tax expense	6	(2,080)	30	(2,152)	239
Profit for the period		4,676	2,226	8,174	3,549
Attributable to:					
Equity holders of the Company		4,624	2,711	8,148	4,858
Minority interest		52	(485)	26	(1,309)
Profit for the period		4,676	2,226	8,174	3,549
Dividends	7	—	—	—	—
Earnings per share for the profit attributable to equity holders of the Company during the period	8				
Basic		HK0.71 cent	HK0.42 cent	HK1.25 cents	HK0.75 cent
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 30 April		Six months ended 30 April	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	4,676	2,226	8,174	3,549
Other comprehensive income for the period:				
— Exchange differences on translation of financial statements of foreign operations	256	(340)	625	(678)
Total comprehensive income for the period	4,932	1,886	8,799	2,871
Total comprehensive income attributable to:				
Equity holders of the Company	4,844	2,511	8,663	3,973
Minority interests	88	(625)	136	(1,102)
	4,932	1,886	8,799	2,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April 2010	As at 31 October 2009
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	127,282	130,814
Interest in leasehold land		5,434	5,462
Interest in a jointly controlled entity		2,648	2,592
Deferred tax assets		927	927
Accounts receivable	11	2,640	2,763
Pledged bank deposits	12	9,020	9,020
		147,951	151,578
Current assets			
Inventories	10	23,669	27,390
Accounts receivable	11	45,305	37,560
Deposits, prepayments and other receivables		9,976	9,481
Tax recoverable		1,755	1,755
Cash and cash equivalents	12	18,189	11,214
		98,894	87,400
Current liabilities			
Accounts and bills payable	13	41,365	42,987
Accrued liabilities and other payables		8,178	7,561
Provision for warranty	14	241	482
Provision for tax		3,579	1,548
Loan from a shareholder		3,500	3,500
Bank loans	15	8,514	8,664
		65,377	64,742
Net current assets		33,517	22,658
Total assets less current liabilities		181,468	174,236

	Notes	As at 30 April 2010 HK\$'000 (Unaudited)	As at 31 October 2009 HK\$'000 (Audited)
Non-current liabilities			
Loans from minority shareholders		24,127	23,745
Deferred tax liability		7,423	7,423
		31,550	31,168
Net Assets		149,918	143,068
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		10,540	8,023
Capital contribution reserve		7,971	7,971
Share option reserve		326	326
Retained profits		100,857	87,376
Proposed final dividend		—	1,949
		145,870	131,821
Minority interests		4,048	11,247
Total equity		149,918	143,068

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	9,812	(3,530)
NET CASH USED IN INVESTING ACTIVITIES	(533)	(1,183)
NET CASH USED IN FINANCING ACTIVITIES	(2,304)	(9,259)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,975	(13,972)
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	11,214	22,184
CASH AND CASH EQUIVALENTS AT 30 APRIL	18,189	8,212

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company								Minority interests	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	HK\$'000	HK\$'000
At 1 November 2008	6,495	19,566	95	9,749	11,126	326	80,539	3,897	131,813	16,591	148,404
Total comprehensive income for the period	—	—	—	(865)	—	—	4,858	—	3,973	(1,102)	2,871
Deferred tax	—	—	—	—	(3,155)	—	—	—	(3,155)	(4,268)	(7,423)
2008 final dividend paid	—	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
At 30 April 2009	6,495	19,566	95	8,864	7,971	326	85,397	—	128,734	11,221	139,955
At 1 November 2009	6,495	19,566	95	8,023	7,971	326	87,376	1,949	131,821	11,247	143,068
Total comprehensive income for the period	—	—	—	515	—	—	8,148	—	8,663	136	8,799
Further acquire 37.5% share of a subsidiary from a minority shareholder	—	—	—	2,002	—	—	5,333	—	7,335	(7,335)	—
2009 final dividend paid	—	—	—	—	—	—	—	(1,949)	(1,949)	—	(1,949)
At 30 April 2010	6,495	19,566	95	10,540	7,971	326	100,857	—	145,870	4,048	149,918

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The Group's unaudited condensed consolidated interim results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"). The unaudited interim results should be read in conjunction with the audited financial statements and notes thereto for the year ended 31 October 2009 ("2009 Audited Financial statements").

2. Principal accounting policies

The unaudited condensed financial statements for the six months ended 30 April 2010 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 2009 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 2009, the Group has adopted all the new and amended HKFRSs issued by HKICPA which were first effective on 1 November 2009 and relevant to the Group's operation.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The Group has not early adopted the certain new and amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipated that the adoption of such HKFRSs will not result in any material financial impact on the Group's financial statements.

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.

An analysis of the Group's turnover is as follows:

	Three months ended 30 April 2010	Three months ended 30 April 2009	Six months ended 30 April 2010	Six months ended 30 April 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Industrial environmental products	33,869	33,012	72,612	58,037
Production of processing equipment	2,003	1,669	2,978	5,384
Water supply plant	4,027	1,874	7,708	3,398
General environmental protection related products and services	193	10	409	10
	40,092	36,565	83,707	66,829

4. Segment Information

The executive directors have identified the Group's four services lines as operating segments as follows:

- Water Supply Plant
- General environmental protection related products and services
- Industrial environmental products
- Production of processing equipment

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Water Supply Plant		General environmental protection related products and services		Industrial environmental products		Production of processing equipment		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue										
From external customers	7,708	3,398	409	10	72,612	58,037	2,978	5,384	83,707	66,829
Reportable segment revenue	7,708	3,398	409	10	72,612	58,037	2,978	5,384	83,707	66,829
Reportable segment Profit/(Loss)	1,146	(1,251)	153	(446)	10,531	7,143	(74)	(426)	11,816	5,020
Bank interest income	—	—	(24)	(205)	(54)	(47)	—	—	(78)	(252)
Depreciation	3,940	3,284	80	72	95	90	192	189	4,307	3,635
Exchange losses/(gains), net	—	—	—	—	(601)	1,771	—	—	(601)	1,771
Operating lease charges in respect of land and buildings	—	—	179	256	511	594	90	90	780	940
Write back of provision for warranty	—	—	(241)	(299)	—	—	—	—	(241)	(299)
Reportable segment assets	118,972	124,098	24,883	24,939	69,529	58,258	33,233	31,612	246,617	238,907
Additions to non-current segment assets during the year	427	23	13	41	15	32	—	1,087	455	1,183
Reportable segment liabilities	3,374	3,691	450	686	43,587	41,329	2,153	4,499	49,564	50,205

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2010	2009
	HK\$'000	HK\$'000
Reportable segment revenue	83,707	66,829
Group revenue	83,707	66,829
Reportable segment Profit	11,816	5,020
Unallocated corporate expenses	(961)	(1,479)
Finance costs	(585)	(362)
Share of profit of a jointly controlled entity	56	131
Profit before income tax	10,326	3,310
Reportable segment assets	246,617	238,907
Other corporate assets	228	71
Group assets	246,845	238,978
Reportable segment liabilities	49,564	50,205
Other corporate liabilities	47,363	45,705
Group liabilities	96,927	95,910

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong (domicile)	7,994	10,063	12,829	13,094
The PRC	75,713	56,766	135,122	138,484
	83,707	66,829	147,951	135,122

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the period ended 2009 and 2010.

5. Profit before income tax

	Three months ended 30 April		Six months ended 30 April	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
The Group's profit before income tax is arrived at after charging/(crediting):				
Cost of inventories sold	30,195	24,999	57,663	45,507
Depreciation	2,150	1,830	4,307	3,635
Exchange losses/(gains), net	(1,325)	1,107	(601)	1,771
Operating lease charges in respect of land and buildings	465	568	780	940
Staff costs (including Directors' remunerations)	2,683	2,382	5,077	5,241
Wages and salaries				
Pension scheme contributions	38	36	75	73
Write back of provision for warranty	(241)	—	(241)	(299)
Interest income	(64)	(233)	(78)	(252)

6. Income tax expenses

	Three months ended 30 April		Six months ended 30 April	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Current tax				
— Hong Kong				
Tax for the period	733	—	733	—
Under provision in respect of prior years	1,351	—	1,351	—
	2,084	—	2,084	—
— PRC				
Tax for the period	(4)	(30)	68	61
	2,080	(30)	2,152	61
Deferred tax	—	—	—	(300)
Total income tax charge/(credit) for the period	2,080	(30)	2,152	(239)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the periods.

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 2010, there was no significant unrecognised deferred tax liability (30 April 2009: nil) for taxes that would be payable on unremitted earnings of certain of the Group's subsidiaries.

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2010 (six months ended 30 April 2009: Nil).

8. Earnings per share

The earnings per share amount for the six months ended 30 April 2010 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$8,148,000 and the weighted average of 649,540,000 ordinary shares in issue during the period.

The earnings per share amount for the six months ended 30 April 2009 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$4,858,000 and the weighted average of 649,540,000 ordinary shares in issue during the period.

No diluted earnings per share is calculated for the six months period ended 30 April 2009 and 2010 since the exercise price of the Company's options was higher than the average market price for the periods.

9. Property, plant and equipment

	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant, moulds and machinery HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Building and structure HK\$'000	Total HK\$'000
Six months ended							
30 April 2010							
Opening net book value	575	396	43,124	406	36	86,277	130,814
Additions	—	90	363	2	—	—	455
Depreciation	(157)	(105)	(2,567)	(64)	(8)	(1,406)	(4,307)
Translation differences	18	2	257	—	1	42	320
	436	383	41,177	344	29	84,913	127,282
At 30 April 2010							
Cost	1,737	1,244	53,227	622	629	92,833	150,492
Accumulated depreciation	(1,301)	(861)	(12,050)	(478)	(600)	(7,920)	(23,210)
Net book amount	436	383	41,177	344	29	84,913	127,282

10. Inventories

	As at 30 April 2010 HK\$'000	As at 31 October 2009 HK\$'000
At cost	32,142	35,863
Provision for slow-moving inventories	(8,473)	(8,473)
	23,669	27,390

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 2010 HK\$'000	As at 31 October 2009 HK\$'000
Outstanding balances with ages:		
Within 90 days	34,356	22,999
91 — 180 days	3,510	5,089
181 — 365 days	6,543	9,151
Over 365 days	896	321
	45,305	37,560
Provision for doubtful debts	—	—
Included in current assets	45,305	37,560
Carrying amount analysed for reporting purposes as:		
Current	45,305	37,560
Non-current (<i>Note a</i>)	2,640	2,763
	47,945	40,323

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\$8.5 million (2009: HK\$8.7 million) was pledged to secure a bank loan of the Group.

12. Cash and cash equivalents and pledged deposits

	As at 30 April 2010	As at 31 October 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	18,189	11,214
Bank deposits	9,020	9,020
	27,209	20,234
<i>Less: Pledged bank deposits for performance bond facilities</i>	<i>(9,020)</i>	<i>(9,020)</i>
Cash and cash equivalents	18,189	11,214
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 2010	As at 31 October 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	24,851	27,480
91 — 180 days	16,441	11,367
181 — 365 days	64	2,047
Over 365 days	9	2,093
	41,365	42,987

14. Provision for warranty

	As at 30 April 2010 HK\$'000	As at 31 October 2009 HK\$'000
At beginning of the period/year	482	1,591
<i>Less: unused amounts reversed and credited to income statement</i>	<i>(241)</i>	<i>(809)</i>
	241	782
<i>Less: amounts utilised</i>	<i>—</i>	<i>(300)</i>
At end of the period/year	241	482
Portion classified as current liabilities	<i>(241)</i>	<i>(482)</i>
Portion classified as non-current liabilities	<i>—</i>	<i>—</i>

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 and bore interest at variable rates at 2% over one to three months HIBOR, (2009: 1.75% to 3.75% over one to six months). These bank loans were secured by certain bank deposits of the Group, corporate guarantee and assignment of certain of the Group's accounts receivables.

16. Contingent liabilities

The Group concluded totally 7 (2009: 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 (2009: 7) performance bonds with an aggregate amount of approximately HK\$9 million (2009: 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 2010.

17. 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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Salaries, allowances and benefits in kind	941	909	1,882	1,818
Bonuses	—	—	—	—
Pension scheme contributions	17	36	34	73
	958	945	1,916	1,891

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the period ended 30 April 2010 was HK\$84 million, an increase of 25% as compared with the last corresponding period (2009: HK\$67 million). It was mainly due to the increase in the business of industrial environmental products. Net profits attributable to equity holders amounted to HK\$8.1 million (2009: HK\$4.9 million), represented an increase of 65% to that of the last corresponding period.

Gross profits for the six months ended 30 April 2010 amounted to approximately HK\$22 million, representing an increase of approximately 42% compared to that of last corresponding period. Gross profit ratio had been increased from 23.2% to 26.2% due to change of product mix.

Selling expenses for the six months ended 30 April 2010 decreased 50% from HK\$2.5 million in the last corresponding period to HK\$1.3 million. The decrease was mainly due to the change of the classification of expenses.

Administrative expenses for the six months ended 30 April 2010 increased 3% from HK\$10.2 million in the last corresponding period to HK\$10.5 million, which maintained stable compared to the last corresponding period.

Business review and prospectus

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

Although the sales turnover of the industrial and environmental products for the marine and construction industries remains steady, the demand for the industrial and environmental products from the industry machinery continues to grow. The growth is expected to continue into the third quarter of this financial year. The Group has introduced new industrial environmental protection related products and the demand of these new products is also growing.

During the review period, the construction of water supply pipes from the water supply plant in the Baodi District of the Tainjin City to the newly developed commercial and residential area is underway. The capital expenditure of this construction is around RMB 4 million and it is expected to be completed in the third quarter of this financial year. The Group has confidence that revenue generated from the water supply plant will contribute to the growth of the Group.

The Group believes that the global economy is in recovery. It is very clear that the growth rate of the PRC economy will take the lead in comparison with rest of the world. As our business is concentrated in the PRC market, we are in a prime position to benefit. The Group will continue to promote existing industrial environment protection related products and explore and introduce new products and to open additional new representative offices in other locations in the PRC. Although the global economy continues to recover, the recovery is fragile. We need to cautiously monitor the situation and adjust our development plans accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

For the period review, the Group financed its operations with its own available funding. 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 2010, the Group had 107 employees (2009: 97) 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\$4.6 million (2009: 5.3 million). The dedication and hard work of the Group's staff during the period ended 30 April 2010 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 2010, 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\$8.5 million to secure for the bank loan.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2010.

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 will review and monitor from time to time the risk relating to foreign exchanges.

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

As at 30 April 2010, 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, 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 2010 were as follows:

Name	Date of grant	Exercise Period	Number of options outstanding as at 1 November 2009	Number of options granted during the period	Number of options outstanding as at 30 April 2010	Exercise price per share HK\$
<i>Non-Executive Director and Chairman</i>						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
<i>Executive Director and Chief Executive Officer</i>						
Mr. NG Chi Fai	13/8/2007	13/8/2007 – 1/10/2010	500,000	—	500,000	0.350
<i>Independent Non-Executive Directors</i>						
Ms. CHAN Siu Ping Rosa	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
Professor NI Jun	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
			2,500,000	—	2,500,000	

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

Name	Total number of ordinary shares held as at 30 April 2010	Number of options held and outstanding as at 30 April 2010	Aggregate in number as at 30 April 2010	Percentage of the Company's issued share capital as at 30 April 2010
<i>Non-Executive Director and Chairman</i>				
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
<i>Executive Director and Chief Executive Officer</i>				
Mr. NG Chi Fai	—	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 2010, 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 2010, 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 2010
Substantial shareholders			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,941,200	53.11
Wide Sky Management (PTC) Limited (Note 1)	Through a controlled corporation	344,941,200	53.11
Team Drive Limited	Directly beneficially owned	344,941,200	53.11
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	66,410,800	10.23
Advance New Technology Limited (Note 2)	Directly beneficially owned	66,410,800	10.23
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	5.49

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management (PTC) 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 (PTC) 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 ultimately owned by The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU is deemed to be interested in all the shares of the Company held by Advance New Technology Limited.
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 Scheme

As at 30 April 2010, 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 2010. The Company had not redeemed any of its listed securities during the period ended 30 April 2010.

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 2010.

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, all of them are independent non-executive directors of the Company.

The Group's unaudited results for the three months and six months ended 30 April 2010 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 2010, they 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:

Ms. Hui Wai Man Shirley (***Chairman and non-executive director***)

Executive directors:

Mr. Ng Chi Fai (*Chief Executive Officer*)

Mr. Kwok Tsun Kee

Non-executive directors:

Dr. Lui Sun Wing

Mr. Young Meng Cheung Andrew

Independent non-executive directors:

Mr. Chau Kam Wing Donald

Ms. Chan Siu Ping Rosa

Mr. Takeuchi Yutaka

Professor Ni Jun

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

Hong Kong, 14 June 2010