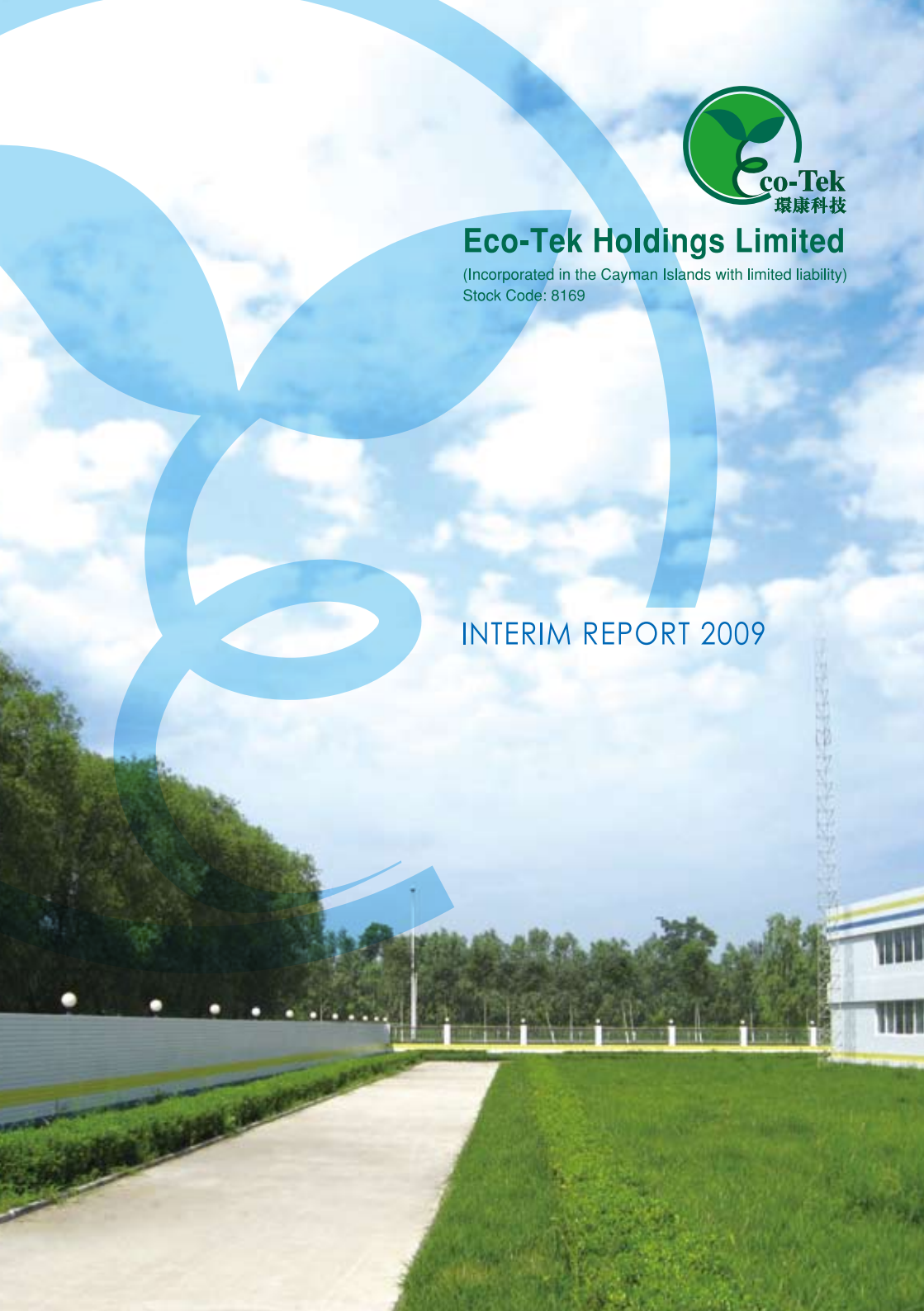




Eco-Tek Holdings Limited

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

INTERIM REPORT 2009



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.

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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.

SUMMARY

- Turnover for the six months ended 30 April 2009 amounted to approximately HK\$66.8 million (2008: HK\$87.7 million), representing an decrease of approximately 23.8%. Net profit attributable to shareholders amounted to approximately HK\$4.9 million (2008: HK\$12.2 million), representing a decrease of 59.8% as compared with last corresponding period.
- Basic earnings per share for the six months ended 30 April 2009 amounted to approximately HK0.75 cent (2008: HK1.87 cents).
- 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 2009 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	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	36,565	45,315	66,829	87,681
Cost of sales		(27,951)	(34,683)	(51,306)	(68,611)
Gross profit		8,614	10,632	15,523	19,070
Other income		89	132	453	249
Selling expenses		(1,881)	(1,647)	(2,545)	(2,466)
Administrative expenses		(3,954)	(3,689)	(10,189)	(7,804)
Other operating income		—	260	299	650
Profit from operations		2,868	5,688	3,541	9,699
Finance costs		(227)	(224)	(362)	(541)
Share of (loss)/profit of a jointly controlled entity		(445)	(85)	131	65
Profit before taxation	5	2,196	5,379	3,310	9,223
Taxation	6	30	(143)	239	(916)
Profit for the period		2,226	5,236	3,549	8,307
Attributable to:					
Equity holders of the Company		2,711	7,352	4,858	12,171
Minority interests		(485)	(2,116)	(1,309)	(3,864)
Profit for the period		2,226	5,236	3,549	8,307
Dividend	7	—	—	—	—
Earnings per share:	8				
Basic		HK0.42 cent	HK1.13 cents	HK0.75 cent	HK1.87 cents
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 April 2009 HK\$'000 (Unaudited)	As at 31 October 2008 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	120,564	123,730
Interest in leasehold land		5,545	5,547
Interest in a jointly controlled entity		1,751	1,620
Deferred tax assets		2,040	1,734
Accounts receivable	11	8,304	9,092
Pledged bank deposits	12	9,020	9,020
		147,224	150,743
Current assets			
Inventories	10	29,901	35,829
Accounts receivable	11	42,445	45,962
Deposits, prepayments and other receivables		13,443	12,877
Amount due from a minority shareholder	17	—	26,179
Tax recoverable		1,835	1,835
Cash and cash equivalents	12	8,212	22,184
		95,836	144,866
Current liabilities			
Accounts and bills payable	13	44,314	59,281
Accrued liabilities and other payables		6,305	38,373
Provision for warranty	14	810	1,109
Provision for tax		2,764	1,971
Bank loans	15	15,500	19,000
		69,693	119,734
Net current assets		26,143	25,132
Total assets less current liabilities		173,367	175,875

		As at 30 April 2009	As at 31 October 2008
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
Non-current liabilities			
Bank Loans		—	1,500
Provision for warranty	14	482	482
Loans from minority shareholder		25,507	25,489
Deferred tax liability		7,423	—
		33,412	27,471
Net Assets			
		139,955	148,404
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		9,071	9,749
Capital contribution reserve		7,971	11,126
Share option reserve		326	326
Retained profits		85,397	80,539
Proposed final dividend		—	3,897
		128,941	131,813
Minority interests			
		11,014	16,591
Total equity			
		139,955	148,404

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(3,530)	12,142
NET CASH USED IN INVESTING ACTIVITIES	(1,183)	(1,717)
NET CASH USED IN FINANCING ACTIVITIES	(9,259)	(6,889)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,972)	3,536
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	22,184	10,491
CASH AND CASH EQUIVALENTS AT 30 APRIL	8,212	14,027

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		
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
At 1 November 2008	6,495	19,586	95	9,749	11,126	326	80,539	3,897	131,813	16,591	148,404
Exchange difference (net expense recognised directly in equity)	—	—	—	(678)	—	—	—	—	(678)	—	(678)
Profit for the period	—	—	—	—	—	—	4,858	—	4,858	(1,309)	3,549
Total recognised income and expense for the period	—	—	—	(678)	—	—	4,858	—	4,180	(1,309)	2,871
Deferred tax	—	—	—	—	(3,155)	—	—	—	(3,155)	(4,268)	(7,423)
2008 final dividend declared	—	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
At 30 April 2009	6,495	19,586	95	9,071	7,971	326	85,397	—	128,941	11,014	139,955

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 2008.

2. Principal accounting policies

The unaudited condensed financial statements for the six months ended 30 April 2009 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 2008 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 2008, the Group has adopted all the new and amended HKFRSs issued by HKICPA which were first effective on 1 November 2008 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:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible hedged items ²
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Reporting Standards ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Share-based Payment — Vesting conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners ²
HK(IFRIC) — Int 18	Transfer of Assets from customers ²
Various	Annual Improvements to HKFRS 2008 ³

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

² Effective for annual periods beginning on or after 1 July 2009

³ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

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 certain expenditure information for the Group's business segments:

	Water supply plant		General environmental protection related products and services		Industrial environmental products		Production of machines		Unallocated**		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue												
Sales to external customers	3,398	2,605	10	10	58,037	84,906	5,384	—	—	160	66,829	87,681
Segment results	(873)	(2,697)	(104)	(135)	10,623	14,044	635	—	—	(42)	10,281	11,170
Interest income											252	130
Unallocated expenses											(6,992)	(1,601)
Profit from operations											3,541	9,699
Finance costs											(362)	(541)
Share of profit of a jointly controlled entity											131	65
Profit before taxation											3,310	9,223
Taxation											239	(916)
Profit for the period											3,549	8,307
Segment assets	113,344	117,361	23,378	24,142	74,885	93,213	25,478	28,868	62	169	237,147	263,753
Interest in a jointly controlled entity											1,751	1,620
Tax assets											8,675	3,569
Unallocated assets											287	26,667
Total assets											243,060	295,609
Segment liabilities	26,506	31,136	1,935	2,745	49,486	55,841	4,471	8,621	101	165	82,499	98,508
Tax liabilities											10,187	1,371
Unallocated liabilities											10,419	46,726
Total liabilities											103,105	147,205
Other segment information												
Depreciation	3,284	3,759	72	100	90	301	189	—	—	—	3,635	4,160
Capital expenditure	23	—	41	44	32	1,803	1,067	—	—	—	1,183	1,847
Write back of provision for warranty	—	—	(299)	(650)	—	—	—	—	—	—	(299)	(650)

* 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 capital expenditure information for the Group's geographical segments:

	Hong Kong		Mainland China		Others [#]		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue								
Sales to external customers	10,063	14,288	56,766	73,393	—	—	66,829	87,681
Other revenue	312	215	141	34	—	—	453	249
Segment assets	41,855	74,290	193,485	205,757	2,094	10,373	237,434	290,420
Interest in a jointly controlled entity							1,751	1,620
Tax assets							3,875	3,569
Total assets							243,060	295,609
Other segment information								
Capital expenditure	65	311	1,118	1,536	—	—	1,183	1,847

[#] Others represents unallocated items

5. Profit before taxation

	Three months ended 30 April		Six months ended 30 April	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
The Group's profit before taxation is arrived at after charging/(crediting):				
Cost of inventories sold	24,999	32,378	45,507	64,311
Depreciation	1,830	2,531	3,635	4,160
Exchange losses/(gains), net	1,107	(396)	1,771	(1,673)
Operating lease charges in respect of land and buildings	568	564	940	906
Provision for bad debt	—	127	—	127
Provision for slow-moving inventories	—	—	—	132
Staff costs (including Directors' remunerations)				
Wages and salaries	2,382	3,181	5,241	4,933
Pension scheme contributions	36	33	73	65
Write back of provision for warranty	—	(260)	(299)	(650)
Interest income	(233)	(37)	(252)	(130)

6. Taxation

	Three months ended 30 April		Six months ended 30 April	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current tax				
Elsewhere				
— tax for the period	—	457	61	1,162
— over provision for the period	(30)	(382)	—	(382)
Sub-total	(30)	75	61	780
Deferred tax	—	68	(300)	136
Total tax charge/ (credit) for the period	(30)	143	(239)	916

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 2009 (six months ended 30 April 2008: 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 2009, 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 (2008: Nil).

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2009 (six months ended 30 April 2008: Nil).

8. Earnings per share

The earnings per share for the three 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\$2,711,000 (three months ended 30 April 2008: HK\$7,352,000) and the weighted average of 649,540,000 (three months ended 30 April 2008: 649,540,000) ordinary shares in issue during the period.

The earnings per share 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 (six months ended 30 April 2008: HK\$12,171,000) and the weighted average of 649,540,000 (six months ended 30 April 2008: 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 2009 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 2008 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	901	475	33,179	509	168	88,498	123,730
Additions	—	50	1,087	46	—	—	1,183
Depreciation	(150)	(70)	(1,930)	(23)	(61)	(1,401)	(3,635)
Translation differences	(4)	(3)	(192)	—	(2)	(513)	(714)
	747	452	32,144	532	105	86,584	120,564
At 30 April 2009							
Cost	1,715	1,121	39,947	853	625	91,630	135,891
Accumulated depreciation	(968)	(669)	(7,803)	(321)	(520)	(5,046)	(15,327)
Net book amount	747	452	32,144	532	105	86,584	120,564

10. Inventories

	As at 30 April 2009	As at 31 October 2008
	HK\$'000	HK\$'000
At cost	38,600	44,528
Provision for slow-moving inventories	(8,699)	(8,699)
	29,901	35,829

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 2009 HK\$'000	As at 31 October 2008 HK\$'000
Outstanding balances with ages:		
Within 90 days	24,266	30,127
91 — 180 days	5,765	7,732
181 — 365 days	6,460	3,389
Over 365 day	7,955	6,715
	44,446	47,963
Provision for doubtful debts	(2,001)	(2,001)
Included in current assets	42,445	45,962
Carrying amount analysed for reporting purposes as:		
Non-current (<i>Note a</i>)	8,304	9,092
Current	42,445	45,962
	50,749	55,054

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\$10.5 million (2008: HK\$13 million) was pledged to secure a bank loan of the Group.

12. Cash and cash equivalents and pledged deposits

	As at 30 April 2009	As at 31 October 2008
	HK\$'000	HK\$'000
Cash and bank balances	8,212	22,184
Bank deposits	9,020	9,020
	17,232	31,204
<i>Less: Pledged bank deposits for performance bond facilities</i>	(9,020)	(9,020)
Cash and cash equivalents	8,212	22,184
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 2009	As at 31 October 2008
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Within 90 days	26,871	34,433
91 — 180 days	15,268	21,097
181 — 365 days	1,624	3,200
Over 365 days	551	551
	44,314	59,281

14. Provision for warranty

	30 April 2009 HK\$'000	31 October 2008 HK\$'000
At beginning of the period/year	1,591	3,339
Less: unused amounts reversed and credited to income statement	(299)	(1,441)
	1,292	1,898
Less: amounts utilised	—	(307)
At end of the period/year	1,292	1,591
Portion classified as current liabilities	(810)	(1,109)
Portion classified as non-current liabilities	482	482

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 ranging from 1.75% to 3.75% over one to six months HIBOR, (2008: 1.5% to 3.25% 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 (2008: 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 (2008: 7) performance bonds with an aggregate amount of approximately HK\$9 million (2008: 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 2009.

17. Capital commitment/Amount due from a minority shareholder

The Company has no capital commitment as at 30 April 2009 (2008: 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.

On 13 November 2008, Mr. Tang paid the remaining construction fee of RMB25,132,000 directly to the construction company. This amount had been offset between other payables and amount due from a minority shareholder for the period ended 30 April 2009 pursuant to the Agreements.

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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Salaries, allowances and benefits in kind	909	650	1,818	1,123
Bonuses	—	49	—	1,002
Pension scheme contributions	36	33	73	65
	945	732	1,891	2,190

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the six months ended 30 April 2009, the Group recorded a decrease in turnover of approximately 23.8% from HK\$87.7 million in the corresponding period in the last financial year to HK\$66.8 million. Net profits attributable to shareholders amounted to approximately HK\$4.9 million (2008: HK\$12.2 million), represented a decrease of around 59.8% to that of the last corresponding period.

Since the financial tsunami, the global economy deteriorated rapidly, customers have become extremely cautious in placing the order or even reduced or cancelled their orders. Turnover was decreased 23.8% compared to the last corresponding period. Further, profits had been eroded by sharp appreciation of Japanese yen which is one of our main payment currencies to major suppliers. To reduce the effect of the appreciation of Japanese yen, the Group had negotiated with the suppliers for further discounts during the period.

Gross profits of the Group for the six months ended 30 April 2009 amounted to approximately HK\$15.5 million, representing a decrease of approximately 18.6% compared to that of last corresponding period. However, gross profit ratio had been increased from 21.7% to 23.2% due to change of product mix.

Selling expenses increased approximately HK\$79,000 which is approximately an increase of 3% compared to that of the last corresponding period. The increase is mainly due to increase of business in manufacturing activities.

Administrative expenses for the six months ended 30 April 2009 increased 30% from HK\$7.8 million in the last corresponding period to HK\$10.2 million. Comparing to the last corresponding period, additional administration expenses of approximately HK\$683,000 is incurred for business in manufacturing activities and additional HK\$258,000 is incurred for water supply plant.

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.

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. A new representative office had been established in Chengdu of Sichuan to capture the business of industrial environmental protection products in infrastructure related business in Northwest China. Additional representative offices will be opened in other locations in PRC to ensure prompt services to customers.

Furthermore, our jointly controlled entity in Jiangsu province had successfully concluded contracts to supply and install a highly efficient small-size wastewater treatment system known as “Compact Wasterwater Treatment System (CWT-M)” in several rural towns of Kunshan city. It is expected that operation of this jointly controlled entity will have positive contribution to the Group.

Revenue from water supply business is steady and gradual increase of water consumption is expected.

Since the purchases of the Group are mainly denominated in Japanese Yen, Euros, US Dollars and Sterling Pounds, the Group expect the volatility of foreign exchange currencies and even global financial tsunami will continue to have adverse affect to the business and operation in the coming quarters. Although there is an improvement in turnover in April 2009, the visibility of the future market condition still remains low. The Group has been taking measures to reduce the capital expenditure and implementing cost cutting exercises to counter this unprecedented challenge.

LIQUIDITY AND FINANCIAL RESOURCES

For the period 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\$27 million loan from the banks in prior years and repaid HK\$5 million during the period. 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 2009, the Group had 97 employees (2008: 149) 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\$5.3 million (2008: 4.9 million). The dedication and hard work of the Group's staff during the period ended 30 April 2009 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 2009, 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\$10.5 million to secure for the bank loan.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2009.

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 2009, 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 2009 were as follows:

Name	Date of grant	Exercise Period	Number of options outstanding as at 1 November 2008	Number of options granted during the period	Number of options outstanding as at 30 April 2009	Exercise price per share HK\$
Executive Director and Chief Executive Officer						
Mr. NG Chi Fai	13/8/2007	13/8/2007 – 1/10/2010	500,000	—	500,000	0.350
Non-Executive Director and Chairman						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
Independent Non-Executive Directors						
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 2009	Number of options held and outstanding as at 30 April 2009	Aggregate in number as at 30 April 2009	Percentage of the Company's issued share capital as at 30 April 2009
Executive Director and Chief Executive Officer				
Mr. NG Chi Fai	—	500,000	500,000	0.08
Non-Executive Director and Chairman				
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
Independent Non-Executive Directors				
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 2009, 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 2009, 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 2009
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	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 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 of the Company 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 2009, 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 2009. The Company had not redeemed any of its listed securities during the period ended 30 April 2009.

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 2009.

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 2009 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 2009, 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:

Executive directors:

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

Mr. Han Ka Lun

Non-executive directors:

Ms. Hui Wai Man Shirley (*Chairman*)

Dr. Lui Sun Wing

Mr. Young Meng Cheung Andrew

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, 12 June 2009