



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8169)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 APRIL 2012

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This announcement, 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 the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

FINANCIAL SUMMARY

- Turnover for the six months ended 30 April 2012 amounted to approximately HK\$67.6 million (2011: HK\$102.7 million), representing a decrease of approximately 34% as compared with last corresponding period.
- Profits attributable to equity holders of the company for the six months ended 30 April 2012 amounted to approximately HK\$1.3 million (2011: HK\$7.4 million), representing a decrease of approximately 82% as compared with last corresponding period.
- Basic earnings per share for the six months ended 30 April 2012 amounted to approximately HK0.20 cents (2011: HK1.14 cents).

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 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Three months ended 30 April		Six months ended 30 April	
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	2	35,030	51,087	67,649	102,671
Cost of sales		<u>(26,752)</u>	<u>(40,260)</u>	<u>(52,684)</u>	<u>(81,113)</u>
Gross profit		8,278	10,827	14,965	21,558
Other income		26	28	288	395
Selling expenses		(1,198)	(644)	(2,096)	(1,678)
Administrative expenses		<u>(6,024)</u>	<u>(5,686)</u>	<u>(11,480)</u>	<u>(11,265)</u>
Profit from operations	4	1,082	4,525	1,677	9,010
Finance costs		—	(17)	—	(246)
Share of profit/(loss) of a jointly controlled entity		<u>(184)</u>	<u>(317)</u>	<u>440</u>	<u>(328)</u>
Profit before taxation		898	4,191	2,117	8,436
Taxation	5	<u>(535)</u>	<u>(332)</u>	<u>(695)</u>	<u>(809)</u>
Profit for the period		363	3,859	1,422	7,627

	<i>Notes</i>	Three months ended		Six months ended	
		30 April		30 April	
		2012	2011	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income for the period					
Exchange gain on translation of financial statements of foreign operations		<u>342</u>	<u>1,531</u>	<u>634</u>	<u>2,232</u>
Total comprehensive income for the period		<u>705</u>	<u>5,390</u>	<u>2,056</u>	<u>9,859</u>
Profit for the period attributable to:					
Equity holders of the Company		<u>238</u>	<u>3,729</u>	<u>1,318</u>	<u>7,402</u>
Non-controlling interests		<u>125</u>	<u>130</u>	<u>104</u>	<u>225</u>
		<u>363</u>	<u>3,859</u>	<u>1,422</u>	<u>7,627</u>
Total comprehensive income for the period attributable to:					
Equity holders of the Company		<u>551</u>	<u>4,859</u>	<u>1,930</u>	<u>9,133</u>
Non-controlling interests		<u>154</u>	<u>531</u>	<u>126</u>	<u>726</u>
		<u>705</u>	<u>5,390</u>	<u>2,056</u>	<u>9,859</u>
Earnings per share for the profit attributable to equity holders of the Company during the period					
Basic	7	<u>HK0.04 cent</u>	<u>HK0.57 cent</u>	<u>HK0.20 cent</u>	HK1.14 cents
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April 2012	As at 31 October 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	133,850	136,214
Interest in leasehold land		5,636	5,618
Interest in a jointly controlled entity		2,658	2,218
Deferred tax assets		1,379	1,435
Pledged bank deposits	11	9,020	9,020
		152,543	154,505
Current assets			
Inventories	9	44,692	49,028
Accounts receivable	10	29,579	34,842
Deposits, prepayments and other receivables		8,550	8,013
Tax recoverable		1,755	1,755
Cash and cash equivalents	11	8,805	11,642
		93,381	105,280
Current liabilities			
Accounts and bills payable	12	30,394	42,259
Accrued liabilities and other payables		14,482	14,861
Provision for tax		2,081	3,894
Loan from a third party	13	7,440	—
Dividend Payable		1,299	—
		55,696	61,014
Net current assets		37,685	44,266
Total assets less current liabilities		190,228	198,771

		As at 30 April 2012 <i>HK\$'000</i> (Unaudited)	As at 31 October 2011 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Deferred tax liabilities		7,423	7,423
Loan from a third party	<i>13</i>	5,479	14,779
Loan from a minority shareholder	<i>14</i>	9,526	9,526
		<u>22,428</u>	<u>31,728</u>
Net Assets		<u>167,800</u>	<u>167,043</u>
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		18,690	18,078
Capital contribution reserve		7,971	7,971
Retained profits		108,104	106,786
Proposed final dividend		—	1,299
		<u>160,941</u>	<u>160,310</u>
Non-controlling interests		<u>6,859</u>	<u>6,733</u>
Total equity		<u>167,800</u>	<u>167,043</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 April	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,078	6,378
NET CASH USED IN INVESTING ACTIVITIES	(672)	(738)
NET CASH USED IN FINANCING ACTIVITIES	(1,860)	<u>(10,414)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,454)	(4,774)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,383)	(1,845)
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	20,662	<u>27,603</u>
CASH AND CASH EQUIVALENTS AT 30 APRIL	17,825	<u>20,984</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 April 2012

	Equity attributable to equity holders of the Company							Non- controlling interests	Total equity	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>			Total <i>HK\$'000</i>
At 1 November 2010	6,495	19,586	95	10,825	7,971	102,283	3,897	151,152	5,358	156,510
Total comprehensive income for the period	—	—	—	1,731	—	7,402	—	9,133	726	9,859
2010 final dividend paid declared	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
At 30 April 2011	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>12,556</u>	<u>7,971</u>	<u>109,685</u>	<u>—</u>	<u>156,388</u>	<u>6,084</u>	<u>162,472</u>
At 1 November 2011	6,495	19,586	95	18,078	7,971	106,786	1,299	160,310	6,733	167,043
Total comprehensive income for the period	—	—	—	612	—	1,318	—	1,930	126	2,056
2011 final dividend declared	—	—	—	—	—	—	(1,299)	(1,299)	—	(1,299)
At 30 April 2012	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>18,690</u>	<u>7,971</u>	<u>108,104</u>	<u>—</u>	<u>160,941</u>	<u>6,859</u>	<u>167,800</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The Company’s shares are listed on the GEM of the Stock Exchange since 5 December 2001.

The Group’s unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. The unaudited consolidated results should be read in conjunction with the audited financial statements and notes thereto for the year ended 31 October 2011 (“2011 Audited Financial Statements”). The significant accounting policies that have been used in the preparation of these unaudited consolidated results are consistent with those followed in the preparation of 2011 Audited Financial Statements. It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated results. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 November 2011, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. Revenue

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

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

	Three months ended 30 April 2012 HK\$’000	Three months ended 30 April 2011 HK\$’000	Six months ended 30 April 2012 HK\$’000	Six months ended 30 April 2011 HK\$’000
Water supply plant	5,306	5,100	10,192	10,213
General environmental protection related products and services	—	266	—	670
Industrial environmental products	27,002	44,284	53,338	86,423
Production of machines	2,722	1,437	4,119	5,365
	<u>35,030</u>	<u>51,087</u>	<u>67,649</u>	<u>102,671</u>

3. 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 machines

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 machines		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue										
From external customers	<u>10,192</u>	<u>10,213</u>	<u>—</u>	<u>670</u>	<u>53,338</u>	<u>86,423</u>	<u>4,119</u>	<u>5,365</u>	<u>67,649</u>	<u>102,671</u>
Reportable segment revenue	<u>10,192</u>	<u>10,213</u>	<u>—</u>	<u>670</u>	<u>53,338</u>	<u>86,423</u>	<u>4,119</u>	<u>5,365</u>	<u>67,649</u>	<u>102,671</u>
Reportable segment Profit/(loss)	<u>2,344</u>	<u>2,797</u>	<u>(110)</u>	<u>141</u>	<u>10,671</u>	<u>16,710</u>	<u>(36)</u>	<u>232</u>	<u>12,869</u>	<u>19,880</u>
Interest income	—	(116)	(36)	(1)	(33)	(47)	—	—	(69)	(164)
Depreciation	<u>4,356</u>	<u>3,319</u>	<u>83</u>	<u>89</u>	<u>109</u>	<u>110</u>	<u>739</u>	<u>689</u>	<u>5,287</u>	<u>4,207</u>
Reportable segment assets	125,836	133,998	9,909	12,485	57,825	74,853	46,562	46,076	240,132	267,412
Additions to non-current segment assets during the year	77	653	416	13	29	126	81	—	603	792
Reportable segment liabilities	<u>6,395</u>	<u>5,867</u>	<u>347</u>	<u>2,181</u>	<u>37,481</u>	<u>65,837</u>	<u>653</u>	<u>1,803</u>	<u>44,876</u>	<u>75,688</u>

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Reportable segment revenue	<u>67,649</u>	<u>102,671</u>
Group revenue	<u>67,649</u>	<u>102,671</u>
Reportable segment Profit	12,869	19,880
Other corporate expenses	(11,192)	(10,870)
Finance costs	—	(246)
Share of profit/(loss) of a jointly controlled entity	<u>440</u>	<u>(328)</u>
Profit before taxation	<u>2,117</u>	<u>8,436</u>
Reportable segment assets	240,132	267,412
Interest in a jointly controlled entity	2,658	2,582
Other corporate assets	<u>3,134</u>	<u>4,171</u>
Group assets	<u>245,924</u>	<u>274,165</u>
Reportable segment liabilities	44,876	75,688
Other corporate liabilities	<u>33,248</u>	<u>36,005</u>
Group liabilities	<u>78,124</u>	<u>111,693</u>

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from		Non-current assets	
	external customers			Non-current assets
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile)	19,159	6,744	9,876	9,610
The PRC	48,490	95,927	138,630	140,474
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>20</u>
	<u>67,649</u>	<u>102,671</u>	<u>148,506</u>	<u>150,104</u>

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 2011 and 2012.

4. Profit from operations

	Three months		Six months	
	ended 30 April		ended 30 April	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group's profit from operations is arrived at after charging/(crediting):				
Cost of inventories sold	21,231	32,413	42,311	68,283
Depreciation	2,644	2,098	5,287	4,207
Exchange loss/(gains), net	67	(98)	(70)	(242)
Operating lease charges in respect of land and buildings	558	442	989	870
Staff costs (including Directors' remunerations)				
Wages and salaries	3,349	3,365	6,105	5,811
Pension scheme contributions	74	52	148	102
Interest income	(31)	(92)	(69)	(164)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Taxation

	Three months		Six months	
	ended 30 April		ended 30 April	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong				
Tax for the period	13	215	13	394
— PRC				
Tax for the period	522	117	682	415
Total income tax charge for the period	<u>535</u>	<u>332</u>	<u>695</u>	<u>809</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the periods.

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 25% on the estimates assessable profits arising in the PRC for the six-months ended 30 April 2012 (2011: 25%).

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.

6. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2012 (six months ended 30 April 2011: Nil).

7. Earnings per share

The basic earnings per share for the three months and six months ended 30 April 2012 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$1,318,000 (2011: HK\$7,402,000) and the weighted average of 649,540,000 (2011: 649,540,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for the six months ended 30 April 2012 (2011: Nil) since there were no potential dilutive share outstanding during the period.

8. Property, plant and equipment

	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plant, moulds and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Building and structure <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended							
30 April 2012							
Opening net book value	762	449	42,295	206	—	92,502	136,214
Additions	417	74	112	—	—	—	603
Depreciation	(172)	(72)	(2,503)	(56)	—	(2,484)	(5,287)
Translation differences	8	3	634	1	—	1,674	2,320
	<u>1,015</u>	<u>454</u>	<u>40,538</u>	<u>151</u>	<u>—</u>	<u>91,692</u>	<u>133,850</u>
At 30 April 2012							
Cost	2,282	1,623	62,184	841	628	106,940	174,498
Accumulated depreciation	<u>(1,267)</u>	<u>(1,169)</u>	<u>(21,646)</u>	<u>(690)</u>	<u>(628)</u>	<u>(15,248)</u>	<u>(40,648)</u>
Net book value	<u>1,015</u>	<u>454</u>	<u>40,538</u>	<u>151</u>	<u>—</u>	<u>91,692</u>	<u>133,850</u>

9. Inventories

	As at 30 April 2012 HK\$'000	As at 31 October 2011 HK\$'000
At cost	52,512	59,378
Provision for slow-moving inventories	(7,820)	(10,350)
	<u>44,692</u>	<u>49,028</u>

10. Accounts receivable

The Group has a policy of allowing an average credit period of 90 days to 120 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 2012 HK\$'000	As at 31 October 2011 HK\$'000
Outstanding balances with ages:		
Within 90 days	22,817	25,821
91 — 180 days	930	6,422
181 — 365 days	3,964	1,541
Over 365 days	2,133	1,319
	<u>29,844</u>	<u>35,103</u>
Provision for impairments	(265)	(261)
	<u>29,579</u>	<u>34,842</u>

11. Cash and cash equivalents and pledged deposits

	As at 30 April 2012 HK\$'000	As at 31 October 2011 HK\$'000
Cash and bank balances	8,805	11,642
Bank deposits	<u>9,020</u>	<u>9,020</u>
	17,825	20,662
<i>Less:</i> Pledged bank deposits for banking facilities	<u>(9,020)</u>	<u>(9,020)</u>
Cash and cash equivalents	<u><u>8,805</u></u>	<u><u>11,642</u></u>
Pledged deposits analysed for reporting purposes as: non-current	<u><u>9,020</u></u>	<u><u>9,020</u></u>

12. 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 2012 HK\$'000	As at 31 October 2011 HK\$'000
Outstanding balances with ages:		
Within 90 days	18,806	22,611
91 — 180 days	11,222	18,992
181 — 365 days	50	192
Over 365 days	<u>316</u>	<u>464</u>
	<u><u>30,394</u></u>	<u><u>42,259</u></u>

13. Loan from a third party

	As at 30 April 2012 <i>HK\$'000</i>	As at 31 October 2011 <i>HK\$'000</i>
Loan from a third party	<u>12,919</u>	<u>14,779</u>
Carrying amount analysed for reporting purpose as		
— Current	7,440	—
— Non-current	<u>5,479</u>	<u>14,779</u>
	<u>12,919</u>	<u>14,779</u>

The loan was unsecured and interest free. The directors of the Company consider that the fair value of the loan is not materially different from their carrying amount.

According to the deed dated 9 February 2012 between Mr. Tang Hin Lun (“Mr. Tang”) and Asian Way International Limited (“Asian Way”), the subsidiary of the Company, Asian Way paid an upfront repayment of HK\$620,000 to Mr. Tang on 9 February 2012 and will settle the remaining balance to Mr. Tang by monthly installments payable with the first and last installments falling due on 9 March 2012 and 9 January 2014 respectively, and the amount of each installment being HK\$620,000 except the last installment the amount of which being HK\$519,330.

14. Loan from a minority shareholder

The loan was unsecured, interest-free and not repayable within twelve months from the reporting date. The directors of the Company consider that the fair value of the loan is not materially different from their carrying amounts.

15. Performance bonds

The Group concluded non-exclusive contracts with the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region (the “Government”). The Group has procured a bank to provide performance bonds 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. As at 30 April 2012, there was no outstanding performance bonds (2011: HK\$2.9 million). The aforesaid performance bond facilities were secured by the Group’s pledged bank deposits.

16. 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	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,110	942	1,952	1,884
Bonuses	128	68	128	68
Pension scheme contributions	12	14	24	30
	<u>1,250</u>	<u>1,024</u>	<u>2,104</u>	<u>1,982</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Tighten monetary policy and increasing inflation in China, together with sluggishness in the United State economic recovery and escalating sovereign debt crisis in Europe cast a gloomy shadow over economy. According to data released by National Bureau of Statistics of China on 28 April 2012, the profits of state-owned and state-holding industrial enterprises above designated size decreased 12.4% from January to March 2012. Meanwhile, China produces price index fell 0.7% and China's industrial output only expanded 9.3% in April 2012, which were the lowest figures within 28 months and slowest growth rate since May 2009 respectively. As global and domestic economic climate clouded with various uncertainties, our customers in the manufacturing sector reduced their orders significantly which resulted in decrease in the turnover of the Group. The Group expects the volatility of the foreign exchange currencies will continue to affect our business and operation. We will continue to take actions including negotiating further discounts from our suppliers in Japan and sourcing supply of new industrial environmental products from the Europe to reduce the Group's concentration in Japanese Yen purchase. The Group remains prudent in planning its future strategies and will continue to promote existing industrial environment protection related products through extending the network of our retails shops and explore opportunities in new products markets in PRC. We will monitor the situation cautiously and adjust our development plan accordingly.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City. Under China's 12th Five-Year Plan, an area of 16 square kilometers near Baodi District and within our water supply plant's coverage area was strategically planned to be established as the financial service backup and outsourcing centers to provide services for major financial institutes located in Beijing and Tianjin cities. The Group has confidence that it will have a positive contribution to our water supply plant's future revenue.

Financial review

The Group's turnover for the six months ended 30 April 2012 was HK\$67.6 million, a decrease of 34% as compared with the last corresponding period (2011: HK\$102.7 million). It was mainly due to our customers in manufacturing sector reduced their order significantly as global economic climate clouded with various uncertainties. The Group's turnover for the three months ended 30 April 2012 was HK\$35.0 million, an increase of 7% as compared with the Group's turnover for three months ended 31 January 2012, HK\$32.6 millions.

The Group recorded a net profit attributable to equity shareholders of the Company for the six months ended 30 April 2012 of approximately HK\$1.3 million (2011: HK\$7.4 million).

Gross margin

Gross profit for the six months ended 30 April 2012 was HK\$15.0 million, representing a decrease of 31% as compared with the last corresponding period (2011: HK\$21.6 million). The gross profit margin was 22% for the six months ended 30 April 2012 which maintain stable as compared with the last corresponding period.

Expenses

The Group's administrative expenses for the six months ended 30 April 2012 was HK\$11.5 million, representing an increase of 2% compared with the last corresponding period (2011: HK\$11.3 million). The Group's selling expenses for the six months ended 30 April 2012 was HK\$2.1 million, representing an increase of 24% compared with the last corresponding period (2011: HK\$1.7 million) due to increase in exhibition expense and commission expense for promotion and acquisition of customer orders under unfavorable market conditions. There was no finance costs for the six months ended 30 April 2012 (2011: HK\$0.2 million).

Liquidity and finance resources

During the period under the review, the Group financed its operations by internally generated cash flow and banking facilities provided by banks. As at 30 April 2012, the Group had net current assets of approximately HK\$37.7 million (31 October 2011: HK\$44.3 million) including bank balances and cash of approximately HK\$17.8 million (31 October 2011: HK\$20.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.7 as at 30 April 2012 (31 October 2011: 1.7).

Capital structure

The Shares of the Company were listed on the GEM board of the Stock Exchange on 5 December 2001. Except for the share options under the pre-IPO share option scheme were exercised at the exercise price of HK\$0.01 per share, resulting in the issue of 96,740,000 ordinary shares of HK\$0.01

each for a total consideration of HK\$967,000 in November 2005, there has been no material change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

Gearing ratio

The gearing ratio (defined as the total borrowing over total equity, including minority interests) fell from 14.6% as at 31 October 2011 to 13.4% as at 30 April 2012. The decrease was resulted from the partial repayment of loan from a third party during the period.

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.

Foreign exchange exposure

The Group's purchases are denominated in Japanese Yen, Sterling Pounds, Euro 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.

Charge on Group assets and contingent liabilities

As at 30 April 2012, the Group had pledged its bank deposits of approximately HK\$9.0 million (31 October 2011: HK\$9.0 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2012.

Information on employees

As at 30 April 2012, the Group had 94 employees (2011: 101) working in Hong Kong and PRC. 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. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the six months ended 30 April 2012 amounted to approximately HK\$6.3 million (2011: HK\$5.9 million). The dedication and hard work of the Group's staff during the period ended 30 April 2012 are generally appreciated and recognized.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the six months ended 30 April 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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

As at 30 April 2012, the interests and short positions of the Directors and chief executives 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 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:

AGGREGATE LONG POSITION IN ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity	Total Number of ordinary shares held as at 30 April 2012	Percentage of the Company's issued share capital as at 30 April 2012
<i>Non-executive Director and Chairman</i>			
Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46

Save as disclosed above, as at 30 April 2012, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture 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 registered 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' 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 2012, the following persons (other than Directors or chief executives 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 2012
Cititrust (Cayman) Limited <i>(Note 1)</i>	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited <i>(Note 1)</i>	Through a controlled corporation	344,621,200	53.06
Team Drive Limited <i>(Note 1)</i>	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University <i>(Note 2)</i>	Through a controlled corporation	45,360,800	6.98
Advanced New Technology Limited <i>(Note 2)</i>	Directly beneficially owned	45,360,800	6.98
BOS Trust Company (Jersey) Limited <i>(Note 3)</i>	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited <i>(Note 3)</i>	Directly beneficially owned	44,224,000	6.81
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 (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 BOS Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded by Dr. Pau Kwok Ping.

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 six months ended 30 April 2012. The Company and its subsidiaries had not redeemed any of its listed securities during the six months ended 30 April 2012.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the six months ended 30 April 2012.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include 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 in February 2006. The principal duties of the nomination committee are formulating nomination policy and making recommendations to the Board on nomination and appointment of directors and board succession. The chairman of the nomination committee is Mr. CHAU Kam Wing Donald and other members include 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 chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, 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 2012 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.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 April 2012, save and except for non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meeting pursuant to the Company's Articles of Association.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 30 April 2012.

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

Hong Kong, 12 June 2012

As at the date of this announcement, the board of directors comprises Mr. NG Chi Fai and Mr. KWOK Tsun Kee as executive directors; Ms. HUI Wai Man Shirley and Dr. LUI Sun Wing as non-executive directors; Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive directors.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the Company's website at www.eco-tek.com.hk