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## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

### Interim Report

For the six months ended 30 April 2007

## Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

## SUMMARY

- Turnover for the six months ended 30 April 2007 amounted to approximately HK\$54.12 million (2006: HK\$45.22 million), representing an increase of approximately 19.7%. Net profit attributable to shareholders amounted to approximately HK\$5.6 million (2006: HK\$6.6 million) which represented approximately 15.7% decrease as compared with last corresponding period.
- Basic earnings per share for the six months ended 30 April 2007 amounted to approximately HK0.86 cent (2006: HK1.04 cent).
- The Board does not recommend the payment of an interim dividend.

## UNAUDITED RESULTS

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 April 2007 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	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
REVENUE	3	<b>27,422</b>	21,357	<b>54,119</b>	45,222
Cost of sales		<b>(21,933)</b>	(15,399)	<b>(42,124)</b>	(31,169)
Gross profit		<b>5,489</b>	5,958	<b>11,995</b>	14,053
Other income		<b>148</b>	146	<b>479</b>	325
Selling expenses		<b>(1,242)</b>	(917)	<b>(1,773)</b>	(1,664)
Administrative expenses		<b>(2,651)</b>	(3,657)	<b>(6,452)</b>	(7,133)
Other operating income		<b>371</b>	154	<b>761</b>	375
PROFIT FROM OPERATIONS		<b>2,115</b>	1,684	<b>5,010</b>	5,956
Finance costs		-	(121)	-	(121)
Share of profit (loss) of a jointly controlled entity		-	(10)	<b>33</b>	(95)
PROFIT BEFORE TAXATION	5	<b>2,115</b>	1,553	<b>5,043</b>	5,740
Taxation	6	<b>37</b>	(2)	<b>(84)</b>	(101)
PROFIT FOR THE PERIOD		<b>2,152</b>	1,551	<b>4,959</b>	5,639
Attributable to:					
Equity holders of the Company		<b>2,566</b>	2,449	<b>5,592</b>	6,635
Minority interest		<b>(414)</b>	(898)	<b>(633)</b>	(996)
PROFIT FOR THE PERIOD		<b>2,152</b>	1,551	<b>4,959</b>	5,639
Dividends	7	-	-	-	-
EARNINGS PER SHARE:	8				
Basic		<b>HK0.40 cent</b>	HK0.38 cent	<b>HK0.86 cent</b>	HK1.04 cent
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	HK0.90 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at <b>30 April 2007</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 October 2006 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>87,565</b>	75,740
Leasehold interest in land		<b>5,074</b>	5,074
Deferred tax assets	6	<b>2,408</b>	2,422
Accounts receivable	11	<b>15,409</b>	15,408
Pledged bank deposits	12	<b>9,020</b>	9,020
Interest in a jointly controlled entity		<b>1,651</b>	1,618
		<b>121,127</b>	109,282
<b>CURRENT ASSETS</b>			
Inventories	10	<b>13,867</b>	15,371
Accounts receivable	11	<b>30,470</b>	27,872
Deposits, prepayments and other receivables		<b>7,301</b>	5,062
Tax recoverable		<b>1,801</b>	1,801
Cash and cash equivalents	12	<b>14,634</b>	9,434
		<b>68,073</b>	59,540
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	13	<b>30,260</b>	27,374
Accrued liabilities and other payables		<b>9,543</b>	5,394
Provision for warranty	14	<b>1,748</b>	1,762
Provision for tax		<b>1,500</b>	1,500
Bank loan-secured	15	<b>30,000</b>	26,600
		<b>73,051</b>	62,630
<b>NET CURRENT LIABILITIES</b>		<b>(4,978)</b>	(3,090)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>116,149</b>	106,192
<b>NON-CURRENT LIABILITIES</b>			
Provision for warranty	14	<b>2,487</b>	3,252
Loans from minority shareholders		<b>22,445</b>	15,633
		<b>91,217</b>	87,307

<i>Notes</i>	<b>As at 30 April 2007 HK\$'000 (Unaudited)</b>	As at 31 October 2006 HK\$'000 (Audited)
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	<b>6,495</b>	6,495
Share premium	<b>19,586</b>	19,586
Capital reserve	<b>95</b>	95
Exchange translation reserve	<b>1,506</b>	1,687
Retained profits	<b>61,233</b>	55,641
Proposed final dividend	–	3,248
	<b>88,915</b>	86,752
Minority interest	<b>2,302</b>	555
	<b>91,217</b>	87,307

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 April	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<b>8,404</b>	22,585
NET CASH USED IN INVESTING ACTIVITIES	<b>(11,951)</b>	(12,876)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<b>8,747</b>	7,433
INCREASE IN CASH AND CASH EQUIVALENTS	<b>5,200</b>	17,142
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER	<b>18,454</b>	7,624
CASH AND CASH EQUIVALENTS AT 30 APRIL	<b>23,654</b>	24,766
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>14,634</b>	22,529
Time deposits	<b>9,020</b>	11,257
	<b>23,654</b>	33,786
Less: time deposits pledged for performance bond facilities	<b>(9,020)</b>	(9,020)
	<b>14,634</b>	24,766

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange	Retained profits HK\$'000	Proposed	Total HK\$'000	Minority interest HK\$'000	
				translation reserve HK\$'000		final dividend HK\$'000			
At 1 November 2005	5,528	19,586	95	138	45,845	3,248	74,440	-	74,440
Exchange difference	-	-	-	421	-	-	421	-	421
Profit for the period	-	-	-	-	6,635	-	6,635	(996)	5,639
Purchase of subsidiary	-	-	-	-	-	-	-	3,611	3,611
Other contribution by minority interest	-	-	-	-	-	-	-	(131)	(131)
Issue of shares on exercise of share options	967	-	-	-	-	-	967	-	967
2005 final dividend declared	-	-	-	-	-	(3,248)	(3,248)	-	(3,248)
At 30 April 2006	6,495	19,586	95	559	52,480	-	79,215	2,484	81,699
At 1 November 2006	6,495	19,586	95	1,687	55,641	3,248	86,752	555	87,307
Exchange difference	-	-	-	(181)	-	-	(181)	-	(181)
Profit for the period	-	-	-	-	5,592	-	5,592	(633)	4,959
Other contribution by minority interest	-	-	-	-	-	-	-	2,380	2,380
2006 final dividend declared	-	-	-	-	-	(3,248)	(3,248)	-	(3,248)
At 30 April 2007	6,495	19,586	95	1,506	61,233	-	88,915	2,302	91,217



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended 31 October 2006.

### 2. Principal accounting policies

The unaudited condensed financial statements for the six months ended 30 April 2007 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 2006 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.

### 3. Revenue

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

## 4. Segment Information

## (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments:

	Water supply plant		General environmental protection related products and services		Industrial environmental products		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	-	-	350	14,020	53,769	31,202	54,119	45,222
Segment results	(1,156)	(1,024)	(823)	5,249	8,215	3,427	6,236	7,652
Interest income							222	283
Unallocated expenses							(1,448)	(1,979)
Profit from operations							5,010	5,956
Finance costs							-	(121)
Share of profit (loss) of a jointly controlled entity							33	(95)
Profit before taxation							5,043	5,740
Taxation							(84)	(101)
Profits for the period							4,959	5,639
Segment assets	92,874	46,259	26,965	35,901	61,218	45,245	181,057	127,405
Interest in a jointly controlled entity							1,651	658
Tax asset							4,209	2,539
Unallocated assets							2,283	2,024
Total assets							189,200	132,626
Segment liabilities	55,843	24,480	4,525	6,481	35,865	18,941	96,233	49,902
Unallocated liabilities							1,750	1,025
Total liabilities							97,983	50,927
Other segment information:								
Depreciation	124	35	115	146	200	245	439	426
Capital expenditure	12,254	25,970	195	2	28	254	12,477	26,226
Write back of provision for warranty	-	-	(761)	(117)	-	-	(761)	(117)

(b) *Geographical segments*

The following tables present revenue, certain asset and expenditure information for the Group's geographical segments:

	Hong Kong		Mainland China		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	11,013	19,110	42,334	25,840	772	272	54,119	45,222
Other revenue	246	-	18	28	215	-	479	28
Other segment information:								
Segment assets	43,293	42,834	140,047	86,595	-	-	183,340	129,429
Interest in a jointly controlled entity							1,651	658
Tax assets							4,209	2,539
							189,200	132,626
Capital expenditure	202	2	12,275	26,223	-	1	12,477	26,226

## 5. Profit before taxation

	Three months ended 30 April		Six months ended 30 April	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The Group's profit before taxation is arrived at after charging/(crediting):				
Cost of inventories sold	<b>19,099</b>	14,327	<b>39,290</b>	28,370
Depreciation	<b>291</b>	202	<b>439</b>	426
Exchange (gains)/losses, net	<b>(624)</b>	291	<b>(511)</b>	411
Operating lease charges in respect of land and buildings	<b>359</b>	286	<b>632</b>	538
Provision for slow-moving inventories	<b>8</b>	–	<b>8</b>	13
Staff costs (including Directors' emoluments)				
Wages and salaries	<b>1,083</b>	1,335	<b>2,369</b>	2,960
Pension scheme contributions	<b>32</b>	31	<b>63</b>	63
Write back of provision for warranty	<b>(253)</b>	(29)	<b>(643)</b>	(117)
Interest income	<b>(115)</b>	(142)	<b>(222)</b>	(283)

## 6. Taxation and deferred tax assets

	Three months ended 30 April		Six months ended 30 April	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current:				
Hong Kong	-	-	-	-
Elsewhere	17	-	70	36
	17	-	70	-
Deferred	(54)	50	14	65
Total tax charge for the period	(37)	50	84	101

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 April 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

At 30 April 2007, there was no significant unrecognised deferred tax liability (31 October 2006: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

The following are deferred tax assets recognised in the balance sheet and the movements during current period:

	Provision for warranty	Provision for doubtful debts	Provision for slow-moving inventories	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2006	877	580	965	2,422
Translation differences	-	(12)	(19)	(31)
Charged to the income statement during the period	(136)	17	136	17
At 30 April 2007	741	585	1,082	2,408

## 7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2007 (six months ended 30 April 2006: nil).

## 8. Earnings per share

The earnings per share amount for the three months ended 30 April 2007 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$2,566,000 (three months ended 30 April 2006: HK\$2,449,000) and the weighted average of 649,540,000 (three months ended 30 April 2006: 649,540,000) ordinary shares in issue during the period.

The earnings per share amount for the six months ended 30 April 2007 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$5,592,000 (six months ended 30 April 2006: HK\$6,635,000) and the weighted average of 649,540,000 (six months ended 30 April 2006: 637,958,000) ordinary shares in issue during the period.

Diluted earnings per share for the three months and six months period ended 30 April 2007 and for the three months ended 30 April 2006 is not disclosed as there was no dilutive potential ordinary shares.

The calculation of the diluted earnings per share for the six months ended 30 April 2006 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$6,635,000 and 734,220,000 ordinary shares, being the 637,958,000 ordinary shares as used in the calculation of basic earnings per share, and the weighted average of 96,262,000 ordinary shares assumed to have been issued on the deemed exercise of the share options under the pre-IPO share option scheme, ANT share option scheme and post-IPO share option scheme.

## 9. 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>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Closing net book value</b>							
Opening net book value	1,240	387	2,455	104	390	71,164	75,740
Additions	260	61	-	-	14	12,142	12,477
Disposal	(213)	-	-	-	-	-	(213)
Depreciation	(196)	(70)	(134)	(24)	(15)	-	(439)
	<b>1,091</b>	<b>378</b>	<b>2,321</b>	<b>80</b>	<b>389</b>	<b>83,306</b>	<b>87,565</b>
At 30 April 2007							
Cost	1,419	765	3,533	284	598	83,306	89,905
Accumulated depreciation	(328)	(387)	(1,212)	(204)	(209)	-	(2,340)
Net book amount	<b>1,091</b>	<b>378</b>	<b>2,321</b>	<b>80</b>	<b>389</b>	<b>83,306</b>	<b>87,565</b>

## 10. Inventories

	<b>30 April 2007 <i>HK\$'000</i></b>	31 October 2006 <i>HK\$'000</i>
Finished goods	<b>16,780</b>	18,276
Provision for slow-moving inventories	<b>(2,913)</b>	(2,905)
	<b>13,867</b>	15,371

## 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:

	<b>30 April 2007 HK\$'000</b>	31 October 2006 HK\$'000
Outstanding balances with ages:		
Within 90 days	<b>21,926</b>	17,437
91 – 180 days	<b>8,280</b>	7,135
181 – 365 days	<b>2,105</b>	4,501
Over 365 days	<b>15,341</b>	15,963
	<b>47,652</b>	45,036
Provision for doubtful debts	<b>(1,773)</b>	(1,756)
	<b>45,879</b>	43,280
Carrying amount analysed for reporting purposes as:		
Non-current ( <i>Note a</i> )	<b>15,409</b>	15,408
Current	<b>30,470</b>	27,872
	<b>45,879</b>	43,280

*Notes:*

- (a) The balance shall be payable by the customer at the expiry of warranty period of five years from the date of performance of installation services.
- (b) Accounts receivable with carrying amount of approximately HK\$15.4 million (2006: HK\$18.8 million) was pledged to secure a bank loan of the Group.



## 12. Cash and cash equivalents and pledged deposits

	<b>30 April 2007 HK\$'000</b>	31 October 2006 HK\$'000
Cash and bank balances	<b>14,634</b>	5,534
Time deposits	<b>9,020</b>	12,920
	<b>23,654</b>	18,454
Less: Pledged for performance bond facilities	<b>(9,020)</b>	(9,020)
Cash and cash equivalents	<b>14,634</b>	9,434
Pledged deposits analysed for reporting purposes as:		
Non-current	<b>9,020</b>	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:

	<b>30 April 2007 HK\$'000</b>	31 October 2006 HK\$'000
Outstanding balances with ages:		
Within 90 days	<b>20,049</b>	17,912
91 – 180 days	<b>10,131</b>	6,012
181 – 365 days	–	3,057
Over 365 days	<b>80</b>	393
	<b>30,260</b>	27,374

## 14. Provision for warranty

	<b>30 April 2007 HK\$'000</b>	31 October 2006 HK\$'000
At beginning of the period/year	<b>5,014</b>	6,161
Provision for the period/year	–	414
Less: unused amounts reversed	<b>(643)</b>	(1,028)
Amounts credit to income statement	<b>(643)</b>	(614)
	<b>4,371</b>	5,547
Less: amounts utilised	<b>(136)</b>	(533)
At end of the period/year	<b>4,235</b>	5,014
Portion classified as current liabilities	<b>(1,748)</b>	(1,762)
Portion classified as non-current liabilities	<b>2,487</b>	3,252

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 loan-secured

Bank borrowing was denominated in Hong Kong dollars which bears interest at variable rate, which was 1.8% over one month HIBOR per annum at 30 April 2007 and was secured by the Group's non-current accounts receivables.

16. Contingent liabilities

The Group concluded totally 7 (2006: 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 (2006: 7) performance bonds with an aggregate amount of approximately HK\$9 million (2006: 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 2007.

17. Capital commitment

With reference to the loan agreement dated 16 November 2005, if the construction cost of the water supply plant exceeds the amount of RMB80 million, the exceeded amount will be borne by the minority shareholder. As the Group has incurred approximately RMB80 million construction costs, there is no material net additional capital commitments for the Group as at 30 April 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the six months ended 30 April 2007, the Group recorded an increase in turnover of approximately 19.7% from HK\$45.2 million to HK\$54.1 million. Net profits attributable to shareholders amounted to approximately HK\$5.6 million (2006: HK\$6.6 million), represented a decrease of 15.7% to that of the last corresponding period.

In last corresponding period, around HK\$14 million turnover was generated from the sales of general environmental protection related products. With the completion of the tenders from the Environmental Protection Department ("EPD") in August 2006, revenue from these products was greatly reduced and the Group has tried to expand and widen its revenue bases in order to maintain its profitability.

During this interim period, the Group intensified its marketing works in the promotion of its industrial environmental protection related products. These marketing works was rewarded by the substantial increase of 72.3% in the amount of revenue generated from this segment.

Gross profits for the six months ended 30 April 2007 amounted to approximately HK\$12 million, representing a decrease of approximately 14.6%. The reduction in gross profits ratios from last corresponding period's 31.1% to current period's 22.2% was due to the change in the product mix. In last corresponding period, around 31% revenue was generated from general environmental protection related products which has a much higher gross profits margins while in current review period, substantial part of the revenue was generated from industrial environmental protection related products.

The administrative expenses for the six months ended 30 April 2007 decreased slightly by approximately 9.5% from HK\$7.1 million to HK\$6.5 million. The Group was engaged in the application for the Proposed Listing on the Main Board of the Stock Exchange of Hong Kong Limited in 2006 and such application has increased the professional costs in 2006.

## Business review and prospects

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

With the completion of the EPD tenders in August 2006, revenue generated from the general environmental protection related products and services are expected to be significantly reduced. In 2007, the Group continues its works in the pilot testing of filters into the diesel-powered vehicles under the Euro I and Euro II Standards for the preparation of the possible new tender launched by the EPD in the future.

For industrial environmental protection related products, the Group will continue to promote the “Direct Drive Pump”, which can save 80% of the electricity consumed by industrial machines. With an increase in public awareness regarding environmental protection, the management believes that such energy saving devices will be well received by customers.

For the water supply plant in Tianjin, management are pleased to stated that the construction works has been substantially completed and it is expected that the plant can start to supply water to the region in the third quarter of 2007. The daily water production capacity for this water supply plant in the initial stage is 50,000 tonnes.

For the Joint Venture in the Jiangsu Province, it is mainly engaged in the promotion and installation of the automatic surveillance systems for the end users to monitor their water pollution status and in providing environmental protection consultancy services in the region. It will also try to promote the Group’s other environmental protection related products in the region.

Management will continue its efforts in enlarging the Group’s revenue bases. With the continuous increase in revenue generated from the sales of industrial environmental protection products, additional revenue generated from both the water supply plant in Tianjin and the Joint Venture in Jiangsu, the reduction of revenue due to the completion of the EPD tender will be compensated.

## Liquidity and financial resources

For the year under review, the Group financed its operations with its own available funding. To finance the construction of the Water Supply Plant in Tianjin as stated in the circular dated 16 December 2005, the Group has raised around HK\$30 million loan from the banks. Taking into account the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirement.

## Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

## Employee information

As at 30 April 2007, the Group had 75 employees (2006: 93) 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\$2.4 million (2006: HK\$3.02 million). The dedication and hard work of the Group's staff during the period ended 30 April 2007 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 2007, the Group has pledged its bank deposits of approximately HK\$9 million to secure for the performance bond facilities and has pledged its accounts receivables of approximately HK\$15 million to secure for the bank loan.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2007.

## Exposure to fluctuations in exchange rates

The Group's purchases are denominated in Euros, Sterling Pounds, Japanese Yen and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rates.

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

As at 30 April 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in ordinary shares of the Company

Name	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital as at 30 April 2007
	Capacity and nature of interest	Number of ordinary shares held	
<b>Executive Director</b>			
Mr. SHAH Tahir Hussain	Directly beneficially owned	14,372,800	2.2
<b>Chief Executive Officer</b>			
Dr. PAU Kwok Ping (Note a)	Through a discretionary trust	44,224,000	6.8
		58,596,800	9.0

Note:

- (a) The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.



## Interest in underlying shares of the Company

Pursuant to a IPO 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 the independent non-executive Directors. Details of share options to subscribe for shares in the Company granted to the independent non-executive Directors as at 30 April 2007 were as follows:

Name	Date of grant	Number of options outstanding as at 1 November 2006	Number of options granted during the period	Number of options outstanding as at 30 April 2007	Exercise price per share HK\$
<i>Independent Non-Executive Directors</i>					
Ms. CHAN Siu Ping Rosa	2/4/2007	-	500,000	500,000	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	-	500,000	500,000	0.235
Professor NI Jun	2/4/2007	-	500,000	500,000	0.235
Ms. HUI Wai Man Shirley	2/4/2007	-	500,000	500,000	0.235
		-	2,000,000	2,000,000	

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

Name	Total number of ordinary shares held	Number of options held and outstanding as at 30 April 2007	Aggregate in number	Percentage of the Company's issued share capital as at 30 April 2007
<b>Executive Director</b>				
Mr. SHAH Tahir Hussain	14,372,000	–	14,372,000	2.21
<b>Independent Non-Executive Directors</b>				
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
Ms. HUI Wai Man Shirley	–	500,000	500,000	0.08
<b>Chief Executive</b>				
Dr. Pau Kwok Ping	44,224,000	–	44,224,000	6.81
	58,596,000	2,000,000	60,596,000	9.34

Save as disclosed above, as at 30 April 2007, 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 2007, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 30 April 2007
<b><i>Substantial shareholders</i></b>			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	70,440,800	10.84
PolyU Enterprise Limited (Note 2)	Through a controlled corporation	70,440,800	10.84
Advance New Technology Limited (Note 2)	Directly beneficially owned	70,440,800	10.84
ING Trust Company (Jersey) Limited (Note 3)	Through a controlled corporation	44,224,000	6.81
26 Crayne Company Limited (Note 3)	Directly beneficially owned	44,224,000	6.81

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 30 April 2007
<b><i>Other shareholder</i></b>			
Mr. LEE Wai Man	Directly beneficially owned	35,620,000	5.48

*Notes:*

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.
2. Advance New Technology Limited is a wholly-owned subsidiary of PolyU Enterprise Limited, which is wholly owned by The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU and PolyU Enterprise Limited are deemed to be interested in all the shares of the Company held by Advance New Technology Limited.
3. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

Save as disclosed above, as at 30 April 2007, 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 six months ended 30 April 2007. The Company has not redeemed any of its listed securities during the period under review.

## CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions 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 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 period ended 30 April 2007.

## 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, Ms. HUI Wai Man Shirley, 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, Ms. HUI Wai Man Shirley, 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 controls system of the Group. The audit committee comprises four members, Ms. HUI Wai Man Shirley, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, who are the independent non-executive directors of the Company.

The Group's unaudited results for the six months ended 30 April 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

**Executive directors:**

Mr. Shah Tahir Hussain

Mr. Han Ka Lun

Mr. Ng Chi Fai

**Non-executive directors:**

Dr. Lui Sun Wing

Mr. Young Meng Cheung Andrew

**Independent non-executive directors:**

Ms. Chan Siu Ping Rosa

Mr. Takeuchi Yutaka

Professor Ni Jun

Ms. Hui Wai Man Shirley

By Order of the Board  
**Eco-Tek Holdings Limited**  
**Shah Tahir Hussain**  
*Chairman*

Hong Kong, 13 June 2007