



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8169

For the three months ended 31 January 2008

First
Quarterly Report

fostering a
healthy environment



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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

- The Group's turnover for the three months ended 31 January 2008 amounted to approximately HK\$42.4 million (2007: HK\$26.7 million), representing an increase of approximately 58.8% as compared with last corresponding period under review.
- Profit attributable to equity holders of the Company for the three months ended 31 January 2008 amounted to approximately HK\$4.8 million (2007: HK\$3.0 million) which represented approximately 60.0% increase as compared with last corresponding period.
- Basic earnings per share for the three months ended 31 January 2008 amounted to approximately HK0.74 cent (2007: HK0.47 cent).

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 January 2008 together with the comparative figures as follows.

| | Notes | Three months ended 31 January | |
|--|-------|----------------------------------|------------------|
| | | 2008 HK\$'000 | 2007 HK\$'000 |
| REVENUE — TURNOVER | 2 | 42,366 | 26,697 |
| Cost of sales | | (33,928) | (20,191) |
| Gross profit | | 8,438 | 6,506 |
| Other income | | 117 | 331 |
| Selling expenses | | (565) | (531) |
| Administrative expenses | | (4,369) | (3,801) |
| Other operating income | | 390 | 390 |
| PROFIT FROM OPERATIONS | | 4,011 | 2,895 |
| Finance costs | | (317) | — |
| Share of profit of a jointly controlled entity | | 150 | 33 |
| PROFIT BEFORE TAXATION | | 3,844 | 2,928 |
| Taxation | 3 | (773) | (121) |
| PROFIT FOR THE PERIOD | | 3,071 | 2,807 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Company | | 4,819 | 3,026 |
| Minority interest | | (1,748) | (219) |
| | | 3,071 | 2,807 |
| Dividends | 4 | — | — |
| EARNINGS PER SHARE: | 5 | | |
| — Basic | | HK0.74 cent | HK0.47 cent |
| — Diluted | | N/A | N/A |

NOTES:

1. Principal accounting policies and basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed financial statements for the three months ended 31 January 2008 are prepared under the historical cost convention and the basis of preparation and accounting policies adopted therein are consistent with those followed in the Group's annual financial statements for the year ended 31 October 2007.

From 1 November 2007, the Group has adopted the new and amended HKFRS which are first effective on 1 November 2007 and relevant to the Group. The adoption of these HKFRSs did not result in any significant changes in the Group's and the Company's accounting policies.

The unaudited condensed consolidated financial statements for the three months ended 31 January 2008 have not been audited by external auditors, but have been reviewed by the Company's audit committee.

2. Revenue – Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and of water supply business.

3. Taxation

| | Three months ended | |
|--|---------------------------|-----------------|
| | 31 January | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Elsewhere | 705 | 53 |
| Deferred tax | 68 | 68 |
| Total tax charge for the period | 773 | 121 |

No Hong Kong profits tax has been provided as the Group has utilised its loss brought forward to offset against its assessable profit for the three months ended 31 January 2008 and 2007. 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 31 January 2008, there was no significant unrecognised deferred tax liability (2007: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

4. Dividends

The Board did not recommend the payment of an interim dividend for the three months ended 31 January 2008 (2007: nil).

5. Earnings per share

The basic earnings per share for the three months ended 31 January 2008 is calculated based on the unaudited profit attributable to equity holders of the Company for the period of HK\$4,819,000 (2007: HK\$3,026,000) and the weighted average of 649,540,000 (2007: 649,540,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for the three months ended 31 January 2008 since the exercise price of the Company's options was higher than the average market price for the period.

No diluted earnings per share has been presented because there is no potential ordinary shares outstanding during the three months ended 31 January 2007.

6. Movement of reserves

| | Reserves attributable to equity holders of the Company | | | | | | | Minority Interest | Total | |
|--|--|-----------------|------------------------------|------------------------------|----------------------|------------------|-------------------------|-------------------|---------|---------|
| | Share premium | Capital reserve | Exchange translation reserve | Capital contribution reserve | Share option reserve | Retained profits | Proposed final dividend | | | |
| | | | | | | | Total | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At 1 November 2006 | 19,586 | 95 | 1,687 | — | — | 55,641 | 3,248 | 80,257 | 555 | 80,812 |
| Exchange difference, net expense recognised directly in equity | — | — | (224) | — | — | — | — | (224) | — | (224) |
| Profit/(loss) for the period | — | — | — | — | — | 3,026 | — | 3,026 | (219) | 2,807 |
| At 31 January 2007 | 19,586 | 95 | 1,463 | — | — | 58,667 | 3,248 | 83,059 | 336 | 83,395 |
| At 1 November 2007 | 19,586 | 95 | 6,426 | 11,126 | 376 | 65,863 | 3,248 | 106,720 | 13,662 | 120,382 |
| Exchange difference, net expense recognised directly in equity | — | — | (574) | — | — | — | — | (574) | — | (574) |
| Profit/(loss) for the period | — | — | — | — | — | 4,819 | — | 4,819 | (1,748) | 3,071 |
| At 31 January 2008 | 19,586 | 95 | 5,852 | 11,126 | 376 | 70,682 | 3,248 | 110,965 | 11,914 | 122,879 |

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the three months ended 31 January 2008, the Group recorded an increase in turnover of approximately HK\$15.7 million or 58.8% as compared to last corresponding period. Net profits attributable to shareholders amounted to approximately HK\$4.8 million (2007: HK\$3.0 million), represented an increase of approximately 60.0% to that of the last corresponding period.

In this quarter under review, the Group continues its efforts in its marketing works in the promotion of its industrial environmental protection related products which awarded for the great increase in the demand of our products especially in the press and construction industries.

Gross profits of the Group for the three months ended 31 January 2008 amounted to approximately HK\$8.4 million, representing an increase of approximately 29.2%. Gross profits ratios slightly reduced from 24.3% to 19.9% due to the inclusion of around HK\$1.5 million depreciation charge for the Tianjin Water Supply Plant in the amount of cost of sales.

With the continue increase in the scale of business of industrial environmental protection related products, the opening of the water supply plant in Tianjin and the continue appreciation of the Reminbi, administrative expenses for the three months ended 31 January 2008 was increased by around HK\$0.6 million or 15.8% to that of the last corresponding period.

Business Review and Prospects

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

For the promotion of industrial environmental protection related products, 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. For example, in late 2007, the Group has opened a new representative office in Changsha. The Group has also started engaging directly in the manufacturing of other industrial machines driven by energy saving device in small scale in this review period.

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

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

As at 31 January 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 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

Number of shares held, capacity and nature of interest

| Name | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital as at 31 January 2008 |
|-----------------------------------|---------------------------------|--------------------------------|--|
| Chief Executive Officer | | | |
| Dr. PAU Kwok Ping (<i>Note</i>) | Through a discretionary trust | 44,224,000 | 6.81 |

Note: 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. Dr. PAU Kwok Ping has resigned as the Group's Chief Executive Officer at 28 February 2008.

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 31 January 2008 were as follows:

| Name | Date of grant | Number of options outstanding as at 1 November 2007 | Number of options granted during the period | Number of options outstanding as at 31 January 2008 | Exercise price per share |
|---|---------------|---|---|---|--------------------------|
| <i>HK\$</i> | | | | | |
| <i>Executive Director</i> | | | | | |
| Mr. NG Chi Fai | 13/8/2007 | 500,000 | — | 500,000 | 0.350 |
| <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 |
| <i>(note)</i> | | | | | |
| | | 2,500,000 | — | 2,500,000 | |

Note: Ms. HUI Wai Man Shirley has been re-designated to non-executive director and chairman of the Group at 5 March 2008.

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

| Name | Total number of ordinary shares held as at 31 January 2008 | Number of options held and outstanding as at 31 January 2008 | Aggregate in number as at 31 January 2008 | Percentage of the Company's issued share capital as at 31 January 2008 |
|--|--|--|---|--|
| Executive Director | | | | |
| Mr. NG Chi Fai | — | 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 |
| Ms. HUI Wai Man Shirley (Note 1) | — | 500,000 | 500,000 | 0.08 |
| Chief Executive Officer | | | | |
| Dr. PAU Kwok Ping (Note 2) | 44,224,000 | — | 44,224,000 | 6.81 |
| | 44,224,000 | 2,500,000 | 46,724,000 | 7.21 |

Note 1: Ms. HUI Wai Man Shirley has redesignated to non-executive director and chairman of the Group at 5 March 2008.

Note 2: Dr. PAU Kwok Ping has resigned as the Group's Chief Executive Officer at 28 February 2008.

Save as disclosed above, as at 31 January 2008, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 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 31 January 2008, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

| Name | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital as at 31 January 2008 |
|---|---|--------------------------------|--|
| Substantial shareholders | | | |
| Cititrust (Cayman) Limited (Note 1) | Through a unit trust and controlled corporation | 344,621,200 | 53.06 |
| Wide Sky Management Limited (Note 1) | Through a controlled corporation | 344,621,200 | 53.06 |
| Team Drive Limited (Note 1) | Directly beneficially owned | 344,621,200 | 53.06 |
| The Hong Kong Polytechnic University (Note 2) | Through a controlled corporation | 70,440,800 | 10.84 |
| PolyU Enterprise Limited (Note 2) | Through a controlled corporation | 70,440,800 | 10.84 |
| Advance New Technology Limited (Note 2) | Directly beneficially owned | 70,440,800 | 10.84 |
| ING Trust Company (Jersey) Limited (Note 3) | Through a controlled corporation | 44,224,000 | 6.81 |
| Crayne Company Limited (Note 3) | Directly beneficially owned | 44,224,000 | 6.81 |
| Other shareholder | | | |
| Mr. LEE Wai Man | Directly beneficially owned | 35,620,000 | 5.48 |

Notes:

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

Other share options granted under the Scheme

| Name | Date of grant | Number | Number | Number | Exercise price per share |
|------|---------------|--|--------------------------------------|--|--------------------------|
| | | of options outstanding as at 1 November 2007 | of options granted during the period | of options outstanding as at 31 January 2008 | |
| | | | | | <i>HK\$</i> |

| | | | | | |
|-------------------|-----------|---------|---|---------|------|
| Mr. CHEUNG Ka Fai | 13/8/2007 | 500,000 | — | 500,000 | 0.35 |
|-------------------|-----------|---------|---|---------|------|

Save as disclosed above, as at 31 January 2008, so far as is known to the Directors or chief executives of the Company, no other persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period ended 31 January 2008. The Company had not redeemed any of its listed securities during the period ended 31 January 2008.

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 ended 31 January 2008.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four members, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Mr. CHAU Kam Wing Donald, who are the independent non-executive directors of the Company.

The Group's unaudited results for the three months ended 31 January 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

Executive directors:

Mr. Han Ka Lun
Mr. Ng Chi Fai

Non-executive directors:

Dr. Lui Sun Wing
Mr. Young Meng Cheung Andrew
Ms. Hui Wai Man Shirley

Independent non-executive directors:

Ms. Chan Siu Ping Rosa
Mr. Takeuchi Yutaka
Professor Ni Jun
Mr. Chau Kam Wing Donald

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

Hong Kong, 14 March 2008