



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8169

FIRST QUARTERLY REPORT 2009

For the three months ended 31Jan 2009

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

GEM has been position as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (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 (1) the information contained in this report is accurate and complete in all material aspects 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 three months ended 31 January 2009 amounting to HK\$30.3 million (2008: HK\$42.4 million) representing a decrease of 28.5% as compared with last corresponding period under review.
- Profits attributable to equity holders of the Company for the three months ended 31 January 2009 amounted to HK\$2.1 million (2008: HK\$4.8 million) representing a decrease of 56.3% as compared with last corresponding period.
- Basic earnings per share for the three months ended 31 January 2009 amounted to approximately HK0.33 cents (2008: HK0.74 cents).

UNAUDITED 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 2009 together with the comparable figures for the corresponding period in the last financial year.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 January	
		2009 HK\$'000	2008 HK\$'000
REVENUE	3	30,264	42,366
Cost of sales		(23,355)	(33,928)
Gross profit		6,909	8,438
Other income		364	117
Selling expenses		(664)	(565)
Administrative expenses		(6,235)	(4,369)
Other operating income		299	390
PROFIT FROM OPERATIONS		673	4,011
Finance costs		(135)	(317)
Share of profit of a jointly controlled entity		576	150
PROFIT BEFORE TAXATION		1,114	3,844
Taxation	4	209	(773)
PROFIT FOR THE PERIOD		1,323	3,071
Attributable to:			
Equity holders of the Company		2,147	4,819
Minority interest		(824)	(1,748)
Profit for the period		1,323	3,071
Dividends	5	—	—
EARNINGS PER SHARE	6		
— Basic		HK0.33 cents	HK0.74 cents
— Diluted		N/A	N/A

Notes:

1. Basis of preparation

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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 2008 ("2008 Audited Financial Statements").

2. Principal accounting policies

The unaudited condensed financial statements for the three months ended 31 January 2009 are prepared under the historical cost convention and the accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the 2008 Annual Financial Statements. The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

From 1 November 2008, the Group has adopted all the new and amended HKFRS issued by the HKICPA which were first effective on 1 November 2008 and relevant to the Group's operation.

The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible hedged items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Vesting conditions and Cancellation ¹
HKFRS 3 (Revised)	Share-based Payment — Business Combination ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate ¹
Various	Annual Improvements to IFRS 2008

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

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

3. Revenue

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

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

	Three months ended 31 January	
	2009 HK\$'000	2008 HK\$'000
Industrial environmental products	25,026	40,878
Production of machines	3,714	—
Water supply plant	1,524	1,333
Others	—	155
	30,264	42,366

4. Taxation

	Three months ended 31 January	
	2009	2008
	HK\$'000	HK\$'000
Current tax		
Hong Kong	—	—
Elsewhere	(91)	(705)
Deferred	300	(68)
Total tax credit/(charge) for the period	209	(773)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

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 2009, there was no significant unrecognised deferred tax liability (31 January 2008: nil) for taxes that would be payable on unremitted earnings of certain of the Group's subsidiaries.

5. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2009 (2008: Nil).

6. Earnings per share

The earnings per share amount for the three months ended 31 January 2009 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$2,147,000 (three months ended 31 January 2008: HK\$4,819,000) and the weighted average of 649,540,000 (three months ended 31 January 2008: 649,540,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for the three months period ended 31 January 2009 since the exercise price of the Company's option was higher than the average market price for the period.

7. Movement of reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange trans- lation reserve HK\$'000	Capital con- tri- bution reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total Equity HK\$'000
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 income recognized 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
At 1 November 2008	19,586	95	9,749	11,126	326	80,539	3,897	125,318	16,591	141,909
Exchange difference (net income recognized directly in equity)			(195)					(195)	383	188
Deferred tax				(3,155)				(3,155)	(4,268)	(7,423)
Profit/(loss) for the period						2,147		2,147	(824)	1,323
At 31 January 2009	19,586	95	9,559	7,971	326	82,686	3,897	124,115	11,882	135,997

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 January 2009, the Group recorded a decrease in turnover of approximately 28.5% from HK\$42.4 million in the corresponding period in the last financial year to HK\$30.3 million. Net profits attributable to shareholders amounted to approximately HK\$2.1 million (2008: HK\$4.8 million), represented a decrease of around 56.3% to that of the last corresponding period.

In this review period, the trading business had been adversely affected by the financial tsunami mostly in two directions. Turnover was decreased 38.8% compared to the last corresponding period mainly due to customers in the manufacturing sector reduced their orders significantly and tightening credit in China during last year and the global slowdown of business. Further, profits had been eroded by sharp appreciation of Japanese yen which is one of our main payment currencies to major suppliers.

Gross profits for the three months ended 31 January 2009 amounted to approximately HK\$6.9 million, representing a decrease of approximately 18.1% compared to that of last corresponding period. However, gross profits ratio had been increased from 19.9% to 22.8% due to change of product mix. Gross profit ratio for trading of industrial environmental products (which is the major business) is approximately 21.9% in this review period (2008: 21.1%).

Selling expenses increased approximately HK\$99,000 which is approximately an increase of 17.5% compared to that of the last corresponding period. The increase is mainly due to increase of business in manufacturing activities.

Administrative expenses for the three months ended 31 January 2009 increased 42.7% from HK\$4.4 million in the last corresponding period to HK\$6.2 million. Comparing to the last corresponding period, additional administration expenses of approximately HK\$486,000 is incurred for business in manufacturing activities, approximately additional HK\$241,000 is incurred for water supply plant and additional HK\$242,000 is incurred for foreign exchange losses.

Business review and prospectus

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

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

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

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

The Group expect the global financial tsunami will continue to have adverse affect to the business and operation in the coming quarters. Although business will inevitably be slowdown in coming months, the Group will work together to overcome the challenges by taking appropriate timely actions to reduce unfavorable effects of the recession.

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

As at 31 January 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future 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:

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 2009 were as follows:

Name	Date of grant	Exercise Period	Numbers of options outstanding as at 1 November 2008	Number of options granted during the period	Number of options outstanding as at 31 January 2009	Exercise price per share HK\$
Executive Director and Chief Executive						
Mr. NG Chi Fai	13/8/2007	13/8/2007 — 1/10/2010	500,000	—	500,000	0.350
Non-executive Director						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007 — 1/10/2010	500,000	—	500,000	0.235
Independent Non-Executive Directors						
Ms. CHAN Siu Ping Rosa	2/4/2007	2/10/2007 — 1/10/2010	500,000	—	500,000	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	2/10/2007 — 1/10/2010	500,000	—	500,000	0.235
Professor NI Jun	2/4/2007	2/10/2007 — 1/10/2010	500,000	—	500,000	0.235
			2,500,000	—	2,500,000	

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

Name	Total Number of ordinary shares held as at 31 January 2009	Number of options held and outstanding as at 31 January 2009	Aggregate in number as at 31 January 2009	Percentage of the Company's Issued share Capital as at 31 January 2009
Executive Director and Chief Executive				
Mr. NG Chi Fai	—	500,000	500,000	0.08
Non-executive Director and Chairman				
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
Independent Non-Executive Directors				
Ms. CHAN Siu Ping Rosa	—	500,000	500,000	0.08
Mr. TAKEUCHI Yutaka	—	500,000	500,000	0.08
Professor NI Jun	—	500,000	500,000	0.08
	—	2,500,000	2,500,000	0.40

Save as disclosed above, as at 31 January 2009, 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 register required to be kept by the Company pursuant to Section 352 of the SFO, or which are 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 31 January 2009, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 31 January 2009
Substantial shareholders			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	66,410,800	10.23
Advanced New Technology Limited (Note 2)	Directly beneficially owned	66,410,800	10.23
ING Trust Company (Jersey) Limited (Note 3)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 3)	Directly beneficially owned	44,224,000	6.81
Other shareholder			
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

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 ultimately owned by The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU is deemed to be interested in all the shares of the Company held by Advance New Technology Limited.
3. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded by Dr. Pau Kwok Ping.

Other share options granted under the Scheme

As at 31 January 2009, so far as is known to the Directors or chief executives of the Company, no other persons (other than a Director or chief executives 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 2009. The Company had not redeemed any of its listed securities during the period ended 31 January 2009.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provision of the Code on Corporate Governance Practice (the "GO 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 its 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 2009.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 10 March 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in the Listing Rules. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The remuneration committee comprises four members, Ms. CHAN Siu Ping Rosa, Mr. CHAU Kam Wing Donald, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee on 27 February 2006 with written terms of reference according to the Code on Corporate Governance Practices set out in the Listing Rules. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the directors. The nomination committee comprises four members, Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four members, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, 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 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding director's securities transactions in securities of the Company. Upon the Group's specific enquiry, each director had confirmed that during the three months ended 31 January 2009, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

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

Executive directors:

Mr. NG Chi Fai (*Chief Executive Officer*)
Mr. HAN Ka Lun

Non-executive directors:

Ms. HUI Wai Man Shirley (*Chairman*)
Dr. LUI Sun Wing
Mr. YOUNG Meng Cheung Andrew

Independent non-executive directors:

Mr. CHAU Kam Wing Donald
Ms. CHAN Siu Ping Rosa
Mr. TAKEUCHI Yutaka
Professor NI Jun

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

Hong Kong, 9 March 2009