

First Quarterly Report **2010**



Eco-Tek Holdings Limited

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

HEALTHY environment
Quality life



For the three months ended 31Jan 2010

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

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

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

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

FINANCIAL SUMMARY

- Turnover for the three months ended 31 January 2010 amounting to HK\$43.6 million (2009: HK\$30.3 million) representing an increase of 44% as compared with last corresponding period.
- Profits attributable to equity holders of the Company for the three months ended 31 January 2010 amounted to HK\$3.5 million (2009: HK\$2.1 million) representing an increase of 66% as compared with last corresponding period.
- Basic earnings per share for the three months ended 31 January 2010 amounted to approximately HK0.54 cent (2009: HK0.33 cent).

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 2010 together with the comparable figures for the corresponding period in the last financial year.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 January	
		2010 HK\$'000	2009 HK\$'000
Revenue	3	43,615	30,264
Cost of sales		(34,478)	(23,355)
Gross profit		9,137	6,909
Other income		424	364
Selling expenses		(802)	(664)
Administrative expenses		(5,213)	(6,235)
Other operating income		84	299
Operating profit		3,630	673
Share of profit of a jointly controlled entity		252	576
Profit before finance costs and tax		3,882	1,249
Finance costs		(312)	(135)
Profit before income tax		3,570	1,114
Income tax expense	4	(72)	209
Profit for the period		3,498	1,323
Attributable to:			
Equity holders of the Company		3,524	2,147
Minority interest		(26)	(824)
Profit for the period		3,498	1,323
Dividends	5	—	—
Earnings per share for the profit attributable to equity holders of the Company during the period	6		
Basic		HK0.54 cent	HK0.33 cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 January	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the period	3,498	1,323
Other comprehensive income for the period:		
— Exchange differences on translation of financial statements of foreign operations	369	188
Total comprehensive income for the period	3,867	1,511
Total comprehensive income attributable to:		
Equity holders of the Company	3,819	2,223
Minority interests	48	(712)
	3,867	1,511

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 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 2009 ("2009 Audited Financial Statements").

2. Principal accounting policies

The unaudited condensed financial statements for the three months ended 31 January 2010 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 2009 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 2009, the Group has adopted all the following new and amended HKFRS issued by the HKICPA which were first effective on 1 November 2009 and relevant to the Group's operation.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The Group has not early adopted the certain new and amended 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.

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	
	2010 HK\$'000	2009 HK\$'000
Industrial environmental products	38,743	25,026
Production of machines	975	3,714
Water supply plant	3,681	1,524
Others	216	—
	43,615	30,264

4. Income tax expenses

	Three months ended 31 January	
	2010 HK\$'000	2009 HK\$'000
Current tax		
Hong Kong	—	—
Elsewhere	(72)	(91)
Deferred Tax	—	300
Total tax (charge)/credit for the period	(72)	209

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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 2010, there was no significant unrecognised deferred tax liability (31 January 2009: 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 2010 (2009: Nil).

6. Earnings per share

The earnings per share amount for the three months ended 31 January 2010 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$3,524,000 and the weighted average of 649,540,000 ordinary shares in issue during the period.

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 and the weighted average of 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 and 2010 since the exercise price of the Company's options was higher than the average market price for the periods.

7. Share capital and reserves

	Share Capital	Share premium	Capital reserve	Exchange trans- lation reserve	Capital contri- bution reserve	Share option reserve	Retained profits	Proposed final dividend	Total	Minority interest	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2008	6,495	19,586	95	9,749	11,126	326	80,539	3,897	131,813	16,591	148,404
Total comprehensive income for the period				76			2,147		2,223	(712)	1,511
Deferred tax	—				(3,155)				(3,155)	(4,268)	(7,423)
At 31 January 2009	6,495	19,586	95	9,825	7,971	326	82,686	3,897	130,881	11,611	142,492
At 1 November 2009	6,495	19,586	95	8,023	7,971	326	87,376	1,949	131,821	11,247	143,068
Total comprehensive income for the period				295			3,524		3,819	48	3,867
Further acquire 37.5% share of a subsidiary from a minority shareholder				2,002			5,333		7,335	(7,335)	—
At 31 January 2010	6,495	19,586	95	10,320	7,971	326	96,233	1,949	142,975	3,960	146,935

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 January 2010, the Group recorded an increase in turnover of approximately 44% from HK\$30.3 million in the corresponding period in the last financial year to HK\$43.6 million. Net profits attributable to equity holders amounted to approximately HK\$3.5 million (2009: HK\$2.1 million), represented an increase of around 66% to that of the last corresponding period.

Sales of industrial environmental products (which is the major business) accounts for 88.8% of the Group's turnover for the period ended 31 January 2010, representing an increase of 6.1% over the last corresponding period.

Gross profits for the three months ended 31 January 2010 amounted to approximately HK\$9.1 million, representing an increase of approximately 32% compared to that of last corresponding period. Gross profits ratio had been decreased from 22.8% to 20.9% due to change of product mix. Gross profit ratio for trading of industrial environmental products is approximately 21.4% in this review period (2009: 21.9%).

Selling expenses for the three months ended 31 January 2010 increased 20.8% from HK\$664,000 in the last corresponding period to HK\$802,000. The increase is mainly due to increase of business in water supply plant activities.

Administrative expenses for the three months ended 31 January 2010 decreased 16.1% from HK\$6.2 million in the last corresponding period to HK\$5.2 million. The decrease is mainly due to decrease of business in manufacturing activities.

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.

The turnover of the sales of the industrial and environmental products to the marine and construction industries continuous to expand. On the other hand, the Group has explored and introduced new industrial environmental protection related products to the customers and the demand of these new industrial environmental protection products is increasing.

The performance of water supply plant in the Baodi District of Tainjin City continuous to grow along with the growing development of the Baodi District. The Group has confidence that revenue generated from the water supply plant will have a positive contribution to the Group.

Although the global economy has started to turn positive at the beginning of 2010, there are many factors that can still impact the recovery. The Group will continue to closely monitor the situation and maintain a cautiously active approach. Besides, The Group will continue to promote existing industrial environment protection related products and explore and introduce new products and to open additional new representative offices in other locations in the PRC.

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

As at 31 January 2010, 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 2010 were as follows:

Name	Date of grant	Exercise Period	Number of options outstanding as at 1 November 2009	Number of options granted during the period	Number of options outstanding as at 31 January 2010	Exercise price per share HK\$
<i>Non-executive Director and Chairman</i>						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007 – 1/10/2010	500,000	—	500,000	0.235
<i>Executive Director and Chief Executive Officer</i>						
Mr. NG Chi Fai	13/8/2007	13/8/2007 – 1/10/2010	500,000	—	500,000	0.350
<i>Independent Non-Executive Directors</i>						
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 2010	Number of options held and outstanding as at 31 January 2010	Aggregate in number as at 31 January 2010	Percentage of the Company's Issued share Capital as at 31 January 2010
<i>Non-executive Director and Chairman</i>				
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
<i>Executive Director and Chief Executive</i>				
Mr. NG Chi Fai	—	500,000	500,000	0.08
<i>Independent Non-Executive Directors</i>				
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 2010, 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 2010, 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 2010
Substantial shareholders			
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,941,200	53.11
Wide Sky Management (PTC) Limited (Note 1)	Through a controlled corporation	344,941,200	53.11
Team Drive Limited	Directly beneficially owned	344,941,200	53.11
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	5.49

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 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 2010, 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 2010. The Company had not redeemed any of its listed securities during the period ended 31 January 2010.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provision of the Code on Corporate Governance Practice (the "CG Code") set out in Appendix 15 of the GEM Listing Rules for the review period.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of 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 2010.

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, all of them are the independent non-executive directors of the Company.

The Group's unaudited results for the three months ended 31 January 2010 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 2010, they had fully complied with the required standard of dealings and there was no event of non-compliance.

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

Ms. HUI Wai Man Shirley (*Chairman and Non-executive director*)

Executive directors:

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

Mr. KWOK Tsun Kee

Non-executive directors:

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, 12 March 2010