



Eco-Tek Holdings Limited

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

First Quarterly Report **2011**

HEALTHY environment
Quality life





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.



FINANCIAL SUMMARY

- Turnover for the three months ended 31 January 2011 amounting to HK\$51.6 million (2010: HK\$43.6 million), representing an increase of 18.3% as compared with last corresponding period.
- Profits attributable to equity holders of the Company for the three months ended 31 January 2011 amounted to HK\$3.7 million (2010: HK\$3.5 million), representing an increase of 5.7% as compared with last corresponding period.
- Basic earnings per share for the three months ended 31 January 2011 amounted to approximately HK0.56 cent (2010: HK0.54 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 2011 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	
		2011 HK\$'000	2010 HK\$'000
Revenue			
Cost of sales	3	51,584 (40,853)	43,615 (34,478)
Gross profit		10,731	9,137
Other income		367	424
Selling expenses		(1,034)	(960)
Administrative expenses		(5,579)	(5,055)
Other operating income		—	84
Profit from operations		4,485	3,630
Share of (loss)/profit of a jointly controlled entity		(11)	252
Profit before finance costs and tax		4,474	3,882
Finance costs		(229)	(312)
Profit before tax		4,245	3,570
Income tax expense	4	(477)	(72)
Profit for the period		3,768	3,498
Attributable to:			
Equity holders of the Company		3,673	3,524
Non-controlling interests		95	(26)
Profit for the period		3,768	3,498
Dividends	5	—	—
Earnings per share for the profit attributable to equity holders of the Company during the period			
Basic	6	HK0.56 cent	HK0.54 cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 January	
	2011 HK\$'000	2010 HK\$'000
Profit for the period	3,768	3,498
Other comprehensive income for the period:		
— Exchange differences on translation of financial statements of foreign operations	701	369
Total comprehensive income for the period	4,469	3,867
Total comprehensive income attributable to:		
Equity holders of the Company	4,274	3,819
Non-controlling interests	195	48
	4,469	3,867

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 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 2010 ("2010 Audited Financial Statements").

2. Principal accounting policies

The unaudited condensed financial statements for the three months ended 31 January 2011 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 2010 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.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

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	
	2011 HK\$'000	2010 HK\$'000
Industrial environmental products	42,139	38,743
Water supply plant	5,113	3,681
Production of machines	3,928	975
General environmental protection related products and services	404	216
	51,584	43,615

4. Income tax expenses

	Three months ended 31 January	
	2011 HK\$'000	2010 HK\$'000
Current tax		
Hong Kong	(179)	—
Elsewhere	(298)	(72)
Deferred Tax	—	—
Total tax (charge)/credit for the period	(477)	(72)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 2011, there was no significant unrecognised deferred tax liability (31 January 2010: 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 2011 (2010: Nil).

6. Earnings per share

The earnings per share amount for the three months ended 31 January 2011 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$3,673,000 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 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.

No diluted earnings per share is calculated for the three months period ended 31 January 2011 since no Company's share options was outstanding during the period.

No diluted earnings per share is calculated for the three months period ended 31 January 2010 since the exercise price of the Company's share 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	Non- controlling interests	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 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
At 1 November 2010	6,495	19,586	95	10,825	7,971	—	102,283	3,897	151,152	5,358	156,510
Total comprehensive income for the period				601			3,673		4,274	195	4,469
At 31 January 2011	6,495	19,586	95	11,426	7,971	—	105,956	3,897	155,426	5,553	160,979

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 January 2011, the Group recorded an increase in turnover of approximately 18.3% from HK\$43.6 million in the corresponding period in the last financial year to HK\$51.6 million. Net profits attributable to equity holders amounted to approximately HK\$3.7 million (2010: HK\$3.5 million), represented an increase of around 5.7% to that of the last corresponding period.

Gross profits for the three months ended 31 January 2011 amounted to approximately HK\$10.7 million, representing an increase of approximately 17.6% compared to that of last corresponding period. Gross profits ratio was 20.8%, which maintained stable compared to the last corresponding period.

The Group's selling expenses for the three months ended 31 January 2011 increased 7.7% from HK\$960,000 in the last corresponding period to HK\$1,034,000. The Group's administrative expenses for the three months ended 31 January 2011 increased 9.8% from HK\$5.1 million in the last corresponding period to HK\$5.6 million. The increase was mainly due to increase of business in production of machines.

Business review and prospectus

The Group is continuously engaged 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 environmental products to the machinery and the construction industries continuous to expand. Besides, 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 revenue contributed by the 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 continue to increase gradually as the area continues to develop.

During the period under review, although global economy recovered strongly, there are many factors that can still impact the recovery. The impact from an increasingly weak US dollars will continue to have an adverse affect on our business as the purchases of the Group are mainly denominated in Japanese Yen, Euros and Sterling Pounds. The Group will continue to closely monitor the situation and maintain a cautiously active approach. In respect to the serve earthquake in Japan on 11 March 2011, some of the industrial environmental products suppliers are located in Japan, we will continue to monitor and evaluate the situation and the potential impact of their production and the supply of the products to the group closely.

Besides, The Group will continue to promote existing industrial environmental protection related products and explore and introduce new products and to open the Tokawa Precision Hydraulic Retail Shops in other locations in the PRC.

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

As at 31 January 2011, 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 2011, 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 2011
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 (Note 1)	Directly beneficially owned	344,941,200	53.11
The Hong Kong Polytechnic University (Note 2)	Through a controlled corporation	58,340,800	8.98
Advanced New Technology Limited (Note 2)	Directly beneficially owned	58,340,800	8.98
BOS 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 BOS Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded by Dr. Pau Kwok Ping.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period ended 31 January 2011. The Company had not redeemed any of its listed securities during the period ended 31 January 2011.

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 2011.

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, Professor NI Jun and 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 2011 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 2011, 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

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, 15 March 2011