



Eco-Tek Holdings Limited

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

Third Quarterly Report **2011**

HEALTHY environment
Quality life



For the nine months ended 31 July 2011



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

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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 and nine months ended 31 July 2011 amounting to HK\$47.1 million (2010: HK\$56.1 million) and HK\$149.8 million (2010: HK\$139.9 million), representing a decrease of 16% and an increase of 7.1% respectively as compared with last corresponding period.
- Profits attributable to equity holders of the Company for the three months and nine months ended 31 July 2011 amounted to HK\$0.3 million (2010: HK\$5.8 million) and HK\$7.7 million (2010: HK\$14 million), representing a decrease of 95% and 45% respectively as compared with last corresponding period.
- Basic earnings per share for the three months ended 31 July 2011 amounted to HK0.05 cent (2010: HK0.90 cent). Basic earnings per share for the nine months ended 31 July 2011 amounted to HK1.19 cents (2010: HK\$2.15 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 and nine months ended 31 July 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 July		Nine months ended 31 July	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	3	47,094	56,148	149,765	139,855
Cost of sales		(40,066)	(42,720)	(121,179)	(104,442)
Gross profit		7,028	13,428	28,586	35,413
Other income		429	77	824	599
Selling expenses		(603)	(624)	(2,281)	(2,359)
Administrative expenses		(5,972)	(6,101)	(17,237)	(16,122)
Other operating income		—	36	—	140
Profit from operation		882	6,816	9,892	17,671
Finance costs		(2)	(283)	(248)	(868)
Share of loss of a jointly controlled entity		(15)	(237)	(343)	(181)
Profit before taxation		865	6,296	9,301	16,622
Taxation	4	(426)	(509)	(1,235)	(2,661)
Profit for the period		439	5,787	8,066	13,961
Other comprehensive income for the period					
Exchange gain on translation of financial statements of foreign operations		746	551	2,978	1,176
Total comprehensive income for the period		1,185	6,338	11,044	15,137
Profit for the period attributable to:					
Equity holders of the Company		303	5,844	7,705	13,992
Non controlling interest		136	(57)	361	(31)
		439	5,787	8,066	13,961
Total Comprehensive income for the period attributable to:					
Equity holders of the Company		1,021	6,286	10,154	14,949
Non-controlling interests		164	52	890	188
		1,185	6,338	11,044	15,137
Earnings per share for the profit attributable to equity holders of the Company during the period	6				
Basic		HK0.05 cent	HK0.90 cent	HK1.19 cents	HK2.15 cents
Diluted		N/A	N/A	N/A	N/A

Eco-Tek Holdings Limited

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 and nine months ended 31 July 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 July		Nine months ended 31 July	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Water supply plant	6,397	4,214	16,610	11,922
General environmental protection related products and services	444	269	1,114	678
Industrial environmental products	39,733	48,167	126,156	120,779
Production of machines	520	3,498	5,885	6,476
	47,094	56,148	149,765	139,855

4. Taxation

	Three months ended 31 July		Nine months ended 31 July	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current tax				
Hong Kong				
Tax for the period	133	609	527	1,342
(Over)/Under provision in respect of prior years	—	(100)	—	1,251
	133	509	527	2,593
PRC				
Tax for the period	293	—	708	68
	426	509	1,235	2,661

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for 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 31 July 2011, there was no significant unrecognised deferred tax liability (31 July 2010: nil) for taxes that would be payable on unremitted earnings of certain of the Group's subsidiaries.

5. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2011 (nine months ended 31 July 2010: Nil).

6. Earnings per share

The earnings per share amount for the three months ended 31 July 2011 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$303,000 (three months ended 31 July 2010: HK\$5,844,000) and the weighted average of 649,540,000 (three months ended 31 July 2010: 649,540,000) ordinary shares in issue during the period.

The earnings per share amount for the nine months ended 31 July 2011 is calculated based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$7,705,000 (nine months ended 31 July 2010: HK\$13,992,000) and the weighted average of 649,540,000 (nine months ended 31 July 2010: 649,540,000) ordinary shares in issue during the period.

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

7. Share capital and reserves

	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange trans- lation reserve HK\$'000	Capital contri- bution reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total Equity 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	—	—	—	957	—	—	13,992	—	14,949	188	15,137
Further acquire 37.5% share of a subsidiary from a minority shareholder	—	—	—	2,002	—	—	5,333	—	7,335	(7,335)	—
2009 final dividend paid	—	—	—	—	—	—	—	(1,949)	(1,949)	—	(1,949)
At 31 July 2010	6,495	19,586	95	10,982	7,971	326	106,701	—	152,156	4,100	156,256
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	—	—	—	2,449	—	—	7,705	—	10,154	890	11,044
2010 final dividend paid	—	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
At 31 July 2011	6,495	19,586	95	13,274	7,971	—	109,988	—	157,409	6,248	163,657

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the nine months period ended 31 July 2011 was HK\$149.8 million, an increase of 7.1% as compared with the last corresponding period (2010: HK\$139.9 million). Net profit attributable to equity holders amounted to approximately HK\$7.7 million (2010: HK\$14 million), represented a decrease of 45% to that of the last corresponding period.

Gross profit for the nine months ended 31 July 2011 amounted to HK\$28.6 million, representing a decrease of approximately 19.2% compared to that of last corresponding period. Gross profit ratio had been decreased from 25.3% to 19.1%, it was mainly due to the fluctuation of the foreign currency especially for the appreciation of the Japanese Yen.

Selling expenses for the nine months ended 31 July 2011 decreased 3.3% from HK\$2,359,000 in the last corresponding period to HK\$2,281,000, which maintained stable compared to last corresponding period.

Administrative expenses for the nine months ended 31 July 2011 increased 6.9% from HK\$16.1 million in the last corresponding period to HK\$17.2, which maintained stable compared to last corresponding period.

Business review and prospects

The Group continues to be vigorously engaged in the marketing, selling, servicing, researching and developing premium quality environmental protection and health related products and services.

The PRC recently implemented a series of monetary policies and administrative restrictions to hedge against China's overheating economy and a potential asset bubble. The tightening of these policies together with a subsequent credit crunch and inflation that increased the cost of labour and rental costs affected the Group's industrial environmental products customers. As a result, sales of our industrial environmental products to the machinery and construction industries fell in the reporting period.

The massive mid-March Japanese earthquake and subsequent radiation issues adversely affected the production and supply chains of our key Japanese industrial environmental product suppliers during the reporting period. As of this report, the production capacities of our suppliers in Japan have resumed their pre-disaster levels.

A sharp appreciation of the Japanese Yen also negatively impacted our profits. The Yen is one of the primary currencies we use when paying our suppliers. We continue to take aggressive action to hedge against foreign exchange risk including extra measures such as negotiating special discounts from our primary suppliers in Japan.

Our Tokawa Precision Hydraulic Retail Shops in Foshan and Changsha have commenced business at the end of 2010 and the Group will continue to examine other prime locations that allow us to achieve higher market penetration in the PRC.

As development in the Baodi District of Tianjin City continues, the revenue generated from our water supply plant there continued to increase in the reporting period. The Group has confidence that this growth will continue through the fourth quarter.

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

As at 31 July 2011, 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:

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

Name	Total Number of ordinary shares held as at 31 July 2011	Percentage of the Company's Issued share Capital as at 31 July 2011
<i>Non-executive Director and Chairman</i>		
Ms. HUI Wai Man Shirley	3,000,000	0.46

Save as disclosed above, as at 31 July 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 July 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 July 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	45,360,800	6.98
Advanced New Technology Limited (Note 2)	Directly beneficially owned	45,360,800	6.98
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 July 2011. The Company had not redeemed any of its listed securities during the period ended 31 July 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 period ended 31 July 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 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 nine months ended 31 July 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 nine months ended 31 July 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 director:

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, 8 September 2011