



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8169)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 JULY 2012

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This announcement, 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 the GEM of the Stock Exchange (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 the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

FINANCIAL SUMMARY

- Turnover for the three months and nine months ended 31 July 2012 amounted to approximately HK\$27.0 million (2011: HK\$47.1 million) and HK\$94.6 million (2011: HK\$149.8 million), representing a decrease of approximately 43% and 37% as compared with the last corresponding period respectively.
- Loss attributable to equity holders of the Company for the three months ended 31 July 2012 amounted to approximately HK\$0.5 million while profits attributable to equity holders of the Company for the three months ended 31 July 2011 amounted approximately HK\$0.3 million. Profits attributable to equity holders of the Company for the nine months ended 31 July 2012 amounted to approximately HK\$0.8 million (2011: HK\$7.7 million), representing a decrease of approximately 90% as compared with last corresponding period.
- Basic loss per share for the three months ended 31 July 2012 amounted to approximately HK0.08 cents while basic earnings per share for the three months ended 31 July 2011 amounted to approximately HK0.05 cents. Basic earnings per share for the nine months ended 31 July 2012 amounted to approximately HK0.12 cents (2011: HK1.19 cents).

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 July 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Three months ended		Nine months ended	
		31 July		31 July	
		2012	2011	2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	26,981	47,094	94,630	149,765
Cost of sales		(20,976)	(40,066)	(73,660)	(121,179)
Gross profit		6,005	7,028	20,970	28,586
Other (expense)/income		(32)	429	257	824
Selling expenses		(870)	(603)	(2,966)	(2,281)
Administrative expenses		(5,531)	(5,972)	(17,011)	(17,237)
(Loss)/profit from operations		(428)	882	1,250	9,892
Finance costs		—	(2)	—	(248)
Share of (loss)/profit of a jointly controlled entity		(86)	(15)	354	(343)
(Loss)/profit before taxation		(514)	865	1,604	9,301

	Notes	Three months ended		Nine months ended	
		31 July		31 July	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Taxation	3	26	(426)	(670)	(1,235)
(Loss)/profit for the period		(488)	439	934	8,066
Other comprehensive (expense)/income for the period					
Exchange (loss)/gain on translation of financial statements of foreign operations		(885)	746	(251)	2,978
Total comprehensive (expense)/income for the period		(1,373)	1,185	683	11,044
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(546)	303	772	7,705
Non-controlling interests		58	136	162	361
		(488)	439	934	8,066
Total comprehensive (expense)/income for the period attributable to:					
Equity holders of the Company		(1,189)	1,021	741	10,154
Non-controlling interests		(184)	164	(58)	890
		(1,373)	1,185	683	11,044
(Loss)/earnings per share for the (loss)/profit attributable to equity holders of the Company during the period	5				
Basic		HK(0.08) cent	HK0.05 cent	HK0.12 cent	HK1.19 cents
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 July 2012

	Equity attributable to equity holders of the Company							Non- controlling interests	Total equity	
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Exchange translation reserve <i>HKS'000</i>	Capital contribution reserve <i>HKS'000</i>	Retained profits <i>HKS'000</i>	Proposed final dividend <i>HKS'000</i>			Total <i>HKS'000</i>
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	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>13,274</u>	<u>7,971</u>	<u>109,988</u>	<u>—</u>	<u>157,409</u>	<u>6,248</u>	<u>163,657</u>
At 1 November 2011	6,495	19,586	95	18,078	7,971	106,786	1,299	160,310	6,733	167,043
Total comprehensive (expense)/income for the period	—	—	—	(31)	—	772	—	741	(58)	683
2011 final dividend paid	—	—	—	—	—	—	(1,299)	(1,299)	—	(1,299)
At 31 July 2012	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>18,047</u>	<u>7,971</u>	<u>107,558</u>	<u>—</u>	<u>159,752</u>	<u>6,675</u>	<u>166,427</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The Company’s shares are listed on the GEM of the Stock Exchange since 5 December 2001.

The Group’s unaudited consolidated results for the nine months ended 31 July 2012 have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of 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 2011 (“2011 Audited Financial Statements”). The significant accounting policies that have been used in the preparation of these unaudited consolidated results are consistent with those followed in the preparation of 2011 Audited Financial Statements. It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated results. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 November 2011, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. Revenue

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

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

	Three months ended		Nine months ended	
	31 July		31 July	
	2012	2011	2012	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Water supply plant	5,148	6,397	15,340	16,610
General environmental protection related products and services	—	444	—	1,114
Industrial environmental products	20,937	39,733	74,275	126,156
Production of machines	896	520	5,015	5,885
	<u>26,981</u>	<u>47,094</u>	<u>94,630</u>	<u>149,765</u>

3. Taxation

	Three months ended 31 July		Nine months ended 31 July	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong				
Tax for the period	(13)	133	—	527
— PRC				
Tax for the period	(13)	293	670	708
Total income tax (credit)/charge for the period	(26)	426	670	1,235

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the periods.

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 25% on the estimates assessable profits arising in the PRC for the nine months ended 31 July 2012 (2011: 25%).

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.

4. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2012 (nine months ended 31 July 2011: Nil).

5. (Loss)/earnings per share

The calculation of basic loss per share for the three months ended 31 July 2012 is based on the unaudited consolidated loss attributable to equity holders of the Company for the period of HK\$546,000 and the weighted average of 649,540,000 ordinary shares in issue during the period while the basic earnings per share for the three months ended 31 July 2011 is based on unaudited consolidated profits attributable to equity holders of the Company for the period of HK\$303,000 and weighted average of 649,540,000 ordinary shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31 July 2012 is based on the unaudited consolidated profit attributable to equity holders of the Company for the period of HK\$772,000 (2011: HK\$7,705,000) and the weighted average of 649,540,000 (2011: 649,540,000) ordinary shares in issue during the period.

No diluted loss per share is calculated for the three months ended 31 July 2012 and no diluted earning per share is calculated for the three months ended 31 July 2011 and no diluted earnings per share is calculated for the nine months ended 31 July 2012 (2011: N/A) since there were no potential dilutive share outstanding during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Tighten monetary policy and increasing inflation in China, together with sluggishness in the United State economic recovery and escalating sovereign debt crisis in Europe cast a gloomy shadow over economy. According to data released by National Bureau of Statistics of China on 27 August 2012, the profits of state-owned and state-holding industrial enterprises above designated size decreased 12.2% from January to July 2012. Meanwhile, China's manufacturing purchasing manager index (PMI) kept on falling to 49.2% in August 2012, which was the lowest figure since December 2011 and was below the threshold, indicating the industrial market was retracting. As global and domestic economic climate clouded with various uncertainties, our customers in the manufacturing sector reduced their orders significantly which resulted in decrease in the turnover of the Group. We have started minimizing operation costs, penetrating into new industrial products segments through the network of our retail shops and sourcing supply of new industrial environmental products from Europe but it takes time for those mentioned activities to generate positive effects to the Group. Enhancing value added services to existing industrial environmental products and exploring opportunities in new products market in PRC remain the strategies of the Group, although we will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable market conditions.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City. Under China's 12th Five-Year Plan, an area of 16 square kilometers near Baodi District and within our water supply plant's coverage area was strategically planned to be established as the financial service backup and outsourcing centers to provide services for major financial institutes located in Beijing and Tianjin cities. The Group has confidence that it will have a positive contribution to our water supply plant's future revenue.

Financial review

The Group's turnover for the nine months ended 31 July 2012 was HK\$94.6 million, a decrease of 37% as compared with the last corresponding period (2011: HK\$149.8 million). It was mainly due to our customers in manufacturing sector reduced their order significantly as global and domestic economic climate clouded with various uncertainties.

The Group recorded a net profit attributable to equity holders of the Company for the nine months ended 31 July 2012 of approximately HK\$0.8 million (2011: HK\$7.7 million).

Gross margin

Gross profit for the nine months ended 31 July 2012 was HK\$21.0 million, representing a decrease of 27% as compared with the last corresponding period (2011: HK\$28.6 million). The gross profit margin was improved to 22% for the nine months ended 31 July 2012 as compared with gross profit margin of 19% for the nine months ended 31 July 2011.

Expenses

The Group's administrative expenses for the nine months ended 31 July 2012 was HK\$17.0 million, representing a decrease of 1% compared with the last corresponding period (2011: HK\$17.2 million). The Group's selling expenses for the nine months ended 31 July 2012 was HK\$3.0 million, representing an increase of 30% compared with the last corresponding period (2011: HK\$2.3 million) due to increase in exhibition expense and commission expense for promotion and acquisition of customer orders under unfavorable market conditions. There was no finance costs for the nine months ended 31 July 2012 (2011: HK\$0.2 million).

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

As at 31 July 2012, the interests and short positions of the Directors and chief executives 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 Futures Ordinance ("SFO")) which were 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 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

AGGREGATE LONG POSITIONS IN ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity	Number of ordinary shares held as at 31 July 2012	Percentage to the Company's issued share capital as at 31 July 2012
<i>Non-executive Director and Chairman</i>			
Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46

Save as disclosed above, as at 31 July 2012, 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 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.

SUBSTANTIAL SHAREHOLDERS' 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 2012, the following persons (other than Directors or chief executives 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 as at 31 July 2012	Percentage to the Company's issued share capital as at 31 July 2012
Cititrust (Cayman) Limited <i>(Note 1)</i>	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited <i>(Note 1)</i>	Through a controlled corporation	344,621,200	53.06
Team Drive Limited <i>(Note 1)</i>	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited <i>(Note 2)</i>	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited <i>(Note 2)</i>	Directly beneficially owned	44,224,000	6.81
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 (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. 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 nine months ended 31 July 2012. The Company and its subsidiaries did not redeem any of its listed securities during the nine months ended 31 July 2012.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during the nine months ended 31 July 2012.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include 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 in February 2006. The principal duties of the nomination committee are formulating nomination policy and making recommendations to the Board on nomination and appointment of directors and board succession. The chairman of the nomination committee is Mr. CHAU Kam Wing Donald and other members include 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 chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 31 July 2012 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.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules throughout the nine months ended 31 July 2012, save and except for non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and eligible for re-election at the annual general meetings pursuant to the Articles of Association of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the “**Securities Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the nine months ended 31 July 2012.

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

Hong Kong, 12 September 2012

As at the date of this announcement, the board of directors comprises Mr. NG Chi Fai and Mr. KWOK Tsun Kee as executive directors; Ms. HUI Wai Man Shirley and Dr. LUI Sun Wing as non-executive directors; Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the Company's website at www.eco-tek.com.hk