



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 2013

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 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 purposes only

SUMMARY

- Revenue for the nine months ended 31 July 2013 amounted to HK\$81,016,000 (2012: HK\$94,630,000), representing a decrease of approximately 14% as compared with corresponding period.
- Loss attributable to owners of the Company for the nine months ended 31 July 2013 amounted to HK\$(2,536,000) while profits attributable to owners of the Company for the nine months ended 31 July 2012 amounted to HK\$772,000.
- Basic loss per share for the nine months ended 31 July 2013 amounted to approximately HK(0.39) cents while basic earnings per share for the nine months ended 31 July 2012 amounted to approximately HK0.12 cent.

UNAUDITED THIRD QUARTERLY 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 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 July 2013

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	2	26,762	26,981	81,016	94,630
Cost of Sales		(19,020)	(20,976)	(59,603)	(73,660)
Gross Profit		7,742	6,005	21,413	20,970
Other income/(expense)		785	(32)	1,622	257
Selling expense		(1,228)	(870)	(3,073)	(2,966)
Administrative expenses		(4,462)	(5,531)	(15,189)	(17,011)
Other operating expense		(2,682)	–	(6,567)	–
(Loss)/profit from operation		155	(428)	(1,794)	1,250
Finance costs		(10)	–	(82)	–
Share of profit/(loss) of a jointly controlled entity		59	(86)	394	354
(Loss)/profit before taxation		204	(514)	(1,482)	1,604
Taxation	3	(251)	26	(664)	(670)
(Loss)/profit for the period		(47)	(488)	(2,146)	934
Other comprehensive (expense)/ income for the period					
— Items that may be subsequently reclassified to profit and loss:					
Exchange gain/(loss) on translation of financial statements of foreign operation		555	(885)	1,390	(251)
Total comprehensive (expense)/ income for the period		508	(1,373)	(756)	683

	Three months ended 31 July		Nine months ended 31 July	
	2013	2012	2013	2012
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:				
Owners of the Company	(303)	(546)	(2,536)	772
Non-controlling interests	256	58	390	162
	<u>(47)</u>	<u>(488)</u>	<u>(2,146)</u>	<u>934</u>
Total comprehensive (expense)/ income for the period attributable to:				
Owners of the Company	252	(1,189)	(1,146)	741
Non-controlling interests	256	(184)	390	(58)
	<u>508</u>	<u>(1,373)</u>	<u>(756)</u>	<u>683</u>
(Loss)/earnings per share for (loss)/ profit attributable to owners of the Company during the period				
— Basic	5 HK(0.05) cent	HK(0.08) cent	HK(0.39) cent	HK0.12 cent
— Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 July 2013

	Equity attributable to owners of the Company							Non- controlling interest	Total equity	
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	Proposed final dividend			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 declared	-	-	-	-	-	-	(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>
At 1 November 2012	6,495	19,586	95	19,705	7,971	97,691	-	151,543	7,189	158,732
Total comprehensive (expense)/ income for the period	-	-	-	1,390	-	(2,536)	-	(1,146)	390	(756)
At 31 July 2013	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>21,095</u>	<u>7,971</u>	<u>95,155</u>	<u>-</u>	<u>150,397</u>	<u>7,579</u>	<u>157,976</u>

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (UNAUDITED)

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 unaudited consolidated results for the nine months ended 31 July 2013 are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the PRC whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$.

The unaudited consolidated results for nine months ended 31 July 2013 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 Institutes of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results should be read in conjunction with audited financial statements and notes thereto for the year ended 31 October 2012 (“2012 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 2012 Audited Financial Statement. It should be noted that accounting estimates and assumptions are used in preparation of unaudited consolidated results. Although these estimates are based on management’s best knowledge and judgment 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 period beginning on 1 November 2012, the adoption of the new HKFRSs had no material impact on how the results and financial positions 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, represented the net invoiced value of goods sold and services provided, after allowance for returns and trade discounts. An analysis of the Group’s revenue is as follows:

	Three months ended 31 July		Nine months ended 31 July	
	2013 HK\$’000	2012 HK\$’000	2013 HK\$’000	2012 HK\$’000
Water supply plant	6,585	5,148	17,092	15,340
General environmental protection products and services	441	431	1,076	791
Industrial environmental products	19,729	20,937	61,929	74,275
Production of machines	7	465	919	4,224
	<u>26,762</u>	<u>26,981</u>	<u>81,016</u>	<u>94,630</u>

3. TAXATION

	Three months ended 31 July		Nine months ended 31 July	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong tax for the period	23	(13)	114	—
— PRC tax for the period	228	(13)	550	670
Total income tax charge for the period	<u>251</u>	<u>(26)</u>	<u>664</u>	<u>670</u>

Hong Kong profits tax has been provided for at 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 25% on operating expenses for the nine months ended 31 July 2013 (2012: 25%).

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 estimated assessable profits arising in the PRC for the nine months ended 31 July 2013 (2012: 25%).

Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore, a subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the nine months ended 31 July 2013 and 2012 according to the relevant laws and regulation in Macau.

4. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2013 (2012: Nil).

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the nine months period ended 31 July 2013 and 2012 are based on the consolidated loss attributable to owners of the Company for the nine months ended 31 July 2013 of HK\$(2,536,000) (2012: profit of HK\$772,000) and the weighted average number of ordinary shares of approximately 649,540,000 in issue during the nine months ended 31 July 2013 (2012: 649,540,000).

The calculation of the basic (loss) per share for the three months period ended 31 July 2013 and 2012 are based on the consolidated loss attributable to owners of the Company for the three months ended 31 July 2013 of HK\$(303,000) (2012: loss of HK\$(546,000)) and the weighted average number of ordinary shares of approximately 649,540,000 in issue during the three months ended 31 July 2013 (2012: 649,540,000).

No diluted (loss)/earnings per share is calculated for the three months and nine months ended 31 July 2013 and 2012 as there was no dilutive potential ordinary share in existence.

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

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.

The China Central Bank limited the supply of cash to cut off funding to the unregulated “Shadow Banking” market which resulted in cash crunch recently. Together with the fear of possible financial crisis may be caused by United State Federal Reserve probably reducing its debt purchases, the expectation of weak economy suppressed capital investments and affected the confidence of our customers in manufacturing sectors to place their purchase orders to us. As a result, the Group’s revenue for the nine months ended 31 July 2013 decreased by 14% when comparing with last corresponding periods. We have taken several measures including lowering our operation costs, speeding up market penetration and sourcing supply of new industrial environment products from Europe. We hope the above mentioned measures would generate positive impacts to the Group’s financial results in near future.

Enhancing value added services to existing industrial environmental products and exploring opportunities in new industrial products market remain the strategies of the Group, although we will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable 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 including Jing-Jin New City. Under China’s 12th Five-Year Plan, an area of 15 square kilometers inside Jing-Jin New City and within our water supply plant’s coverage area was strategically planned to be Tianjin Financial Valley to provide financial services including training, data backup and outsourcing for the financial institutes located in the Beijing and Tianjin cities. The Group has confidence that this will be positive for our water supply plant’s future development.

Financial Review

The Group’s revenue for the nine months ended 31 July 2013 was HK\$81,016,000, a decrease of 14% as compared with the corresponding period (2012: HK\$94,630,000).

The Group recorded a loss attributable to owners of the Company amounted to HK\$(2,536,000) for the nine months ended 31 July 2013 while it recorded a profit attributable to owners of the Company amounted to HK\$772,000 for the nine months ended 31 July 2012.

Gross margin

Gross profit for the nine months ended 31 July 2013 was HK\$21,413,000, representing an increase of 2% as compared with the corresponding period (2012: HK\$20,970,000). The gross profit margin of the Group for the nine months ended 31 July 2013 was 26.4% representing an increase of 19% as compared with the last corresponding period due to depreciation of Japanese Yen which is the Group’s major purchasing currency. Since the exchange rate of Japanese Yen significantly affect the gross profit margin of the Group, we will cautiously monitor its fluctuation and take measures to hedge it if necessary.

Expenses

The Group's administrative expenses for the nine months ended 31 July 2013 was amounted to HK\$15,189,000, representing a decrease of 11% compared with the last corresponding period (2012: HK\$17,011,000). The Group's selling expenses for the nine months ended 31 July 2013 was amounted to HK\$3,073,000, representing an increase of 4% compared with the last corresponding period (2012: HK\$2,966,000).

The Group's other operating expense for the nine months ended 31 July 2013 was amounted to HK\$6,567,000 which represented written down on inventories for production of machines segments.

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

As at 31 July 2013, 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 2013	Percentage to the Company's issued share capital as at 31 July 2013
<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 2013, 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 2013, 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 2013	Percentage to the Company's issued share capital as at 31 July 2013
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited (Note 2)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 2)	Directly beneficially owned	44,224,000	6.81
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

Notes:

- 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.
- 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 2013. The Company had not redeemed any of its listed securities during the nine months ended 31 July 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees 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 has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the nine months ended 31 July 2013.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 July 2013.

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 nine months ended 31 July 2013.

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 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 to formulate nomination policy and make recommendation to the Board on nomination and appointment of the 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 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 controls 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 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 2013 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.

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

Hong Kong, 9 September 2013

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, 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 for 7 days from the date of publication and on the Company's website at www.eco-tek.com.hk.