



## **ECO-TEK HOLDINGS LIMITED**

**環康集團有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8169)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 OCTOBER 2013**

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

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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 year ended 31 October 2013 amounted to approximately HK\$111,801,000 (2012: HK\$120,929,000), representing a decrease of approximately 8% as compared with preceding year.
- Loss attributable to equity holders of the Company for the year ended 31 October 2013 amounted to approximately HK\$26,933,000 (2012: loss HK\$9,095,000).
- Basic loss per share for the year ended 31 October 2013 amounted to approximately HK 4.15 cents (2012: loss HK 1.40 cents).

## CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 October 2013 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 October 2013*

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>111,801</b>	120,929
Cost of Sales		<u><b>(85,144)</b></u>	<u>(96,282)</u>
<b>Gross Profit</b>		<b>26,657</b>	24,647
Other income		<b>1,893</b>	1,214
Selling expenses		<b>(3,815)</b>	(4,228)
Administrative expenses		<b>(20,686)</b>	(22,530)
Other operating expenses		<u><b>(30,035)</b></u>	<u>(7,262)</u>
<b>Loss from operation</b>	5	<b>(25,986)</b>	(8,159)
Finance costs		<b>(174)</b>	(89)
Share of profit of a jointly controlled entity		<b>182</b>	208
<b>Loss before taxation</b>		<b>(25,978)</b>	(8,040)
Taxation	6	<u><b>(451)</b></u>	<u>(851)</u>
<b>Loss for the year</b>			
<b>Other comprehensive income for the year</b>		<b>(26,429)</b>	(8,891)
— Items that may subsequently reclassified to profit and loss			
Exchange gain on translation of financial statements of foreign operation		<b>638</b>	1,278
Share of other comprehensive income of a jointly controlled entity		<u><b>65</b></u>	<u>601</u>
<b>Total comprehensive income for the year</b>		<u><u><b>(25,726)</b></u></u>	<u><u>(7,012)</u></u>

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		<b>(26,933)</b>	(9,095)
Non-controlling interests		<b>504</b>	204
		<u><b>(26,429)</b></u>	<u>(8,891)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>(26,587)</b>	(7,468)
Non-controlling interests		<b>861</b>	456
		<u><b>(25,726)</b></u>	<u>(7,012)</u>
Loss per shares attributable to owners of the Company during the year			
— Basic	8	<b>HK(4.15) cent</b>	HK (1.40) cent
— Diluted		<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2013

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		<b>111,670</b>	126,421
Interest in leasehold land		<b>5,557</b>	5,570
Interest in a jointly controlled entity		<b>3,274</b>	3,027
Deferred tax assets		<b>960</b>	1,250
Pledged bank deposits		<b>9,020</b>	9,020
		<b>130,481</b>	145,288
<b>Current assets</b>			
Inventories		<b>19,160</b>	38,288
Accounts receivable	9	<b>24,626</b>	26,414
Deposits, prepayments and other receivables		<b>4,550</b>	10,435
Tax recoverable		<b>7,974</b>	3,270
Cash and bank balances		<b>15,356</b>	7,956
		<b>71,666</b>	86,363
<b>Current liabilities</b>			
Accounts and bills payable	10	<b>28,987</b>	27,425
Accrued liabilities and other payables		<b>19,821</b>	16,289
Loan from a third party		<b>1,759</b>	7,440
Bank overdraft		<b>–</b>	1,287
Provision for tax		<b>1,625</b>	1,770
		<b>52,192</b>	54,211
<b>Net current assets</b>		<b>19,474</b>	32,152
<b>Total assets less current liabilities</b>		<b>149,955</b>	177,440
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,423</b>	7,423
Loan from a third party		<b>–</b>	1,759
Loans from a minority shareholder		<b>9,526</b>	9,526
		<b>16,949</b>	18,708
<b>Net assets</b>		<b>133,006</b>	158,732

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	<b>6,495</b>	6,495
Share premium		<b>19,586</b>	19,586
Capital reserve		<b>95</b>	95
Exchange translation reserve		<b>20,051</b>	19,705
Capital contribution reserve		<b>7,971</b>	7,971
Retained profits		<b>70,758</b>	97,691
		<b>124,956</b>	151,543
<b>Non-controlling interests</b>		<b>8,050</b>	7,189
<b>Total equity</b>		<b>133,006</b>	158,732

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2013

	Equity attributable to owners of the Company							Non-	Total	
	Share	Share	Capital	Exchange	Capital	Retained	Proposed	controlling	equity	
	capital	premium	reserve	translation	contribution	profits	final	interests		
HK\$'000	HK\$'000	HK\$'000	reserve	reserve	reserve	profits	dividend	HK\$'000	HK\$'000	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total	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
Other comprehensive income	-	-	-	1,627	-	-	-	1,627	252	1,879
(Loss)/profit for the year	-	-	-	-	-	(9,095)	-	(9,095)	204	(8,891)
Total comprehensive income	-	-	-	1,627	-	(9,095)	-	(7,468)	456	(7,012)
for the year	-	-	-	-	-	-	(1,299)	(1,299)	-	(1,299)
2011 final dividend declared	-	-	-	-	-	-	-	-	-	-
<b>At 31 October 2012 and</b>										
<b>1 November 2012</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>19,705</b>	<b>7,971</b>	<b>97,691</b>	<b>-</b>	<b>151,543</b>	<b>7,189</b>	<b>158,732</b>
Other comprehensive income	-	-	-	346	-	-	-	346	357	703
(Loss)/profit for the year	-	-	-	-	-	(26,933)	-	(26,933)	504	(26,429)
Total comprehensive income	-	-	-	346	-	(26,933)	-	(26,587)	861	(25,726)
for the year	-	-	-	-	-	-	-	-	-	-
<b>At 31 October 2013</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>20,051</b>	<b>7,971</b>	<b>70,758</b>	<b>-</b>	<b>124,956</b>	<b>8,050</b>	<b>133,006</b>

## NOTES TO THE 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 consolidated financial statements 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 consolidated financial statements 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.

### 2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time the following amendment (the “new HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 November 2012:

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
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The adoption of the this amendment has no significant impact on the Group’s financial statements.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group’s financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 October 2012.

The consolidated financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. 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.

#### 4. REVENUE AND SEGMENT REPORTING

Revenue, which is also the Group's turnover, recognised during the year comprised the followings:

	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
Sales of goods	<b>88,684</b>	100,337
Supply of water	<b>23,117</b>	20,592
	<b>111,801</b>	120,929

The executive directors have identified the Group's four services lines as reportable segments as follows:

General environmental protection related products and services	:	Sale of particulate removal and related ancillary service in the PRC
Production of machines	:	Manufacturing and sale of plastic injection moulding machines and other related accessories in the PRC
Industrial environmental products	:	Sale of hydraulic components and other related accessories in the PRC
Water supply plant	:	Supply of processed water in the PRC

	General environmental protection related products and services		Production of machines		Industrial environmental products		Water supply plant		Total	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue from external customers	<u>1,523</u>	<u>1,197</u>	<u>966</u>	<u>6,717</u>	<u>86,195</u>	<u>92,423</u>	<u>23,117</u>	<u>20,592</u>	<u>111,801</u>	<u>120,929</u>
<b>Reportable segment revenue</b>	<u>1,523</u>	<u>1,197</u>	<u>966</u>	<u>6,717</u>	<u>86,195</u>	<u>92,423</u>	<u>23,117</u>	<u>20,592</u>	<u>111,801</u>	<u>120,929</u>
Reportable segment profit/(loss)	<u>358</u>	<u>214</u>	<u>(6,322)</u>	<u>(4,141)</u>	<u>22,347</u>	<u>19,732</u>	<u>6,459</u>	<u>4,613</u>	<u>22,842</u>	<u>20,418</u>
Interest income	1	1	-	-	79	58	8	9	88	68
Depreciation and amortisation	(115)	(145)	(4,010)	(1,704)	(199)	(220)	(7,197)	(7,124)	(11,521)	(9,193)
Impairment loss on property, plant and equipment	-	-	(8,445)	(3,429)	-	-	-	-	(8,445)	(3,429)
Impairment loss on trade deposits	-	-	(4,385)	-	-	-	-	-	(4,385)	-
Write-down of inventories	-	-	(9,231)	(2,960)	-	-	-	-	(9,231)	(2,960)
Write back of/ (Provision for) slow-moving inventories	-	-	-	43	(2,971)	(429)	-	-	(2,971)	(386)
<b>Reportable segment assets</b>	<u>10,870</u>	<u>9,809</u>	<u>4,656</u>	<u>37,385</u>	<u>50,661</u>	<u>50,743</u>	<u>123,669</u>	<u>125,807</u>	<u>189,856</u>	<u>223,744</u>
Additions to non-current segment assets	4	420	-	80	381	29	2,378	253	2,763	782
<b>Reportable segment liabilities</b>	<u>675</u>	<u>404</u>	<u>88</u>	<u>838</u>	<u>34,701</u>	<u>33,880</u>	<u>9,307</u>	<u>9,201</u>	<u>44,771</u>	<u>44,323</u>



The total's presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Reportable segment revenue	<u>111,801</u>	<u>120,929</u>
Group revenue	<u><u>111,801</u></u>	<u><u>120,929</u></u>
Reportable segment profit	22,842	20,418
Other corporate expenses	(26,767)	(22,188)
Impairment loss on property, plant and equipment	(8,445)	(3,429)
Impairment loss on trade deposits	(4,385)	–
Write-down of inventories	(9,231)	(2,960)
Finance costs	(174)	(89)
Share of profit of a jointly controlled entity	<u>182</u>	<u>208</u>
Loss before taxation	<u><u>(25,978)</u></u>	<u><u>(8,040)</u></u>
Reportable segment assets	189,856	223,744
Interest in a jointly controlled entity	3,274	3,027
Other corporate assets	<u>9,017</u>	<u>4,880</u>
Group assets	<u><u>202,147</u></u>	<u><u>231,651</u></u>
Reportable segment liabilities	44,771	44,323
Other corporate liabilities	13,085	9,871
Loan from a third party	1,759	9,199
Loan from a minority shareholder	<u>9,526</u>	<u>9,526</u>
Group liabilities	<u><u>69,141</u></u>	<u><u>72,919</u></u>

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	<b>Revenue from</b>		<b>Non-current assets</b>	
	<b>external customers</b>		<b>Non-current assets</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile)	23,713	29,092	3,010	2,969
PRC	85,125	84,211	113,173	128,509
Other	<u>2,963</u>	<u>7,626</u>	<u>4,318</u>	<u>3,540</u>
	<u><u>111,801</u></u>	<u><u>120,929</u></u>	<u><u>120,501</u></u>	<u><u>135,018</u></u>

The executive directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

The geographical location of the customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

The largest customer of the Group's industrial environmental products segment amounted to approximately HK\$11,424,000 or 10% (2012: Nil) of the Group's revenue for the year ended 2013.

## 5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging/(crediting):

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	580	540
Amortisation of interest in leasehold land	129	130
Bad debts written off	3,804	258
Cost of inventories sold*	68,414	69,694
Depreciation of property, plant and equipment	11,392	9,063
Exchange (gains)/losses, net	(770)	167
Gain on disposal of property, plant and equipment	(48)	(40)
Impairment loss on property, plant and equipment**	8,445	3,429
Impairment loss on trade deposits**	4,385	–
Write-down of inventories**	9,231	2,960
Operating lease charges in respect of land and buildings	1,888	1,911
Provision for slow-moving inventories	2,971	386
Reversal of impairment of accounts receivable	–	(265)
Staff costs (including directors' remuneration)		
— Wages and salaries	10,846	13,272
— Pension scheme contributions	159	178
	<u>11,005</u>	<u>13,450</u>
Interest income	<u>(88)</u>	<u>(68)</u>

\* The costs of inventories sold is included in cost of sales which includes a total amount of approximately HK\$10,817,000 (2012: HK\$9,173,000), relating to direct staff costs, depreciation, provision for slow-moving inventories and exchange gains/losses, which are also included in the respective amounts disclosed separately above for each of these types of expenses.

\*\* Impairment loss on property, plant and equipment and trade deposits and write-down of inventories are included in other operating expenses.

## 6. TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Current tax</b>		
— Hong Kong		
Current tax for the year	94	–
— The PRC		
Current tax for the year	50	651
	<u>144</u>	<u>651</u>
<b>Deferred tax</b>	<u>307</u>	<u>200</u>
Total income tax expense	<u>451</u>	<u>851</u>

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

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

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 year (2012: 25%).

A subsidiary of the Group established and operating in Macau was exempted from Macau complementary profits tax for the years ended 31 October 2012 and 2013 according to the relevant laws and regulations in Macau.

## 7. DIVIDENDS

	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Dividend paid of Nil (2012: HK0.20 cent) per ordinary share	<u>–</u>	<u>1,299</u>

The directors do not recommend a final dividend for the year ended 31 October 2013.

## 8. LOSS PER SHARE

The basic loss per share for the year is calculated based on the consolidated loss attributable to owners of the Company for the year HK\$26,933,000 (2012: loss of HK\$9,095,000) and the weighted average 649,540,000 (2012: 649,540,000) ordinary shares in issue during the year.

No diluted loss per share is calculated for the year ended 31 October 2013 and 31 October 2012 as there were no potential dilutive shares outstanding.

## 9. ACCOUNTS RECEIVABLE

Accounts receivable are non-interest bearing and they are recognised at their original invoice amounts which represent their fair values at initial recognition.

The Group has a policy of allowing an average credit period of 90 to 120 days to its trade customers. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>20,026</b>	21,037
91–180 days	<b>2,001</b>	2,231
181–365 days	<b>2,443</b>	216
Over 365 days	<b>156</b>	2,930
	<u><b>24,626</b></u>	<u>26,414</u>

## 10. ACCOUNTS AND BILLS PAYABLE

The credit terms granted by suppliers are generally for a period of 60 to 180 days. The ageing analysis of accounts and bills payable as at the reporting date, based on invoice date, is as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>24,151</b>	18,516
91–180 days	<b>4,404</b>	8,340
181–365 days	<b>193</b>	87
Over 365 days	<b>239</b>	482
	<u><b>28,987</b></u>	<u>27,425</u>

## 11. SHARE CAPITAL

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2012: 5,000,000,000) ordinary shares of HK\$0.01 each	<u><b>50,000</b></u>	<u>50,000</u>
Issued and fully paid:		
649,540,000 (2012: 649,540,000) ordinary shares of HK\$0.01 each	<u><b>6,495</b></u>	<u>6,495</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is continuously engaged in the marketing, sales, servicing, research and development of environmental protection and quality health related products and services.

During this financial year, the PRC domestic and worldwide economies were full of uncertainties. 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. The export sector of China diminished further due to weak economy and fear of possible financial crisis may be caused by United State Federal Reserve probably reducing its debt purchase. Under decreasing export demands and cooling down domestic consumption, China’s economy deteriorated further in this financial year. The expectation of weak economy suppressed capital investments and affected the confidence of our customers in manufacturing sectors who became hesitate to place their purchase order to us. As results, our customers in the manufacturing sector reduced their orders significantly which lead to decrease in our Group’s turnover by 8% to HK\$111,801,000 for the year ended 31 October 2013 when compared with the Group’s turnover for the year ended 31 October 2012 HK\$120,929,000. To address the situations, we have started lowering our operation costs, speeding up market penetration and sourcing supply of new industrial environment products from Europe. We hope the mentioned measures would generate positive impacts to the Group’s financial results in near futures.

Under weak economy and increasing competitions, the operation of our production of machines segment (the “PM Segment”) was further deteriorated. It continued to incur losses in recent years because of thin profit margin. To focus on higher return segment, the Company decided to discontinue the PM Segment after the year ended 31 October 2013. Significant impairment loss and written down value of assets under the PM Segment were provided and included in the other operating expenses in this financial year. We believes that the Group’s resources could be more effectively allocated to and utilized by other profitable business segments of the Group after the discontinuation of the PM Segment.

### Prospects

Many uncertainties in the overall operating environment, especially various tightening policies launched in the PRC and the expectation of weak economy suppressed capital investments, it will bring great challenges to the future development of the Chinese industrial environmental products sectors. In view of this, the Group will dedicate further efforts to enhance value added services to existing industrial environmental products and exploring opportunities in new products or services through implementation of flexible market strategies, capturing opportunities arising from continuous growth in China, so as to promote the long-term stable development of the Group’s overall business.

“Energy Conservation and Emission Reduction” is one of the national strategies under China’s 12th Five Year Plan. Leverage on the Group’s past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

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 year ended 31 October 2013 was HK\$111,801,000, a decrease of 8% as compared with the corresponding period (2012: HK\$120,929,000). It was mainly due to our customers in manufacturing sector reduced their orders significantly as global and domestic economic climate clouded with various uncertainties. The Group recorded a loss attributable to owners of the Company amounted to HK\$26,933,000 (2012: loss HK\$9,095,000).

### *Gross margin*

Gross profit for the year ended 31 October 2013 was HK\$26,657,000, representing an increase of 8% as compared with the last year (2012: HK\$24,647,000). The gross profit margin of the Group for the year ended 31 October 2013 was 24% (2012: 20%). The increase was due to depreciation of Japanese Yen which is the Group's major purchasing currency. Since the foreign currency risk, especially Japanese Yen, affects the Group's gross profit margin, we will continuously monitor foreign exchange exposure and will hedge significant foreign exposure should the need arises.

### *Expenses*

The Group's administrative expenses for the year ended 31 October 2013 was amounted to HK\$20,686,000, representing a decrease of 8% compared with the last year (2012: HK\$22,530,000). The Group's selling expenses for the year ended 31 October 2013 was amounted to HK\$3,815,000, representing a decrease of 10% compared with the last year (2012: HK\$4,228,000). The Group's other operating expense for the year ended 31 October 2013 was amounted to HK\$30,035,000 (2012: HK\$7,262,000) which mainly represented the impairment loss and written down on value of assets under the PM Segment.

A loss attributable to owners of the Company amounted to HK\$26,933,000 (2012: loss HK\$9,095,000) was recorded in this financial year.

## **Liquidity and Finance Resources**

During the year under the review, the Group financed its operations by internally generated cash flow and banking facilities provided by banks. As at 31 October 2013, the Group had net current assets of approximately HK\$19,474,000 (31 October 2012: HK\$32,152,000) including bank balances and cash of approximately HK\$15,356,000 (31 October 2012: HK\$7,956,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4

as at 31 October 2013 (31 October 2012: 1.6). As at 31 October 2013, the Group's inventory turnover was about 82 days (31 October 2012: 145 days) and the Group's accounts receivable turnover was about 80 days (31 October 2012: 80 days).

## **Capital Structure**

The Shares of the Company were listed on the GEM board of the Stock Exchange on 5 December 2001. Except for the share options under the pre-IPO share option scheme were exercised at the exercise price of HK\$0.01 per share, resulting in the issue of 96,740,000 ordinary shares of HK\$0.01 each for a total consideration of HK\$967,000 in November 2005, there has been no material change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

## **Gearing ratio**

The gearing ratio (define as the total borrowing over total equity, including minority interests) fell from 12.6% as at 31 October 2012 to 8.5% as at 31 October 2013. The decrease was resulted from partial repayment of loan from a third party during the year.

## **Treasury policies**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

## **Foreign Exchange Exposure**

The Group's purchases are denominated in Sterling Pounds, Japanese Yen, Euro and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The Group will review and monitor from time to time the risk relating to foreign exchanges.

## **Charge on Group assets and contingent liabilities**

As at 31 October 2013, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2012: HK\$9 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2013.

## **Information on Employees**

As at 31 October 2013, the Group had 71 employees (2012: 95) working in Hong Kong, PRC and Macau. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the year ended 31 October 2013 amounted to approximately HK\$11,005,000 (2012: HK\$13,450,000). The dedication and hard work of the Group's staff during the year ended 31 October 2013 are generally appreciated and recognized.

## **Contingent liabilities**

The Group had no material contingent liabilities at 31 October 2013 (2012: Nil).

## **Material Acquisitions, Disposal of subsidiaries and affiliated companies**

During the year ended 31 October 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## **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 year ended 31 October 2013. The Company had not redeemed any of its listed securities during the year ended 31 October 2013.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 October 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 year ended 31 October 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 Professional 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 Professional 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 Professional NI Jun, all of them are independent non-executive directors of the Company.

In the course of the supervision of the financial reporting process and internal control system of the Group, four meetings were held during the year ended 31 October 2013 to review the operations.

The Group's results for the year ended 31 October 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.

## **DIVIDEND**

The directors do not recommended a final dividend for the year ended 31 October 2013.

## **SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 October 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **CLOSURE OF THE REGISTER OF MEMBERS**

### **For determining the entitlement to attend and vote at the 2014 AGM**

The forthcoming annual general meeting is scheduled to be held on Thursday, 24 April 2014 (the “2014 AGM”). For determining the entitlement to attend and vote at 2014 AGM, the register of members of the Company will be closed from Tuesday, 22 April 2014 to Thursday, 24 April 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2014 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 17 April 2014.

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

Hong Kong, 21 January 2014

*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](http://www.eco-tek.com.hk).*