



## **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 2014**

#### **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 year ended 31 October 2014 amounted to approximately HK\$96,073,000 (2013: HK\$110,835,000), representing a decrease of approximately 13% as compared with preceding year.
- Loss attributable to owners of the Company for the year ended 31 October 2014 amounted to approximately HK\$16,315,000 (2013: HK\$26,933,000).
- Basic loss per share for the year ended 31 October 2014 amounted to approximately HK2.51 cents (2013: HK4.15 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 2014 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 October 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>CONTINUING OPERATIONS:</b>			
<b>Revenue</b>	4	<b>96,073</b>	110,835
Cost of Sales		<b>(70,080)</b>	(79,853)
<b>Gross Profit</b>		<b>25,993</b>	30,982
Other income		<b>798</b>	1,893
Selling expenses		<b>(2,250)</b>	(2,864)
Administrative expenses		<b>(21,810)</b>	(19,695)
Other operating expenses		<b>(7,455)</b>	(4,834)
<b>(Loss)/Profit from continuing operations</b>	5	<b>(4,724)</b>	5,482
Finance costs		<b>(373)</b>	(174)
Share of profit of a joint venture		<b>129</b>	182
<b>(Loss)/Profit before taxation</b>		<b>(4,968)</b>	5,490
Taxation	6	<b>(9,541)</b>	(451)
<b>(Loss)/Profit for the year from continuing operations</b>		<b>(14,509)</b>	5,039

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>DISCONTINUED OPERATIONS:</b>			
Loss for the year from discontinued operations	7	<u>(1,652)</u>	<u>(31,468)</u>
Loss for the year		<u>(16,161)</u>	<u>(26,429)</u>
<b>Other comprehensive income for the year</b>			
— Items that may subsequently reclassified to profit and loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(87)	638
Share of other comprehensive income of a joint venture		<u>(16)</u>	<u>65</u>
		<u>(103)</u>	<u>703</u>
<b>Total comprehensive income for the year</b>		<u><b>(16,264)</b></u>	<u>(25,726)</u>
Loss for the year attributable to:			
Owners of the Company		(16,315)	(26,933)
Non-controlling interests		<u>154</u>	<u>504</u>
		<u><b>(16,161)</b></u>	<u>(26,429)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(16,410)	(26,587)
Non-controlling interests		<u>146</u>	<u>861</u>
		<u><b>(16,264)</b></u>	<u>(25,726)</u>
<b>(Loss)/earnings per shares from continuing and discontinued operations</b>			
— Basic	9	<b>(HK2.51) cents</b>	(HK4.15) cents
— Diluted		<u>N/A</u>	<u>N/A</u>
<b>From continuing operations</b>			
— Basic		<b>(HK2.26) cents</b>	HK0.70 cents
— Diluted		<u>N/A</u>	<u>N/A</u>
<b>From discontinued operations</b>			
— Basic		<b>(HK0.25) cents</b>	(HK4.85) cents
— Diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		<b>104,225</b>	111,670
Interest in leasehold land		<b>5,422</b>	5,557
Interest in a joint venture		<b>3,387</b>	3,274
Deferred tax assets		<b>894</b>	960
Pledged bank deposits		<b>9,020</b>	9,020
		<hr/> <b>122,948</b>	<hr/> 130,481
<b>Current assets</b>			
Inventories		<b>14,913</b>	19,160
Accounts receivable	<i>10</i>	<b>18,528</b>	24,626
Deposits, prepayments and other receivables		<b>5,818</b>	4,550
Tax recoverable		<b>16,454</b>	7,974
Cash and cash equivalents		<b>15,567</b>	15,356
		<hr/> <b>71,280</b>	<hr/> 71,666
<b>Current liabilities</b>			
Accounts and bills payable	<i>11</i>	<b>20,748</b>	28,987
Accrued liabilities, receipts in advance and other payables		<b>26,841</b>	19,821
Loan from a third party	<i>12</i>	–	1,759
Provision for tax		<b>3,301</b>	1,625
		<hr/> <b>50,890</b>	<hr/> 52,192
<b>Net current assets</b>		<hr/> <b>20,390</b>	<hr/> 19,474
<b>Total assets less current liabilities</b>		<hr/> <b>143,338</b>	<hr/> 149,955
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,570</b>	7,423
Loan from a shareholder	<i>12</i>	<b>9,500</b>	–
Loans from a minority shareholder	<i>12</i>	<b>9,526</b>	9,526
		<hr/> <b>26,596</b>	<hr/> 16,949
<b>Net assets</b>		<hr/> <b>116,742</b>	<hr/> 133,006

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</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>19,956</b>	20,051
Capital contribution reserve		<b>7,971</b>	7,971
Retained profits		<b>54,443</b>	70,758
		<b>108,546</b>	124,956
<b>Non-controlling interests</b>		<b>8,196</b>	8,050
<b>Total equity</b>		<b>116,742</b>	133,006

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2014

	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			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 November 2012	6,495	19,586	95	19,705	7,971	97,691	151,543	7,189	158,732
Other comprehensive income	-	-	-	346	-	-	346	357	703
(Loss)/profit for the year	-	-	-	-	-	(26,933)	(26,933)	504	(26,429)
Total comprehensive income for the year	-	-	-	346	-	(26,933)	(26,587)	861	(25,726)
At 31 October 2013 and 1 November 2013	6,495	19,586	95	20,051	7,971	70,758	124,956	8,050	133,006
Other comprehensive income	-	-	-	(95)	-	-	(95)	(8)	(103)
(Loss)/profit for the year	-	-	-	-	-	(16,315)	(16,315)	154	(16,161)
Total comprehensive income for the year	-	-	-	(95)	-	(16,315)	(16,410)	146	(16,264)
At 31 October 2014	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>19,956</u>	<u>7,971</u>	<u>54,443</u>	<u>108,546</u>	<u>8,196</u>	<u>116,742</u>

## 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 financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$.

The financial statements are 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”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

### 2. ADOPTION OF NEW OR REVISED 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 2013:

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle

The adoption of these new/revised standards and amendments has no significant impact on the Group’s financial statements.

At the date of authorisation of these financial statements, certain new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued but are not yet effective, and have not been early adopted 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/revised 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 financial statements are consistently applied to all years presented unless otherwise stated.

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 judgement 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>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Continuing operations</b>		
Sales of goods	<b>75,082</b>	87,718
Supply of water	<b>20,991</b>	23,117
	<b>96,073</b>	110,835

The chief operating decision-maker is identified as executive director. The executive director has identified the Group's three services lines as reportable segments as follows:

General environmental protection related products and services	:	Sale of particulate removal devices and related ancillary service 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		Industrial environmental products		Water Supply Plant		Total	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue from external customers	<u>1,042</u>	<u>1,523</u>	<u>74,040</u>	<u>86,195</u>	<u>20,991</u>	<u>23,117</u>	<u>96,073</u>	<u>110,835</u>
<b>Reportable segment revenue</b>	<b><u>1,042</u></b>	<b><u>1,523</u></b>	<b><u>74,040</u></b>	<b><u>86,195</u></b>	<b><u>20,991</u></b>	<b><u>23,117</u></b>	<b><u>96,073</u></b>	<b><u>110,835</u></b>
Reportable segment profit	<u>163</u>	<u>358</u>	<u>18,809</u>	<u>21,301</u>	<u>4,771</u>	<u>6,459</u>	<u>23,743</u>	<u>28,118</u>
<b>Other segment information</b>								
Interest income	1	1	5	79	15	8	21	88
Depreciation and amortisation	(120)	(70)	(234)	(199)	(7,400)	(7,197)	(7,754)	(7,466)
Provision for slow-moving inventories	-	-	(2,866)	(2,971)	-	-	(2,866)	(2,971)
Additions to non-current assets	<u>133</u>	<u>4</u>	<u>518</u>	<u>381</u>	<u>2,183</u>	<u>2,378</u>	<u>2,834</u>	<u>2,763</u>
<b>Reportable segment assets</b>	<b><u>9,839</u></b>	<b><u>10,870</u></b>	<b><u>41,624</u></b>	<b><u>55,318</u></b>	<b><u>121,755</u></b>	<b><u>123,669</u></b>	<b><u>173,218</u></b>	<b><u>189,857</u></b>
<b>Reportable segment liabilities</b>	<b><u>870</u></b>	<b><u>675</u></b>	<b><u>32,394</u></b>	<b><u>34,789</u></b>	<b><u>8,848</u></b>	<b><u>9,307</u></b>	<b><u>42,112</u></b>	<b><u>44,771</u></b>



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>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Reportable segment revenue	<u>96,073</u>	<u>110,835</u>
Group revenue	<u><u>96,073</u></u>	<u><u>110,835</u></u>
Reportable segment profit	<b>23,743</b>	28,118
Other corporate expense	<b>(28,467)</b>	(22,636)
Finance costs	<b>(373)</b>	(174)
Share of profit of a joint venture	<u>129</u>	<u>182</u>
(Loss)/profit before taxation	<u><u>(4,968)</u></u>	<u><u>5,490</u></u>
Reportable segment assets	<b>173,218</b>	189,857
Interest in a joint venture	<b>3,387</b>	3,274
Tax recoverable	<b>16,454</b>	7,974
Other corporate assets	<u>1,169</u>	<u>1,042</u>
Group assets	<u><u>194,228</u></u>	<u><u>202,147</u></u>
Reportable segment liabilities	<b>42,112</b>	44,771
Other corporate liabilities	<b>16,348</b>	13,085
Loan from a third party	–	1,759
Loan from a shareholder	<b>9,500</b>	–
Loan from a minority shareholder	<u>9,526</u>	<u>9,526</u>
Group liabilities	<u><u>77,486</u></u>	<u><u>69,141</u></u>

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

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (domicile)	16,665	23,713	3,237	3,010
PRC	74,802	85,125	105,298	113,173
Other	4,606	2,963	4,499	4,318
	<u>96,073</u>	<u>111,801</u>	<u>113,034</u>	<u>120,501</u>

The executive director determines 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\$10,892,000 or 11% (2013: HK\$11,424,000 or 10%) of the Group's revenue (including continuing and discontinued operations) for the year ended 31 October 2014.

## 5. (LOSS)/PROFIT FROM CONTINUING OPERATIONS

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

	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>		
Auditor's remuneration		
— Provision for the year	620	580
Amortisation of interest in leasehold land	131	129
Cost of inventories recognised as expense*, including	70,080	79,853
— Provision for slow-moving inventories	2,866	2,971
Depreciation of property, plant and equipment	7,623	7,337
Exchange gains, net	(758)	(3,853)
Gain on disposal of property, plant and equipment	(82)	(48)
Operating lease charges in respect of land and buildings	1,988	1,888
Staff costs (including directors' remuneration)		
— Wages and salaries	11,942	10,530
— Pension scheme contributions	179	159
	<u>12,121</u>	<u>10,689</u>
Interest income	<u>(21)</u>	<u>(88)</u>

\* Cost of inventories includes a total amount of approximately HK\$8,743,000 (2013: HK\$6,704,000), relating to depreciation, provision for slow-moving inventories and exchange losses/gains for which are also included in the respective amounts disclosed separately above.

## 6. TAXATION

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Current tax</b>		
— Hong Kong	–	94
— PRC	–	50
<b>Under/(over)-provision for prior years</b>		
— Hong Kong	<b>9,393</b>	–
— PRC	<b>(64)</b>	–
	<hr/> <b>9,329</b> <hr/>	<hr/> 144 <hr/>
<b>Deferred tax</b>	<hr/> <b>212</b> <hr/>	<hr/> 307 <hr/>
	<hr/> <b>9,541</b> <hr/>	<hr/> 451 <hr/>

No income tax expense regarding the discontinued operations has been incurred as there is no assessable profit for the year (2013: Nil).

Hong Kong profits tax has been provided for at 16.5% (2013: 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% (2013:25%) 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.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the year ended 31 October 2014 and 2013 according to the relevant laws and regulation in Macau.

## 7. DISCONTINUED OPERATIONS

On 23 December 2013, the Board decided to discontinue the operation of the production of machines. An analysis of the Group's results of the discontinued production of machines business for the years ended 31 October 2014 and 2013 is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	–	966
Cost of Sales	–	(5,291)
Gross loss	–	(4,325)
Other income	<b>14</b>	–
Selling expenses	–	(287)
Administrative expenses	<b>(960)</b>	(991)
Other operating expenses	<b>(706)</b>	(25,865)
Loss before taxation	<b>(1,652)</b>	(31,468)
Taxation	–	–
Loss for the year	<b><u>(1,652)</u></b>	<b><u>(31,468)</u></b>

An analysis of the Group's cash flows of the discontinued operations for the years ended 31 October 2014 and 2013 is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash used in operating activities	<b>(431)</b>	(6,037)
Net cash generated from investing activities	<b>1,890</b>	–
Net cash inflows/(outflows)	<b><u>1,459</u></b>	<b><u>(6,037)</u></b>

Staff costs of the discontinued operations for the year of HK\$306,000 (2013: HK\$1,130,000) include wages and salaries of HK\$306,000 (2013: HK\$1,011,000) and pension scheme contributions of Nil (2013: HK\$119,000).

Administrative expenses mainly include loss on disposal of property, plant and equipment of HK\$678,000 (2013: Nil).

Other operating expenses mainly include impairment losses on property, plant and equipment of Nil (2013: HK\$8,445,000) and trade deposits of Nil (2013: HK\$4,385,000), write-down of inventories of HK\$78,000 (2013: HK\$9,231,000) and bad debts of HK\$567,000 (2013: HK\$3,804,000).

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2014 (2013: Nil).

## 9. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share for the year are calculated based on the following data:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share		
— Continuing operations	<b>(14,663)</b>	4,535
— Discontinued operations	<b>(1,652)</b>	(31,468)
Total loss from continuing and discontinued operations	<b>(16,315)</b>	(26,933)
	<b>Number of shares</b>	
	<b>2014</b>	2013
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>649,540</b>	649,540

No diluted (loss)/earnings per share is calculated for the year ended 31 October 2014 and 2013 as there was no dilutive potential ordinary share in existence.

## 10. 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 60–120 days to its trade customers. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>15,046</b>	20,026
91–180 days	<b>914</b>	2,001
181–365 days	<b>1,419</b>	2,443
Over 365 days	<b>1,149</b>	156
	<b>18,528</b>	24,626

## 11. ACCOUNTS AND BILLS PAYABLE

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>18,765</b>	24,151
91–180 days	<b>1,601</b>	4,404
181–365 days	<b>7</b>	193
Over 365 days	<b>375</b>	239
	<u><b>20,748</b></u>	<u>28,987</u>

## 12. LOANS FROM A THIRD PARTY, A SHAREHOLDER AND A MINORITY SHAREHOLDER

The loans were unsecured and interest-free except for loan from a shareholder of HK\$9,500,000 which was interest bearing at 5.25% per annum (2013: Nil).

They were not repayable within twelve months from the reporting date, except for the amount of HK\$1,759,000 as at 31 October 2013 which was fully repaid during the year.

The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts.

## 13. SHARE CAPITAL

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2013: 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 (2013: 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 and Prospects

During this financial year, the PRC domestic and worldwide economies remained complicated and changing. The export sector of China diminished further due to the world economies' uncertainty as results of increased volatility of emerging market economies and poor economies in Europe. Weak and declining consumer consumption in China depressed the demand for acquiring industrial machines like plastic injection molding machines.

With the Chinese government's adjustments to economic development mode and structure, previous high gross domestic product ("GDP") growth was shifted to sustainable development. According to the announcement from China's National Bureau of Statistics on 21 October 2014, China's GDP rose only 7.3% for the three months ended 30 September 2014 which was the slowest growth since the financial crisis in 2008. It was believed that the slowest growth in China's GDP will increase the risks of missing China's official target for the first time in 15 years. This will add concerns to China's economy in year 2015. The Hongkong and Shanghai Bank Corporation manufacturing purchasing managers' index which reflects the activities of small to medium private enterprises remained under 50 for most of the year 2014. China's manufacturing purchasing managers' index (the "PMI"), especially the PMI of medium and small sized enterprise has been oscillated around 50 thresholds since the January of year 2014. The PMI of medium sized enterprise in December 2014 was 48.7 percent and the PMI of small sized enterprise in December 2014 was 45.5 percent, both dropped below the threshold and continued to stay in the contraction range which indicating China medium and small sized manufacturers' hesitation in purchasing. All these inevitably affect investment sentiment and expansion plan in domestic market. The expectation of weak economy suppressed capital investments and affected the confidence of customers in our industrial environmental products business to place their purchase order to us. As results, the Group's revenue for the year ended 31 October 2014 dropped by 13% to HK\$96,073,000 as compared with that of last year (2013: HK\$110,835,000).

The slow growth in China's GDP suppressed capital investments, together with the problem of over production capacity in traditional industries brings challenges to the future development of the industrial environmental products sectors. In view of this, other than dedicating further efforts to enhance value added services to existing industrial environmental products, the Group will also explore opportunities in new products or services to capture opportunities arising from the development in China.

"Energy Conservation and Emission Reduction" is one of the national strategies under China's 12th Five Years 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 2014 was HK\$96,073,000, a decrease of 13% as compared with the corresponding period (2013: HK\$110,835,000). It was mainly due to our customers in industrial environmental products business reduced their orders significantly under global and domestic economic uncertainties.

Gross profit for the year ended 31 October 2014 was HK\$25,993,000, representing a decrease of 16% as compared with the last year (2013: HK\$30,982,000) because of decrease in the Group's revenue. The gross profit margin of the Group for the year ended 31 October 2014 was 27% which was more or less similar to that of last year (2013: 28%).

The Group's administrative expenses for the year ended 31 October 2014 was amounted to HK\$21,810,000, representing an increase of 11% compared with the last year (2013: HK\$19,695,000) due to increase in rental and salaries expenses. The Group's selling expenses for the year ended 31 October 2014 was amounted to HK\$2,250,000, representing a decrease of 21% compared with the last year (2013: HK\$2,864,000). The Group's other operating expense for the year ended 31 October 2014 was amounted to HK\$7,455,000 represented an increase of 54% when compared with last year (2013: HK\$4,834,000).

The Group is subject to taxation in various jurisdictions and judgment is required in determining the amount of provision and the payment of taxation and any related surcharge in accordance with the tax laws of the respective jurisdictions. Where the final tax outcome might be different from the amounts that were initially recorded, such difference will impact the income tax provisions. During this financial year ended 31 October 2014, the Group has made of HK\$9,393,000 (2013: Nil) tax provision and HK\$7,235,000 (2013: HK\$3,500,000) related surcharges, after taking into account the up-to-date development of the Inland Revenue Department's review.

On 23 December 2013, the Board decided to discontinue the operation of the production of machines (the "Discontinued Operations"). The Group's loss from the Discontinued Operations for the year ended 31 October 2014 was amounted to HK\$1,652,000 which mainly represented loss on disposal of fixed assets and written down on value of assets under the Discontinued Operations, a 95% decrease when compared with last year (2013: HK\$31,468,000).

The Group recorded a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014, a 39% decrease as compared to last year's loss HK\$26,933,000.



## **Liquidity and Finance Resources**

During the year under the review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 October 2014, the Group had net current assets of approximately HK\$20,390,000 (31 October 2013: HK\$19,474,000) including bank balances and cash of approximately HK\$15,567,000 (31 October 2013: HK\$15,356,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 as at 31 October 2014 (31 October 2013: 1.4). As at 31 October 2014, the Group's inventory turnover was about 78 days (31 October 2013: 88 days) and the Group's accounts receivable turnover was about 70 days (31 October 2013: 81 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) increased from 8% as at 31 October 2013 to 16% as at 31 October 2014. The increase was resulted from the loan from a shareholder 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 2014, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2013: 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 2014 (2013: Nil).

## **Information on Employees**

As at 31 October 2014, the Group had 67 employees (2013: 71) working in Hong Kong and PRC. 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) in the continuing and discontinued operations for the year ended 31 October 2014 amounted to approximately HK\$12,427,000 (2013: HK\$11,819,000). The dedication and hard work of the Group's staff during the year ended 31 October 2014 are generally appreciated and recognized.

## **Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies**

During the year ended 31 October 2014, the Group did not have any material acquisitions or 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 2014. The Company had not redeemed any of its listed securities during the year ended 31 October 2014.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 October 2014 except the following:

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Professor NI Jun, and Ms. CHAN Siu Ping Rosa, the independent non-executive directors were unable to attend the annual general meeting the Company held on 24 April 2014 as Professor NI Jun was out of town and Ms. CHAN Siu Ping Rosa was busy for other business.

## **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 2014.

## **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 2014 to review the operations.

The Group's results for the year ended 31 October 2014 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 2014.

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

The figures in respect of this preliminary announcement of the Group's result for the year ended 31 October 2014 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**

The forthcoming annual general meeting is scheduled to be held on Thursday, 23 April 2015 (the “2015 AGM”). For determining the entitlement to attend and vote at 2015 AGM, the register of members of the Company will be closed from Tuesday, 21 April 2015 to Thursday, 23 April 2015, both day inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2015 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, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday 20 April 2015.

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

Hong Kong, 23 January 2015

*As at the date of this announcement, the Board of Directors comprises Mr. KWOK Tsun Kee as executive director; 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).*