



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169



2015 First Quarterly Report
Healthy Environment
Quality Life



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

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This report, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 report 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 report misleading.



Summary

- Revenue for the three months ended 31 January 2015 amounted to HK\$20,881,000 (three months ended 31 January 2014: HK\$25,248,000), representing a decrease of 17% as compared with the corresponding period.
- Profit attributable to owners of the Company for the three months ended 31 January 2015 amounted to HK\$309,000 (three months ended 31 January 2014: HK\$695,000).
- Basic earnings per share for the three months ended 31 January 2015 amounted to approximately HK0.05 cents (three months ended 31 January 2014: HK0.11 cents).

Unaudited First 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 ended 31 January 2015 together with the comparative figures as follows:

Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended 31 January 2015

	Notes	Three months ended 31 January	
		2015 HK\$'000	2014 HK\$'000
CONTINUING OPERATIONS:			
Revenue	2	20,881	25,248
Cost of Sales		(14,396)	(18,661)
Gross Profit		6,485	6,587
Other income		15	76
Selling expenses		(850)	(793)
Administrative expenses		(5,397)	(5,536)
Profit from continuing operations		253	334
Finance costs		(126)	–
Share of profit of a joint venture		44	330
Profit before taxation		171	664
Taxation	3	–	(32)
Profit for the period from continuing operations		171	632
DISCONTINUED OPERATIONS:			
Loss for the period from discontinued operations	4	–	(152)
Profit for the period		171	480
Other comprehensive income for the period			
— Items that may subsequently reclassified to profit and loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(680)	1,209
Share of other comprehensive income of a joint venture		(79)	65
		(759)	1,274
Total comprehensive income for the period		(588)	1,754



	Notes	Three months ended 31 January	
		2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		309	695
Non-controlling interests		(138)	(215)
		171	480
Total comprehensive income for the period attributable to:			
Owners of the Company		(274)	1,808
Non-controlling interests		(314)	(54)
		(588)	1,754
Earnings/(loss) per share from continuing and discontinued operations			
— Basic	6	HK0.05 cent	HK0.11 cent
— Diluted		N/A	N/A
From continuing operations			
— Basic		HK0.05 cent	HK0.13 cent
— Diluted		N/A	N/A
From discontinued operations			
— Basic		N/A	HK(0.02) cent
— Diluted		N/A	N/A

Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 January 2015

	Equity attributable to owners of the Company							Non-	Total
	Share	Share	Capital	Exchange	Capital	Retained	Total	controlling	equity
	capital	premium	reserve	translation	contribution	profits		interests	
HKS'000	HKS'000	HKS'000	reserve	reserve	reserve	HKS'000	HKS'000	HKS'000	HKS'000
At 1 November 2013	6,495	19,586	95	20,051	7,971	70,758	124,956	8,050	133,006
Total comprehensive income for the period	-	-	-	1,113	-	695	1,808	(54)	1,754
At 31 January 2014	6,495	19,586	95	21,164	7,971	71,453	126,764	7,996	134,760
At 1 November 2014	6,495	19,586	95	19,956	7,971	54,443	108,546	8,196	116,742
Total comprehensive income for the period	-	-	-	(583)	-	309	(274)	(314)	(588)
At 31 January 2015	6,495	19,586	95	19,373	7,971	54,752	108,272	7,882	116,154

Notes to the Consolidated Financial Statements (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 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 unaudited 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 unaudited financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited financial statements should be read in conjunction with audited financial statements and notes thereto for the year ended 31 October 2014 ("2014 Audited Financial Statements"). The significant accounting policies that have been used in the preparation of these unaudited financial statements are consistent with those followed in the preparation of 2014 Audited Financial Statement. It should be noted that accounting estimates and assumptions are used in preparation of unaudited 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.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting period beginning on 1 November 2014, 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 January	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Industrial environmental products	15,577	20,062
Water supply plant	4,975	4,892
General environmental protection related products and services	329	294
	20,881	25,248

3. TAXATION

	Three months ended	
	31 January	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
— Hong Kong	—	32
	—	32

No income tax expense regarding the discontinued operations has been incurred as there is no assessable profit for both the three months ended 31 January 2015 and 2014.

Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for both the three months ended 31 January 2015 and 2014. No provision for Hong Kong profit tax has been made for the current period as the Group has no assessable profits arising in Hong Kong.

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 both the three months ended 31 January 2015 and 2014.

The subsidiaries of the Company established in the PRC are subject to the PRC Enterprise Income Tax ("EIT"). PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for both the three months ended 31 January 2015 and 2014. No provision for EIT has been made for the current and prior periods as the Group has no assessable profits arising in the PRC.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for both the three months ended 31 January 2015 and 2014 according to the relevant laws and regulation in Macau.



4. 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 periods ended 31 January 2015 and 2014 is as follows:

	Three months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Administrative expenses	–	(152)
Loss before taxation	–	(152)
Taxation	–	–
Loss for the period	–	(152)

5. INTERIM DIVIDENDS

The directors do not recommend the payment of any dividend for both the three months ended 31 January 2015 and 2014.

6. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share		
— Continuing operations	309	847
— Discontinued operations	–	(152)
Total profit from continuing and discontinued operations	309	695

	Number of shares	
	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	649,540	649,540

No diluted earnings/(loss) per share is calculated for both the three months ended 31 January 2015 and 2014 as there was no dilutive potential ordinary share in existence.




Management Discussion and Analysis

Business Review and Prospects

The global and domestic economies remained complicated and changing during the first quarter ended 31 January 2015. Despite the gradual recovery of United State (“US”) economy, the world economies remained uncertain in view of weak economies in Europe and increased volatility of emerging market resulted in declining export market for machinery manufacturers in China. The weak consumer consumption in China also depressed the demand for acquiring new industrial machinery which further affected our industrial environmental products business.

Under the Chinese government’s adjustment to economic development mode, previous high gross domestic product (“GDP”) growth was shifted to sustainable development. According to the announcement from China’s National Bureau of Statistics, China’s GDP in year 2014 only rose 7.4% which was the slowest growth for the past 24 years since year 1990. This will add concerns to China’s economy in year 2015. The China’s manufacturing purchasing managers’ index (the “PMI”) dropped below the threshold 50 and continued to stay in the contraction range in both January and February of year 2015 which indicating China 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 three months ended 31 January 2015 dropped by 17% to HK\$20,881,000 as compared with that of corresponding period (three months ended 31 January 2014: HK\$25,248,000).

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.



Since Japanese yen is the major currency of our purchasing, the Group's gross profit margin during the first quarter ended 31 January 2015 was benefited by the recent further depreciation of Japanese yen against US dollar. The Group will continuously monitor foreign currency exposure especially Japanese yen and will initial measures to minimize the foreign currency risk.

"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 period ended 31 January 2015 was HK\$20,881,000, a decrease of 17% as compared with the corresponding period (three months ended 31 January 2014: HK\$25,248,000). It was because our customers in industrial environmental products business reduced their orders significantly under global and domestic economic uncertainties.

Gross profit for the three months ended 31 January 2015 was HK\$6,485,000, representing a decrease of 2% as compared with the corresponding period (three months ended 31 January 2014: HK\$6,587,000) because of decrease in the Group's revenue. The gross profit margin of the Group for the three months ended 31 January 2015 was 31% which was higher than of corresponding period (three months ended 31 January 2014: 26%) due to the benefit of recent further depreciation of Japanese yen against US dollar.

The Group's administrative expenses for the three months ended 31 January 2015 was amounted to HK\$5,397,000, representing a decrease of 3% compared with the corresponding period (three months ended 31 January 2014: HK\$5,536,000). The Group's selling expenses for the three months ended 31 January 2015 was amounted to HK\$850,000, representing an increase of 7% compared with the corresponding period (three months ended 31 January 2014: HK\$793,000) due to increase in exhibition expense.

On 23 December 2013, the Board decided to discontinue the operation of the production of machines (the "Discontinued Operations"). There was no loss from the Discontinued Operations for the three months ended 31 January 2015 while the loss from the Discontinued Operations for the corresponding period ended 31 January 2014 was HK\$152,000.

The Group recorded a profit attributable to owners of the Company amounted to HK\$309,000 for the three months ended 31 January 2015 (three months ended 31 January 2014: HK\$695,000).



Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 January 2015, 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	Total number of ordinary shares held as at 31 January 2015	Percentage to the Company's issued share capital as at 31 January 2015
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Non-executive Director and Chairman

Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46
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Save as disclosed above, as at 31 January 2015, 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 January 2015, 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	Total number of ordinary shares held as at 31 January 2015	Percentage to the Company's issued share capital as at 31 January 2015
Cititrust (Cayman) Limited <i>(Note 1)</i>	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited <i>(Note 1)</i>	Through a controlled corporation	344,621,200	53.06
Team Drive Limited <i>(Note 1)</i>	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited <i>(Note 2)</i>	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited <i>(Note 2)</i>	Directly beneficially owned	44,224,000	6.81
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48



Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management (PTC) Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management (PTC) Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.
2. The shares are held by Crayne Company Limited, a company wholly-owned by BOS Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded by Dr. Pau Kwok Ping.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the three months ended 31 January 2015. The Company had not redeemed any of its listed securities during the three months ended 31 January 2015.

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 three months ended 31 January 2015.

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 three months ended 31 January 2015.



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 three months ended 31 January 2015.

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 ended 31 January 2015 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, 10 March 2015

As at the date of this report, 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.