



## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169



2016 Third 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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**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 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 nine months ended 31 July 2016 amounted to HK\$58,129,000 (nine months ended 31 July 2015: HK\$63,384,000), representing a decrease of approximately 8% as compared with corresponding period.
- Loss attributable to owners of the Company for the nine months ended 31 July 2016 amounted to HK\$2,161,000 while profit attributable to owners of the Company for the nine months ended 31 July 2015 amounted to HK\$2,545,000.
- Basic loss per share for the nine months ended 31 July 2016 amounted to approximately HK 0.33 cent while basic earnings per share for the nine months ended 31 July 2015 amounted to approximately HK 0.39 cent.

 This Quarterly report is printed on environmentally friendly paper

## Unaudited Third Quarterly Results

The board of Directors (the "Board") of Eco-Tek Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 July 2016 together with the comparative figures as follows:

### Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended 31 July 2016

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	2	<b>21,852</b>	23,386	<b>58,129</b>	63,384
Cost of Sales		(16,424)	(15,534)	(42,212)	(43,018)
<b>Gross Profit</b>		<b>5,428</b>	7,852	<b>15,917</b>	20,366
Other income		(2)	629	<b>104</b>	943
Selling expenses		(695)	(608)	<b>(2,123)</b>	(2,121)
Administrative expenses		(4,894)	(6,002)	<b>(15,312)</b>	(16,359)
<b>(Loss)/profit from operations</b>		<b>(163)</b>	1,871	<b>(1,414)</b>	2,829
Finance costs		(126)	(126)	<b>(376)</b>	(376)
Share of (loss)/profit of a joint venture		(39)	(13)	<b>(114)</b>	189
<b>(Loss)/profit before taxation</b>		<b>(328)</b>	1,732	<b>(1,904)</b>	2,642
Taxation	3	-	-	-	-
<b>(Loss)/profit for the period</b>		<b>(328)</b>	1,732	<b>(1,904)</b>	2,642

	Three months ended		Nine months ended	
	31 July		31 July	
	2016	2015	2016	2015
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income for the period</b>				
— Items that may subsequently reclassified to profit and loss				
Exchange loss on translation of financial statements of foreign operations	(1,826)	(253)	(2,324)	(657)
Share of other comprehensive income of a joint venture	(75)	(1)	(145)	(66)
	(1,901)	(254)	(2,469)	(723)
<b>Total comprehensive income for the period</b>	(2,229)	1,478	(4,373)	1,919
<b>(Loss)/profit for the period attributable to:</b>				
Owners of the Company	(541)	1,616	(2,161)	2,545
Non-controlling interests	213	116	257	97
	(328)	1,732	(1,904)	2,642
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	(2,133)	1,368	(3,899)	1,953
Non-controlling interests	(96)	110	(474)	(34)
	(2,229)	1,478	(4,373)	1,919
<b>(Loss)/earnings per share attributable to owners of the Company during the period</b>				
— Basic	5 HK(0.08) cent	HK0.25 cent	HK(0.33) cent	HK0.39 cent
— Diluted	N/A	N/A	N/A	N/A

# Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 31 July 2016

	Equity attributable to owners of the Company							Non-	Total
	Share capital	Share premium	Capital reserve	Exchange	Capital	Retained profits	Total	controlling interests	equity
				translation reserve	contribution reserve				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 November 2014	6,495	19,586	95	19,956	7,971	54,443	108,546	8,196	116,742
Profit for the period	-	-	-	-	-	2,545	2,545	97	2,642
Other comprehensive income	-	-	-	(592)	-	-	(592)	(131)	(723)
Total comprehensive income for the period	-	-	-	(592)	-	2,545	1,953	(34)	1,919
At 31 July 2015	6,495	19,586	95	19,364	7,971	56,988	110,499	8,162	118,661
At 1 November 2015	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>17,036</b>	<b>7,971</b>	<b>58,423</b>	<b>109,606</b>	<b>7,788</b>	<b>117,394</b>
Loss for the period	-	-	-	-	-	(2,161)	(2,161)	257	(1,904)
Other comprehensive income	-	-	-	(1,738)	-	-	(1,738)	(731)	(2,469)
Total comprehensive income for the period	-	-	-	(1,738)	-	(2,161)	(3,899)	(474)	(4,373)
At 31 July 2016	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>15,298</b>	<b>7,971</b>	<b>56,262</b>	<b>105,707</b>	<b>7,314</b>	<b>113,021</b>

# Notes to the Consolidated Financial Results (Unaudited)

## 1. BASIS OF PREPARATION

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

The unaudited financial statements for the nine months ended 31 July 2016 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 for the nine months ended 31 July 2016 are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules.

The unaudited financial statements should be read in conjunction with audited financial statements and notes thereto for the year ended 31 October 2015 ("2015 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 2015 Audited Financial Statements. It should be noted that accounting estimates and assumptions are used in preparation of the 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 2015, 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 service provided, after allowance for returns and trade discounts. An analysis of the Group's revenue is as follows:

	Three months ended 31 July		Nine months ended 31 July	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Water supply plant	4,960	6,200	14,128	15,448
General environmental protection products and services	316	305	691	874
Industrial environmental products	16,576	16,881	43,310	47,062
	<b>21,852</b>	23,386	<b>58,129</b>	63,384

### 3. TAXATION

Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the nine months ended 31 July 2016 and 2015. 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 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 period.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the nine months ended 31 July 2016 and 2015 according to the relevant laws and regulation in Macau.

### 4. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2016 (2015: Nil).

### 5. BASIC (LOSS)/EARNINGS PER SHARE

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

	Three months ended 31 July		Nine months ended 31 July	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)

(Loss)/profit attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share

	(541)	1,616	(2,161)	2,545
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	Number of shares			
	Three months ended 31 July		Nine months ended 31 July	
	2016 '000	2015 '000	2016 '000	2015 '000

Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share

	649,540	649,540	649,540	649,540
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No diluted (loss)/earnings per share is calculated for the three months and nine months ended 31 July 2016 and 2015 as there was no dilutive potential ordinary share in existence.



# Management Discussion and Analysis

## Business Review and Prospects

China's economy expanded by 7.5 per cent in the second quarter of 2016, accelerating slightly from the first quarter of 2016 as the China government increased infrastructure spending. It was believed that China's supply-side reform unlocked new sources of growth to help the economy fend off downward pressures but China's pace of fixed-asset investment in the period from January to July 2016 recently slipped to 8.1 percent only which was the weakest growth since December 1999. The decrease in the growth of fixed-asset investment indicated the lack of momentum in the real economy growth, together with the problem of excessive production capacity as well as the sluggish domestic and external demand, the operating environment for the China's industrial sector in this year remained challenging.

Despite the gradual recovery of United State (the "US") economy, the recent momentous decision of United Kingdom (the "UK") to leave the European Union (the "EU") has brought long-lasting political and economic consequence which made the global economy full of uncertainty and the exchange rate of several major foreign currencies including British pound and Japanese yen became unstable. According to the announcement from China's National Bureau of Statistics, the China's Manufacturing Purchasing Managers' Index (the "PMI") was 49.9 in July of 2016 which was below the threshold 50 indicating China manufacturers' contraction in purchasing activities. Those weakened the demand for machinery and equipment. Since our industrial environmental products business customers were mainly China's machinery and equipment manufacturers, they tended to reduce or delay their procurement from us under economy downturn which led to decrease in the revenue of our industrial environmental products business. We have taken measures to deal with this challenging environment including promotion of new industrial environmental products to meet customers' new requirements and lowering operation costs.

After the recent UK's vote out of EU on 23 June 2016, the exchange rate of Japanese yen against US dollar appreciated within a short time. Since Japanese yen is one of the Group's major currencies used in purchasing activities while Renminbi is one of the Group's major currencies used in selling activities, those exchange rates' fluctuation significantly affect the gross margin of the Group, we shall continuously monitor foreign currency exposure and take measures to minimize the foreign currency risk if necessary.

Looking forward, global economy became uncertain and the business environment for the industrial sector in China remained tough and challenging. In the process of transforming the Chinese economy to the "new normal" era with the new growth model emphasize domestic consumption and quality, there are risks of decline in demand of low-end machinery and equipment but also opportunities under the national strategies of "Energy Conservation and Emission Reduction". 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 the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (together as the "New Intercity Railways"), the construction works of Baodi Station was started in December 2015 and the construction of the whole New Intercity Railways will be started in this year. Completion of the New Intercity Railways will promote the integrative and cooperative economic development of the Baodi District and Jing-Jin New City which will benefit our water supply plant. Together with the plan of Tianjin Financial Valley inside Jing-Jin New City and within our water supply plant's coverage area, the Group has confidence that this will be positive for our water supply plant's future development.

## Financial Review

The Group's revenue for the nine months ended 31 July 2016 was HK\$58,129,000, a decrease of 8% as compared with the corresponding period (nine months ended 31 July 2015: HK\$63,384,000). It was due to the decrease of our industrial environmental product business under machinery market downturn and the depreciation of Renminbi which is one of the Group's major currencies used in selling activities.

The gross profit margin of the Group for the nine months ended 31 July 2016 was 27% which was lower than that of corresponding period (nine months ended 31 July 2015: 32%) due to recent appreciation of Japanese yen (currency used in purchasing activities) especially after the recent UK's vote out of EU and the depreciation of Renminbi (currency used in selling activities) recently.

The Group's administrative expenses for the nine months ended 31 July 2016 was amounted to HK\$15,312,000, a decrease of 6% as compared with that in the corresponding period (nine months ended 31 July 2015: HK\$16,359,000). The Group's selling expenses for nine months ended 31 July 2016 was amounted to HK\$2,123,000 which was similar to that of the corresponding period (nine months ended 31 July 2015: HK\$2,121,000).

The Group recorded a loss attributable to owners of the Company amounted to HK\$2,161,000 for the nine months ended 31 July 2016 while the Group recorded a profit attributable to owners of the Company amounted to HK\$2,545,000 for the nine months ended 31 July 2015.

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

As at 31 July 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Aggregate long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held as at 31 July 2016	% to the Company's issued share as at 31 July 2016
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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 July 2016, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to the Directors or chief executives of the Company, as at 31 July 2016, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held as at 31 July 2016	% to the Company's issued shares as at 31 July 2016
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:

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

## **Purchase, Redemption or Sale of Listed Securities of the Company**

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the nine months ended 31 July 2016. The Company and its subsidiaries did not redeem any of its listed securities during the nine months ended 31 July 2016.

## **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the nine months ended 31 July 2016.

## **Corporate Governance**

The Company has complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in the Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 July 2016 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, the independent non-executive director, Ms. Chan Siu Ping Rosa the independent non-executive director, and Mr. WU Cheng-wei, the non-executive director, were unable to attend the annual general meeting of the Company held on 23 April 2016 as they were out of Hong Kong.

## **Competition and Conflict of Interest**

None of the directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during nine months ended 31 July 2016.

## Remuneration Committee

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include Mr. CHAU Kam Wing Donald and Professor NI Jun, all of them are independent non-executive directors of the Company.

## Nomination Committee

The Company established a nomination committee in February 2006. The principal duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the directors and board succession. The chairman of the nomination committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive directors of the Company.

## Audit Committee

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 31 July 2016 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, 12 September 2016

*As at the date of this report, the Board of Directors comprises Mr. KWOK Tsun Kee, Mr. LEUNG Wai Lun and Mr. WU Cheng-wei 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.*