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## **ECO-TEK HOLDINGS LIMITED**

**環康集團有限公司\***

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

**(Stock Code: 8169)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 20% OF THE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF A NON-WHOLLY OWNED SUBSIDIARY**

#### **THE ACQUISITION**

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Purchaser, the Vendors and the Target Company entered into the Agreement, pursuant to which the Purchaser has agreed to acquire the Sale Shares and take the assignment of the Shareholder's Loan, the Vendors have agreed to sell the Sale Shares and Deng has agreed to assign the Shareholder's Loan at the Consideration. The Sale Shares represent 20% of the issued share capital of the Target Company.

Completion took place immediately after the signing of the Agreement. Upon Completion, the Purchaser is interested in 100% of the issued share capital of the Target Company and the Target Company has become an indirect wholly-owned subsidiary of the Company.

#### **GEM LISTING RULES IMPLICATIONS**

Given the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Group and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

\* For identification purpose only

In view of the fact that Deng was a director of the Target Company, a subsidiary of the Company, and Tianjin Asian Way, a subsidiary of the Target Company, at the time of entering into the Agreement, Deng is a connected person of the Company by virtue of his position as director of subsidiaries of the Company under the GEM Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Group under Chapter 20 of the GEM Listing Rules. As the Acquisition is a connected transaction between the Group and a connected person at the subsidiary level of the Company on normal commercial terms or better to the Group, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

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## **THE AGREEMENT**

### **Date**

17 December 2019 (after trading hours)

### **Parties**

*The Purchaser, the Vendors and the Target Company*

The Purchaser, being an indirect wholly-owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong with limited liability.

Deng is a retired person. Deng was a director of the Target Company and Tianjin Asian Way at the time of entering into the Agreement. Accordingly, Deng is a connected person of the Company by virtue of his position as director of subsidiaries of the Company under the GEM Listing Rules.

Chen is a housewife. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Chen is an Independent Third Party.

At the time of entering into the Agreement and immediately prior to Completion, the Target Company was legally and beneficially owned as to 80%, 10% and 10% by the Purchaser, Deng and Chen respectively.

## **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has agreed to acquire the Sale Shares and take the assignment of the Shareholder's Loan, the Vendors have agreed to sell the Sale Shares and Deng has agreed to assign the Shareholder's Loan.

The Sale Shares represent 20% of the issued share capital of the Target Company. Upon Completion, the Target Company is legally and beneficially owned as to 100% by the Purchaser.

## **Consideration**

The Consideration for the sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan shall be an aggregate sum of HK\$6,670,074.00 out of which HK\$2,000.00 shall be the consideration for the Sale Shares (which represents the original acquisition costs thereof paid by the Vendors) and HK\$6,668,074.00 shall be the consideration for the Shareholder's Loan (which represents a 30% discount over the principal value thereof). The total Consideration shall be paid and satisfied by the Purchaser in the following manner:

- (i) HK\$1,000.00 has been paid by cheque to Chen at Completion;
- (ii) HK\$1,000.00 has been paid by cheque to Deng at Completion;
- (iii) HK\$185,224.28 has been paid by cheque to Deng at Completion; and
- (iv) the balance of HK\$6,482,849.72 shall be payable in 35 equal monthly instalments in cash or by such other reasonable means as the Purchaser may adopt, with the first instalment to be paid within the first 7 Business Days in January 2020 and each instalment thereafter within the first 7 Business Days of each of the following 34 calendar months. The amount of each monthly instalment shall be approximately HK\$185,224.28.

The Consideration was agreed between the Purchaser and the Vendors after arm's length negotiation. The consideration for the Shareholder's Loan was determined with reference to the outstanding principal amount of the Shareholder's Loan with a significant discount as aforesaid granted by Deng in favour of the Purchaser taking into account the long-standing relationship between the parties established through their co-investment in the Target Company in the past years; whilst the consideration for the Sale Shares, which represents a nominal consideration, was determined with reference to the initial subscription price of the Sale Shares and the current net liabilities value of the Target Company.

## **Completion**

Completion took place immediately after the signing of the Agreement.

After Completion, the Company is interested in 100% of the issued share capital of the Target Company and the Target Company has become an indirect wholly-owned subsidiary of the Company.

## INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company incorporated in Hong Kong with limited liability. The Target Company has no business activity other than being the sole investment holding company of Tianjin Asian Way, which is principally engaged in the business of operating a water supply plant in Tianjin, the PRC.

Set out below is the consolidated financial information of the Target Company for two years ended 31 October 2019 and 2018:

	For the year ended 31 October	
	2019	2018
	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Net profit before tax and extraordinary items	7,857	6,933
Net profit after tax and extraordinary items	7,262	6,927

The unaudited consolidated net liabilities value of the Target Company as at 31 October 2019 was around HK\$12,004,197. As such, the consolidated net liabilities value of the Target Company attributable to the Sale Shares as at 31 October 2019 was approximately HK\$2,400,839.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the marketing, sales, servicing, research and development of environmental protection related products and services in certain major cities (including Hong Kong and Macau) of the PRC as well as running a water supply operation in Tianjin, PRC.

The Company considers that the Acquisition will benefit the Group.

After the acquisition of the Sale Shares, the Target Company will become an indirect wholly-owned subsidiary of the Company. Despite the current net liabilities position of the Target Company, and based on the financial information disclosed above, the Target Company generated net profits in the past two financial years. Taking into the account of the nominal consideration of HK\$2,000.00 for the Sale Shares agreed in good terms between the Vendors and the Purchaser, the Directors are of the view that the acquisition of the Sale Shares represents a highly compelling opportunity to consolidate the shareholding in the Target Company which can further strengthen the Group's equity interests in the Target Company and Tianjin Asian Way and is in line with the strategic management of the Group to review the markets for the Group's respective businesses with a forward looking perspective and to seek business and investment opportunities with a view to providing growth potential of the Group. The acquisition of the Sale Shares will also enhance the Group's efficiencies including but not limited to simpler reporting, streamline administration and speedy execution of strategic priorities.

Besides, it is the intention of Deng to dispose of the Shareholder's Loan at the same time when he ceases to be a shareholder of the Target Company. The Company considers that such arrangement is common practice in this type of share transfer transactions and the acquisition of the Shareholder's Loan is beneficial to the Group as the consideration for the Shareholder's Loan represents a 30% discount over the outstanding principal value of the Shareholder's Loan.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto. In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is on normal commercial terms or better to the Group and that the terms of the Agreement are fair and reasonable, and therefore the Acquisition is in the interests of the Group and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Group and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

In view of the fact that Deng, at the time of entering into the Agreement, was a director of the Target Company and Tianjin Asian Way, Deng is a connected person of the Company by virtue of his position as director of subsidiaries of the Company under the GEM Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Group under Chapter 20 of the GEM Listing Rules. The independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better to the Group and in the interests of the Group and the Shareholders as a whole. As the Acquisition is a connected transaction between the Group and a connected person at the subsidiary level of the Company on normal commercial terms or better to the Group, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

As no Director has any material interest in the Agreement and the transactions contemplated thereunder, no Director had abstained from voting in the resolutions of the Board to approve the Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 17 December 2019 entered into among the Vendors, the Purchaser and the Target Company in relation to the Acquisition

“Board”	the board of Directors
“Business Day(s)”	a day on which commercial banks in both Hong Kong and the PRC are generally open for business (other than a Saturday, Sunday or public holiday) (reference to each business day may be referred to as “Business Day” and collectively as “Business Days”)
“Chen”	Ms. CHEN XUEYING (陳雪英), being the legal and beneficial owner of 10% of the issued share capital of the Target Company before Completion
“Company”	ECO-TEK HOLDINGS LIMITED 環康集團有限公司*, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Shareholder’s Loan in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the total consideration for the Acquisition, being HK\$6,670,074.00
“Deng”	Mr. DENG YAO HUI (鄧耀輝), being the legal and beneficial owner of 10% of the issued share capital of the Target Company before Completion
“Director(s)”	the director(s) of the Company from time to time
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, unless otherwise indicated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	WELL SPREAD INVESTMENT LIMITED (康弘投資有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Sale Shares”	the 1,000 shares of HK\$1.00 each of the Target Company held by Deng and the 1,000 shares of HK\$1.00 each of the Target Company held by Chen, in their respective capacity as legal and beneficial owner, together representing 20% of the entire issued share capital of the Target Company, which are to be sold and transferred to the Purchaser pursuant to the terms of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the benefit of the loan in the aggregate sum of HK\$9,525,820.00 due and owing by the Target Company to Deng prior to Completion, which is unsecured and interest free
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	ASIAN WAY INTERNATIONAL LIMITED (華永國際有限公司), a company incorporated in Hong Kong with limited liability
“Tianjin Asian Way”	Tianjin Asian Way Estate Development Co., Limited (天津華永房地產開發有限公司), a company incorporated in the PRC with limited liability
“Vendors”	Deng and Chen, collectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board  
**Eco-Tek Holdings Limited**  
**Yim Wai Man**  
*Company Secretary*

Hong Kong, 17 December 2019

\* *For identification purpose only*



*As at the date of this announcement, the Board comprises Mr. LEUNG Wai Lun and Mr. WU Cheng-wei as executive Directors; Dr. LUI Sun Wing as non-executive Director; Ms. CHAN Siu Ping Rosa, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the Company’s website at [www.eco-tek.com.hk](http://www.eco-tek.com.hk).*