



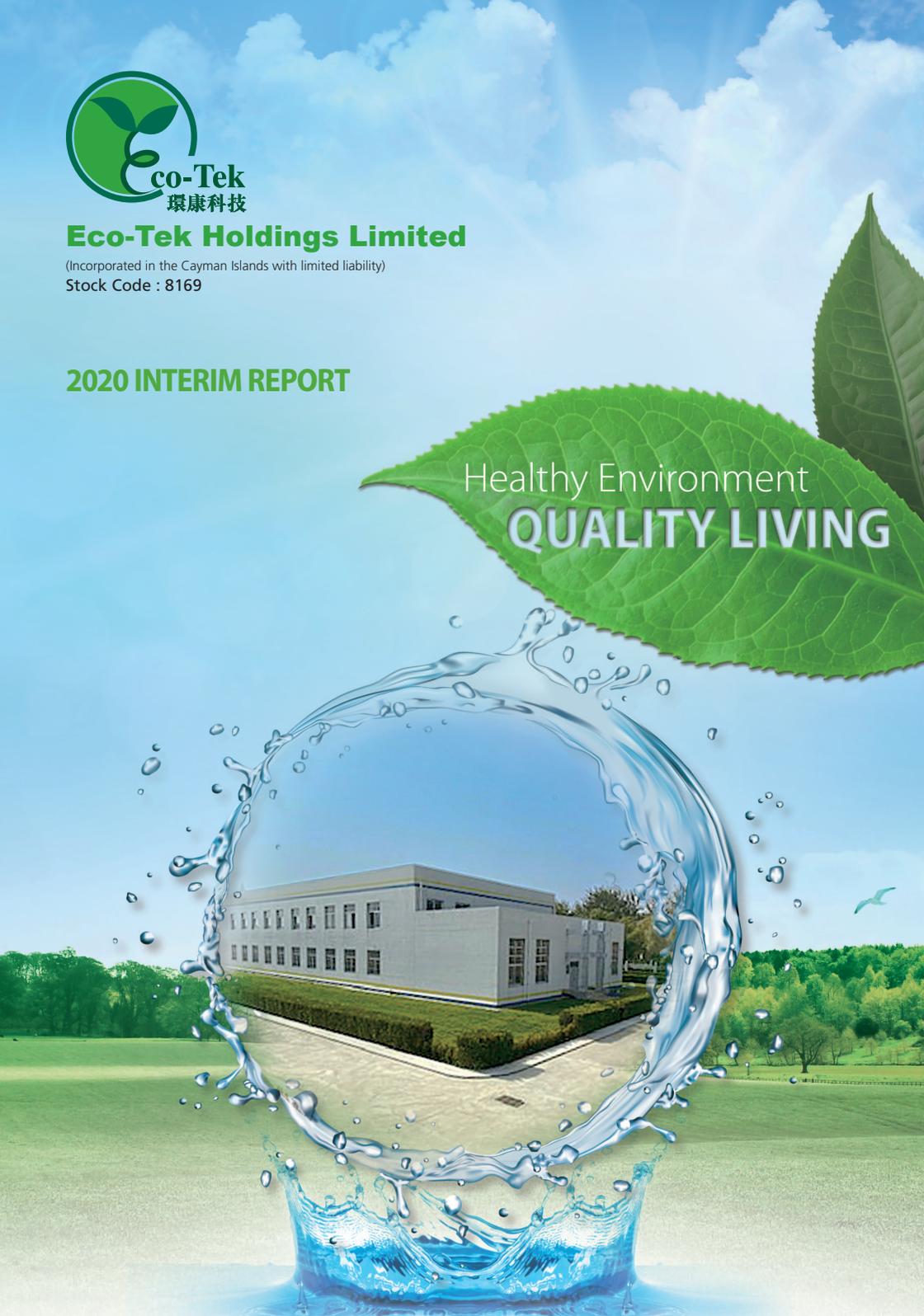
Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

2020 INTERIM REPORT

Healthy Environment
QUALITY LIVING



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 six months ended 30 April 2020 amounted to HK\$39,550,000 (six months ended 30 April 2019: HK\$48,866,000), representing a decrease of approximately 19% as compared with corresponding period.
- Loss attributable to owners of the Company for the six months ended 30 April 2020 amounted to HK\$9,639,000 while profit attributable to owners of the Company for the six months ended 30 April 2019 amounted to HK\$811,000.
- Basic loss per share for the six months ended 30 April 2020 amounted to approximately HK1.48 cents while basic earnings per share for the six months ended 30 April 2019 amounted to approximately HK0.12 cent.



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UNAUDITED INTERIM 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 six months ended 30 April 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 April 2020

	Notes	Three months ended 30 April		Six months ended 30 April	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	20,694	25,453	39,550	48,866
Cost of Sales		(13,917)	(17,757)	(27,152)	(33,059)
Gross profit		6,777	7,696	12,398	15,807
Other income		1,252	305	2,191	1,106
Selling expenses		(860)	(894)	(2,066)	(2,152)
Administrative expenses		(6,050)	(5,438)	(11,828)	(11,777)
Profit from operations	4	1,119	1,669	695	2,984
Finance costs		(152)	(126)	(281)	(255)
Share of (loss)/profit of a joint venture		(131)	(254)	55	86
Profit before income tax		836	1,289	469	2,815
Taxation	5	(963)	(459)	(9,990)	(1,420)
(Loss)/profit for the period		(127)	830	(9,521)	1,395

	Notes	Three months ended 30 April		Six months ended 30 April	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
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		(2,646)	1,057	(2,002)	2,766
Share of other comprehensive income of a joint venture		(72)	36	(29)	156
		(2,718)	1,093	(2,031)	2,922
Total comprehensive income for the period		(2,845)	1,923	(11,552)	4,317
(Loss)/profit for the period attributable to:					
Owners of the Company		(127)	556	(9,639)	811
Non-controlling interests		–	274	118	584
		(127)	830	(9,521)	1,395
Total comprehensive income for the period attributable to:					
Owners of the Company		(2,845)	1,496	(11,741)	3,300
Non-controlling interests		–	427	189	1,017
		(2,845)	1,923	(11,552)	4,317
(Loss)/earnings per share attributable to owners of the Company for the period					
— Basic	7	HK(0.02) cent	HK0.09 cent	HK(1.48) cents	HK0.12 cent
— Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2020

		As at 30 April 2020	As at 31 October 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	68,212	69,858
Interest in leasehold land		–	4,167
Interest in a joint venture		3,464	3,435
Right-of-use assets		5,376	–
Deferred tax assets		508	512
Pledged bank deposits	11	9,020	9,020
		86,580	86,992
Current assets			
Inventories	9	15,785	15,820
Accounts receivable	10	22,946	15,725
Deposits, prepayments and other receivables		6,432	4,902
Tax recoverable		–	3,485
Financial assets at fair value through profit or loss	11	–	2,270
Cash and cash equivalents	12	28,497	75,413
		73,660	117,615
Current liabilities			
Accounts and bills payable	13	16,646	11,513
Accrued liabilities and other payables		16,158	55,706
Contract liabilities	14	4,225	3,476
Lease liabilities		419	–
Provision for tax		4,834	2,039
		42,282	72,734
Net current assets		31,378	44,881
Total assets less current liabilities		117,958	131,873

		As at 30 April 2020	As at 31 October 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		671	–
Other payables		3,704	–
Deferred tax liabilities		7,568	7,568
Loan from a shareholder	15	9,500	9,500
Loans from a minority shareholder	15	–	9,526
		21,443	26,594
Net assets			
		96,515	105,279
Equity attributable to owners of the Company			
Share capital		6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
Other reserve		12,947	4,405
Exchange translation reserve		7,921	10,023
Capital contribution reserve		7,971	7,971
Retained profits		41,500	51,139
		96,515	99,714
Non-controlling interests			
		–	5,565
Total equity			
		96,515	105,279

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six months ended 30 April	
	2020 HK\$'000	2019 HK\$'000
Net cash (used in)/generated from operating activities	(45,775)	3,712
Net cash generated from/(used in) investing activities	1,494	(3,043)
Net cash used in financing activities	(1,092)	(255)
(Decrease)/increase in cash and cash equivalents	(45,373)	414
Effect of foreign exchange rate changes	(1,543)	(881)
Cash and cash equivalents at beginning of the period	75,413	33,895
Cash and cash equivalents at end of the period	28,497	33,428

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 April 2020

	Equity attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Other reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2018, as original presented	6,495	19,586	95	-	10,831	7,971	51,965	96,943	8,918	105,861
Impact of initial application of HKFRS 9	-	-	-	-	-	-	(252)	(252)	-	(252)
At 1 November 2018, as restated	6,495	19,586	95	-	10,831	7,971	51,713	96,691	8,918	105,609
Profit for the period	-	-	-	-	-	-	811	811	584	1,395
Other comprehensive income for the period	-	-	-	-	2,489	-	-	2,489	433	2,922
Total comprehensive income for the period	-	-	-	-	2,489	-	811	3,300	1,017	4,317
At 30 April 2019	6,495	19,586	95	-	13,320	7,971	52,524	99,991	9,935	109,926
At 1 November 2019	6,495	19,586	95	4,405	10,023	7,971	51,139	99,714	5,565	105,279
Acquisition of non-controlling interests	-	-	-	5,752	-	-	-	5,752	(5,754)	(2)
Contribution from non-controlling interests	-	-	-	2,790	-	-	-	2,790	-	2,790
(Loss)/profit for the period	-	-	-	-	-	-	(9,639)	(9,639)	118	(9,521)
Other comprehensive income for the period	-	-	-	-	(2,102)	-	-	(2,102)	71	(2,031)
Total comprehensive income for the period	-	-	-	-	(2,102)	-	(9,639)	(11,741)	189	(11,552)
At 30 April 2020	6,495	19,586	95	12,947	7,921	7,971	41,500	96,515	-	96,515

NOTES TO THE CONDENSED 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 condensed consolidated financial statements for the six months ended 30 April 2020 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 condensed consolidated financial statements for the six months ended 30 April 2020 are prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated financial statement for the six months ended 30 April 2020 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2019 ("2019 Audited Consolidated financial statements"). The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements are consistent with those followed in the preparation of 2019 Audited Consolidated financial statements except for the adoption of new or revised HKFRSs as described below:

HKFRS 16 — Lease

HKFRS 16 supersedes HKAS 17 Leases and related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liabilities, and also classifies cash repayments of the lease liabilities into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows. Also, the right-of-use assets and the lease liabilities are initially measured on a present value basis. Generally, the Group uses its incremental borrowing rate as the discount rate.

The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

The adoption of HKFRS 16 would not result in a significant impact on the Group's results but certain portion of these lease commitments is recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities at 1 November 2019.

The Group has elected to use the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17. Therefore, the Group will not reassess whether a contract is, or contain, a lease which already existed prior to the date of initial application.

The Group has applied HKFRS 16 using the modified retrospective approach at 1 November 2019 and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any repaid or accrued lease payments relating to the leases recognised in the consolidated statement of financial position immediately before 1 November 2019. There were no onerous lease contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application on 1 November 2019. The comparative figures of the reporting period has not been restated and continue to be reported under HKAS 17.

For the leases previously classified as operating leases, the Group recognises lease liabilities, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applies the practical expedient not to recognise right-of-use assets and lease liabilities in respect of land and buildings that have a lease term of 12 months or less at the date of initial application. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The reconciliation of operating leases commitment and obligations under operating leases disclosed as at 31 October 2019 to lease liabilities at 1 November 2019 is set below:

	HK\$'000 (Unaudited)
Operating lease commitments disclosed as at 31 October 2019	2,887
Less: Recognition exemption — short term leases for which lease terms end within 31 October 2020	(1,194)
Less: Future interest expense	(326)
Lease liabilities recognised upon application of HKFRS 16 on 1 November 2019	1,367

The carrying amount of right-of-use assets as 1 November 2019 comprises the following:

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 November 2019 due to the impact of the transition to HKFRS 16. Line items what were not affected by the changes have not been included.

Condensed consolidated statement of financial position as at 1 November 2019	As at	Impact of transition to HKFRS 16	As at
	31 October 2019, as originally stated		1 November 2019, as adjusted
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Right of use assets	–	5,727	5,727
Interest in leasehold land	4,167	(4,167)	–
Deposits, prepayments and other receivables	4,902	(193)	4,709
Lease liabilities	–	(1,367)	(1,367)
	9,069	–	9,069

2. REVENUE

Revenue, which is also the Group's turnover, represented during the period comprised the following:

	Three months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Water supply plant	4,572	5,684	10,252	11,257
Environment-friendly products	16,122	19,769	29,298	37,609
	20,694	25,453	39,550	48,866

3. SEGMENT INFORMATION

The chief operating decision-maker is identified as executive directors. The executive directors have identified the Group's two services lines as reportable segments as follows:

Environment-friendly products	:	Sales of general and industrial environment-friendly products, components and other related accessories
Water supply plant	:	Supply of processed water in the PRC

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Water supply plant		Environment-friendly products		Total	
	Six months ended 30 April		Six months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from external customers	10,252	11,257	29,298	37,609	39,550	48,866
Reportable segment revenue	10,252	11,257	29,298	37,609	39,550	48,866
Reportable segment profit	4,878	5,228	5,454	8,427	10,332	13,655
Depreciation of property, plant and equipment	1,814	1,809	43	28	1,857	1,837
Depreciation of right-of-use assets	-	-	1,107	-	1,107	-
Additions to non-current segment assets during the period	722	696	54	13	776	709
Reversal of provision for slow moving inventories	-	-	-	(249)	-	(249)
Reportable segment assets	95,385	109,748	59,945	59,523	155,330	169,271
Reportable segment liabilities	19,443	12,477	25,935	27,524	45,378	40,001

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

	Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Reportable segment revenue	39,550	48,866
Group revenue	39,550	48,866
Reportable segment profit	10,332	13,655
Other corporate expenses	(9,637)	(10,671)
Finance costs	(281)	(255)
Share of profit of a joint venture	55	86
Profit before income tax	469	2,815
	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Reportable segment assets	155,330	194,576
Financial assets at fair value through profit or loss	–	2,270
Interest in a joint venture	3,464	3,435
Tax recoverable	–	3,485
Other corporate assets	1,446	841
Group assets	160,240	204,607
Reportable segment liabilities	45,378	66,987
Loan from a shareholder	9,500	9,500
Loan from a minority shareholder	–	9,526
Deferred tax liabilities	7,568	7,568
Other corporate liabilities	1,279	5,747
Group liabilities	63,725	99,328

4. PROFIT FROM OPERATIONS

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

	Three months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Auditor's remuneration				
— Provision for the period	400	254	570	479
Amortisation of interest in leasehold land	—	21	—	42
Cost of inventories recognised as expenses, including	12,991	16,838	25,299	31,222
— Reversal provision for slow-moving inventories	—	(249)	—	(249)
Depreciation of property, plant and equipment	928	919	1,857	1,837
Depreciation of right of use assets	563	—	1,107	—
Exchange (gain)/loss, net	36	(7)	109	(31)
Operating lease charges in respect of land and buildings	—	520	—	1,162
Staff costs (including directors' remuneration)				
— Wages and salaries	3,429	3,350	6,409	6,734
— Pension scheme contributions	205	287	411	566
	3,634	3,637	6,820	7,300

5. TAXATION

	Three months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Under provision for prior period:				
— Hong Kong	–	–	8,400	–
Current tax:				
— PRC	922	368	1,424	1,302
— Hong Kong	41	91	166	118
	963	459	9,990	1,420

Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for three months ended and the six months ended 30 April 2020 and 2019.

The subsidiaries of the Company established in the PRC are subject to the PRC Enterprise Income Tax ("EIT"). EIT has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the three months ended and six months ended 30 April 2020 and 2019. No provision for EIT has been made for current and prior periods as the Group has no assessable profit arising in the PRC.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the three months ended and six months ended 30 April 2020 and 2019 according to the relevant laws and regulation in Macau.

6. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2020 (2019: Nil).

7. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic earnings per share	(127)	556	(9,639)	811

	Number of shares			
	Three months ended 30 April		Six months ended 30 April	
	2020 '000	2019 '000	2020 '000	2019 '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

No diluted earnings per share is calculated for the three months and six months ended 30 April 2020 and 2019 as there was no dilutive potential ordinary share in existence.

8. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Plant molds and machinery	Furniture and fixtures	Building and structure	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Six months ended 30 April 2020

Opening net book value	1,269	581	3,926	11	64,071	69,858
Additions	120	68	588	–	–	776
Depreciation	(63)	(32)	(249)	–	(1,513)	(1,857)
Translation difference	(13)	(5)	(33)	–	(514)	(565)
Closing net carrying amount	1,313	612	4,232	11	62,044	68,212

At 30 April 2020

Cost	3,905	2,520	38,388	858	103,320	148,991
Accumulated depreciation	(2,592)	(1,908)	(34,156)	(847)	(41,276)	(80,779)
Net carrying amount	1,313	612	4,232	11	62,044	68,212

9. INVENTORIES

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Merchandise	20,444	21,338
Less: provision for slow-moving inventories	(4,659)	(5,518)
	15,785	15,820

10. ACCOUNTS RECEIVABLE

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Accounts receivables	23,835	16,714
Less: Provision for impairment loss	(889)	(989)
	22,946	15,725

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

The Group has a policy of generally allowing a credit period of 60 to 120 days to its trade customers. An ageing analysis of accounts and bills receivable as at the reporting date, based on invoice date, is as follows:

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Outstanding balances with ages:		
Within 90 days	21,660	14,430
91–180 days	1,333	1,015
181–365 days	152	203
Over 365 days	690	1,066
	23,835	16,714

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Unlisted financial products investment	–	2,270

The financial product investment was acquired from a major bank in the PRC.

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Cash at bank and in hand	37,517	84,433
Less: pledged bank deposits for banking facilities	(9,020)	(9,020)
Cash and cash equivalents	28,497	75,413
Pledged bank deposits analysed for reporting purposes as non-current assets	9,020	9,020

13. 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:

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Outstanding balances with ages:		
Within 90 days	13,157	9,527
91–180 days	3,407	1,206
Over 180 days	82	780
	16,646	11,513

14. CONTRACT LIABILITIES

	As at 30 April 2020 HK\$'000 (Unaudited)	As at 31 October 2019 HK\$'000 (Audited)
Contract liabilities arising from		
— Sales of goods	3,186	2,787
— Supply of water	1,039	689
	4,225	3,476

15. LOAN FROM A SHAREHOLDER AND 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 (2019: 5.25% per annum). They were not repayable within twelve months from the reporting dates as at 30 April 2020 and 31 October 2019 respectively.

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

16. RELATED PARTY TRANSACTIONS

Included in staff costs is key management personnel compensation (including executive directors' remuneration) which comprises the following categories:

	Three months ended 30 April		Six months ended 30 April	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries				
Allowances and benefits in kind	992	988	1,985	2,208
Pension scheme contributions	14	14	27	27
	1,006	1,002	2,012	2,235

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The total revenue of the Group for the six months ended 30 April 2020 (this “Period”) decreased by 19% to HK\$39,550,000 when compared with that of the last corresponding period for six months ended 30 April 2019 (“Last Period”) HK\$48,866,000 as the revenue of our environment-friendly products business decreased by 22% from last period HK\$37,609,000 to this Period HK\$29,298,000. Under China’s trade war with the United States (the “Trade War”), the industrial market sentiment was uncertain and our customers of environment-friendly products business have adopted a conservative approach by reducing purchase activities. As the market was not yet recovered from the Trade War impacts, the outbreak of COVID-19 virus in early 2020 made it even worse and majority of business activities have been suspended in that period. The water consumption of our water supply plant in Tianjin was affected by the suspension of schools and factories under the outbreak of COVID-19, the revenue of our water supply business decreased by 9% from Last period HK\$11,257,000 to this Period HK\$10,252,000.

The National Bureau of Statistic of the People of Republic of China recently announced that the manufacturing Purchasing Managers’ Index (the “PMI”) has been recovered from the lowest 35.7 in February 2020 to 50.6 in May 2020, continuously three months over threshold 50, indicating more China manufacturers’ operations resumption gradually. In the process of transforming the Chinese economy to the “new normal” era with the new growth model emphasizing 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. It was believed that the 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’s future development. On 17 December 2019, the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary Asian Way International Limited which is the holding company of our water supply plant in Tianjin. After completion, Asian Way International Limited has become a wholly owned subsidiary of the Group. This acquisition 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.

Financial Review

The Group’s total revenue for the period ended 30 April 2020 was HK\$39,550,000, representing a decrease of 19% as compared with the last corresponding period (six months ended 30 April 2019: HK\$48,866,000). It was due to the decrease of our environment- friendly product business’s sales and water supply plant’s sales under the outbreak of COVID-19 virus in early 2020.

The gross profit of the Group for the six months ended 30 April 2020 was amounted to HK\$12,398,000 represented a decrease of 22% when compared with that of last corresponding period (six months ended 30 April 2019: HK\$15,807,000) due to decrease in the Group’s total revenue and the drop in gross profit margin of our environment-friendly products business. Under the unfavorable fluctuation of foreign currencies, especially the depreciation of RMB, one of the major currencies for our Group’s sales activities, the gross profit margin of the Group for the six months ended 30 April 2020 decreased to 31% (six months ended 30 April 2019: 32%)

The Group’s administrative expenses for the six months ended 30 April 2020 was amounted to HK\$11,828,000 which is similar to that of the Last corresponding period (six months ended 30 April 2019: HK\$11,777,000). The Group’s selling expenses for the six months ended 30 April 2020 was amounted to HK\$2,066,000, representing a decrease of 4% compared with the Last corresponding period (six months ended 30 April 2019: HK\$2,152,000) due to decrease of marketing expenses.

The Group is subject to taxation in various jurisdictions and judgement is required in determining the amount of provision and the payment of taxation 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 the six months ended 30 April 2020, tax provision HK\$9,990,000 (six months ended 30 April 2019: HK\$1,420,000) was made, of which HK\$8,400,000 (six months ended 30 April 2019: Nil) further tax provision was made for prior years after taking into account the up-to-date development with the Inland Revenue Department.

The Group recorded a loss attributable to owners of the Company for the six months ended 30 April 2020 amounted to HK\$9,639,000 while a profit attributable to owners of the Company for six months ended 30 April 2019 amounted to HK\$811,000.

Liquidity and Finance Resources

During the period under the review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and loans from shareholders. As at 30 April 2020, the Group had net current assets of HK\$42,282,000 (31 October 2019: HK\$44,881,000) including bank balances and cash of approximately HK\$28,497,000 (31 October 2019: HK\$75,413,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.74 as at 30 April 2020 (31 October 2019: 1.62). The Group's inventory turnover was about 88 days (31 October 2019: 87 days). The Group's accounts receivable turnover was about 106 days (31 October 2019: 59 days). The increase in accounts receivable turnover was due to decrease in revenue and customers' delay in payment under the outbreak of COVID-19 virus.

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) as at 30 April 2020 was 14% (31 October 2019: 18%).

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 Japanese Yen, Sterling Pounds, 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 30 April 2020, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2019: HK\$9 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 April 2020 (31 October 2019: Nil).

Information on Employees

As at 30 April 2020, the Group had 68 employees (2019: 68) 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) for the six months ended 30 April 2020 amounted to approximately HK\$6.8 million (for the six months ended 30 April 2019: HK\$7.3 million). The dedication and hard work of the Group's staff during the six months ended 30 April 2020 are generally appreciated and recognized.

Contingent liabilities

The Group had no material contingent liabilities at 30 April 2020 (31 October 2019: Nil).

Material acquisitions, disposal of subsidiaries and affiliated companies

During the six months ended 30 April 2020, the Group did not have any material acquisitions, disposals of subsidiaries and affiliated companies except for the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary, Asian Way International Limited (the "AWI") on 17 December 2019. AWI is the holding company of our water supply plant in Tianjin. After completion, AWI has become a wholly-owned subsidiary of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 April 2020, 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

As at 30 April 2020, 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 30 April 2020, 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 30 April 2020	% to the Company's issued shares as at 30 April 2020
Virtue Trustees (Switzerland) AG (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
Dr. Pau Kwok Ping (Note 2)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 2)	Directly beneficially owned	44,224,000	6.81

Notes:

- These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Virtue Trustees (Switzerland) AG. By virtue of the SFO, Wide Sky Management Limited and Virtue Trustees (Switzerland) AG 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 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 six months ended 30 April 2020. The Company and its subsidiaries did not redeem any of its listed securities during the six months ended 30 April 2020.

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 six months ended 30 April 2020.

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 six months ended 30 April 2020 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, was unable to attend the annual general meeting of the Company held on 2 April 2020 as he was 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 six months ended 30 April 2020.

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 six months ended 30 April 2020 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
WU Cheng-wei
Chairman

Hong Kong, 11 June 2020

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