



## **ECO-TEK HOLDINGS LIMITED**

**環康集團有限公司\***

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

**(Stock Code: 8169)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 APRIL 2021**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* For identification purposes only

## SUMMARY

- Revenue for the six months ended 30 April 2021 amounted to HK\$59,211,000 (six months ended 30 April 2020: HK\$39,550,000), representing an increase of approximately 50% as compared with corresponding period.
- Profit attributable to owners of the Company for the six months ended 30 April 2021 amounted to HK\$1,674,000 while loss attributable to owners of the Company for the six months ended 30 April 2020 amounted to HK\$9,639,000.
- Basic earnings per share for the six months ended 30 April 2021 amounted to approximately HK0.26 cent while basic loss per share for the six months ended 30 April 2020 amounted to approximately HK1.48 cents.

## 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 2021 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the six months ended 30 April 2021*

		Three months ended 30 April		Six months ended 30 April	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	2	<b>29,191</b>	20,694	<b>59,211</b>	39,550
Cost of Sales		<b>(20,849)</b>	(13,917)	<b>(42,612)</b>	(27,152)
<b>Gross profit</b>		<b>8,342</b>	6,777	<b>16,599</b>	12,398
Other income		<b>692</b>	1,252	<b>940</b>	2,191
Selling expenses		<b>(854)</b>	(860)	<b>(2,389)</b>	(2,066)
Administrative expenses		<b>(6,244)</b>	(6,050)	<b>(12,125)</b>	(11,828)
<b>Profit from operations</b>	4	<b>1,936</b>	1,119	<b>3,025</b>	695
Finance costs		<b>(348)</b>	(152)	<b>(476)</b>	(281)
Share of (loss)/profit of a joint venture		<b>(155)</b>	(131)	<b>(27)</b>	55
<b>Profit before income tax</b>		<b>1,433</b>	836	<b>2,522</b>	469
Taxation	5	<b>(529)</b>	(963)	<b>(848)</b>	(9,990)
<b>Profit/(loss) for the period</b>		<b>904</b>	(127)	<b>1,674</b>	(9,521)

	Notes	Three months ended 30 April		Six months ended 30 April	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Other comprehensive income for the period</b>					
— Items that may subsequently reclassified to profit and loss					
Exchange gain/(loss) on translation of financial statements of foreign operations		309	(2,646)	3,124	(2,002)
Share of other comprehensive income of a joint venture		(101)	(72)	118	(29)
		<u>208</u>	<u>(2,718)</u>	<u>3,242</u>	<u>(2,031)</u>
<b>Total comprehensive income for the period</b>		<u><b>1,112</b></u>	<u><b>(2,845)</b></u>	<u><b>4,916</b></u>	<u><b>(11,552)</b></u>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		904	(127)	1,674	(9,639)
Non-controlling interests		—	—	—	118
		<u>904</u>	<u>(127)</u>	<u>1,674</u>	<u>(9,521)</u>
<b>Total comprehensive income for the period attributable to:</b>		<u><b>1,112</b></u>	<u><b>(2,845)</b></u>	<u><b>4,916</b></u>	<u><b>(11,741)</b></u>
Owners of the Company		—	—	—	189
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>189</u>
		<u><b>1,112</b></u>	<u><b>(2,845)</b></u>	<u><b>4,916</b></u>	<u><b>(11,552)</b></u>
<b>Earnings/(loss) per share attributable to owners of the Company for the period</b>					
— Basic	7	<u><b>HK0.14 cent</b></u>	<u>HK(0.02) cent</u>	<u><b>HK0.26 cent</b></u>	<u>HK(1.48) cents</u>
— Diluted		<u><b>N/A</b></u>	<u>N/A</u>	<u><b>N/A</b></u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 April 2021*

		As at <b>30 April 2021</b>	As at 31 October 2020
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>70,920</b>	69,449
Right-of-use assets	9	<b>7,318</b>	8,356
Interest in a joint venture		<b>3,931</b>	3,840
Deferred tax assets		<b>565</b>	409
Pledged bank deposits		<b>9,020</b>	9,020
		<hr/> <b>91,754</b>	<hr/> 91,074
<b>Current assets</b>			
Inventories	10	<b>17,413</b>	16,520
Accounts receivable	11	<b>22,948</b>	23,455
Deposits, prepayments and other receivables		<b>9,035</b>	9,417
Cash and cash equivalents	12	<b>49,266</b>	55,807
		<hr/> <b>98,662</b>	<hr/> 105,199
<b>Current liabilities</b>			
Accounts and bills payable	13	<b>17,844</b>	13,308
Accrued liabilities and other payables		<b>33,262</b>	41,968
Contract liabilities	14	<b>4,114</b>	2,436
Lease liabilities		<b>2,105</b>	2,322
Loan from a shareholder	15	<b>4,391</b>	–
Provision for tax		<b>8,821</b>	18,298
		<hr/> <b>70,537</b>	<hr/> 78,332
<b>Net current assets</b>		<hr/> <b>28,125</b>	<hr/> 26,867
<b>Total assets less current liabilities</b>		<hr/> <b>119,879</b>	<hr/> 117,941

		<b>As at 30 April 2021 HK\$'000 (Unaudited)</b>	As at 31 October 2020 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>141</b>	141
Lease liabilities		<b>1,000</b>	1,907
Other payables		<b>2,037</b>	2,408
Loan from a shareholder	<i>15</i>	<b>9,500</b>	11,200
		<b>12,678</b>	15,656
<b>Net assets</b>		<b>107,201</b>	102,285
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>6,495</b>	6,495
Share premium		<b>19,586</b>	19,586
Capital reserve		<b>95</b>	95
Other reserve		<b>13,015</b>	13,015
Exchange translation reserve		<b>15,012</b>	11,770
Capital contribution reserve		<b>7,971</b>	7,971
Retained profits		<b>45,027</b>	43,353
<b>Total equity</b>		<b>107,201</b>	102,285

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	<b>Six months Ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash used in operating activities</b>	<b>(7,099)</b>	<b>(45,775)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(976)</b>	<b>1,494</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>1,935</b>	<b>(1,092)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(6,140)</b>	<b>(45,373)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(401)</b>	<b>(1,543)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>55,807</b>	<b>75,413</b>
<b>Cash and cash equivalents at end of the period</b>	<b>49,266</b>	<b>28,497</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

*For the six months ended 30 April 2021*

	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
<b>At 1 November 2019</b>	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)
<b>At 30 April 2020</b>	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>12,947</u>	<u>7,921</u>	<u>7,971</u>	<u>41,500</u>	<u>96,515</u>	<u>-</u>	<u>96,515</u>
<b>At 1 November 2020</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>13,015</b>	<b>11,770</b>	<b>7,971</b>	<b>43,353</b>	<b>102,285</b>	<b>-</b>	<b>102,285</b>
Profit for the period	-	-	-	-	-	-	1,674	1,674	-	1,674
Other comprehensive income for the period	-	-	-	-	3,242	-	-	3,242	-	3,242
Total comprehensive income for the period	-	-	-	-	3,242	-	1,674	4,916	-	4,916
<b>At 30 April 2021</b>	<u>6,495</u>	<u>19,586</u>	<u>95</u>	<u>13,015</u>	<u>15,012</u>	<u>7,971</u>	<u>45,027</u>	<u>107,201</u>	<u>-</u>	<u>107,201</u>

## 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 2021 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 2021 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 2021 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2020 (“2020 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 2020 Audited Consolidated financial statements. It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting period beginning on 1 November 2020, 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 making an assessment of the potential impact of the new pronouncement.

### 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	
	2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Unaudited)	2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Unaudited)
Water supply plant	7,092	4,572	13,289	10,252
Environment-friendly products	22,099	16,122	45,922	29,298
	<u>29,191</u>	<u>20,649</u>	<u>59,211</u>	<u>39,550</u>



### 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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<b>13,289</b>	10,252	<b>45,922</b>	29,298	<b>59,211</b>	39,550
Reportable segment revenue	<b>13,289</b>	10,252	<b>45,922</b>	29,298	<b>59,211</b>	39,550
Reportable segment profit	<b>5,198</b>	4,878	<b>9,012</b>	5,454	<b>14,210</b>	10,332
Interest income	<b>319</b>	389	–	–	<b>319</b>	389
Depreciation	<b>2,046</b>	1,814	<b>1,250</b>	1,150	<b>3,296</b>	2,964
Reversal of provision for slow-moving inventories, net	–	–	<b>(697)</b>	–	<b>(697)</b>	–
Additions to non-current segment assets during the period	<b>970</b>	722	<b>6</b>	54	<b>976</b>	776
Reportable segment assets	<b>120,569</b>	95,385	<b>64,305</b>	59,945	<b>184,874</b>	155,330
Reportable segment liabilities	<b>43,150</b>	19,443	<b>24,812</b>	25,935	<b>67,962</b>	45,378

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:

	<b>Six months ended 30 April</b>	
	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Reportable segment revenue	<u>59,211</u>	<u>39,550</u>
Group revenue	<u>59,211</u>	<u>39,550</u>
Reportable segment profit	<b>14,210</b>	10,332
Other corporate expenses	<b>(11,185)</b>	(9,637)
Finance costs	<b>(476)</b>	(281)
Share of (loss)/profit of a joint venture	<u><b>(27)</b></u>	<u>55</u>
Profit before income tax	<u><b>2,522</b></u>	<u>469</u>
	<b>As at</b> <b>30 April</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>As at</b> <b>30 April</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Reportable segment assets	<b>184,874</b>	155,330
Interest in a joint venture	<b>3,931</b>	3,464
Other corporate assets	<u><b>1,611</b></u>	<u>1,446</u>
Group assets	<u><u><b>190,416</b></u></u>	<u><u>160,240</u></u>
Reportable segment liabilities	<b>67,962</b>	45,378
Loan from a shareholder	<b>13,891</b>	9,500
Deferred tax liabilities	<b>141</b>	7,568
Other corporate liabilities	<u><b>1,221</b></u>	<u>1,279</u>
Group liabilities	<u><u><b>83,215</b></u></u>	<u><u>63,725</u></u>

#### 4. PROFIT FROM OPERATIONS

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

	Three months ended 30 April		Six months ended 30 April	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration				
— Provision for the period	302	400	604	570
Cost of inventories recognised as expenses, including	19,743	12,991	40,423	25,299
— Reversal provision for slow-moving inventories	—	—	(697)	—
Depreciation of property, plant and Equipment	998	928	2,081	1,857
Depreciation of right of use assets	607	563	1,215	1,107
Exchange loss, net	108	36	108	109
Short term lease expenses	185	335	371	669
Staff costs (including directors' remuneration)				
— Wages and salaries	3,648	3,429	7,296	6,409
— Pension scheme contributions	247	205	493	411
	<u>3,895</u>	<u>3,634</u>	<u>7,789</u>	<u>6,820</u>

#### 5. TAXATION

	Three months ended 30 April		Six months ended 30 April	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Under provision for prior period:				
— Hong Kong	—	—	—	8,400
Current tax:				
— PRC	529	922	848	1,424
— Hong Kong	—	41	—	166
	<u>529</u>	<u>963</u>	<u>848</u>	<u>9,990</u>

Hong Kong profits tax has been provided for at 8.25% (2020: 8.25%) on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million for the six months ended 30 April 2021 and 2020.

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% (2020: 25%) on the estimated assessable profits arising in the PRC for the period.

## 6. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2021 (2020: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 April		Six months ended 30 April	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>904</u>	<u>(127)</u>	<u>1,674</u>	<u>(9,639)</u>
	<b>Number of shares</b>			
	Three months ended 30 April		Six months ended 30 April	
	2021 '000	2020 '000	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>649,540</u>	<u>649,540</u>	<u>649,540</u>	<u>649,540</u>

No diluted earnings per share is calculated for the three months and six months ended 30 April 2021 and 2020 as there was no dilutive potential ordinary share in existence.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$'000 (Unaudited)	Office equipment HK\$'000 (Unaudited)	Plant molds and machinery HK\$'000 (Unaudited)	Furniture and fixtures HK\$'000 (Unaudited)	Building and structure HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Six months ended 30 April 2021</b>						
Opening net book value	1,347	490	4,528	10	63,074	69,449
Additions	148	25	5	–	798	976
Depreciation	(227)	(59)	(171)	–	(1,624)	(2,081)
Translation difference	47	7	160	–	2,362	2,576
Closing net carrying amount	<u>1,315</u>	<u>463</u>	<u>4,522</u>	<u>10</u>	<u>64,610</u>	<u>70,920</u>
<b>At 30 April 2021</b>						
Cost	4,480	2,827	40,096	858	111,026	159,287
Accumulated depreciation	<u>(3,165)</u>	<u>(2,364)</u>	<u>(35,574)</u>	<u>(848)</u>	<u>(46,416)</u>	<u>(88,367)</u>
Net carrying amount	<u>1,315</u>	<u>463</u>	<u>4,522</u>	<u>10</u>	<u>64,610</u>	<u>70,920</u>

## 9. RIGHT-OF-USE ASSETS

	<b>Leasehold land</b> <i>HK\$'000</i>	<b>Buildings leased for own use</b> <i>HK\$'000</i>	<b>Office equipment leased for own use</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net carrying amount at 1 November 2020	4,208	4,062	86	8,356
Depreciation	(58)	(1,145)	(12)	(1,215)
Translation differences	161	16	–	177
	<u>4,311</u>	<u>2,933</u>	<u>74</u>	<u>7,318</u>
Net carrying amount at 30 April 2021	<u>4,311</u>	<u>2,933</u>	<u>74</u>	<u>7,318</u>

## 10. INVENTORIES

	<b>As at 30 April 2021</b> <i>HK\$'000</i> (Unaudited)	<b>As at 31 October 2020</b> <i>HK\$'000</i> (Audited)
Merchandise	20,768	21,436
Less: provision for slow-moving inventories	(3,355)	(4,916)
	<u>17,413</u>	<u>16,520</u>

## 11. ACCOUNTS RECEIVABLE

	<b>As at 30 April 2021</b> <i>HK\$'000</i> (Unaudited)	<b>As at 31 October 2020</b> <i>HK\$'000</i> (Audited)
Accounts receivables	24,522	25,029
Less: Provision for impairment loss	(1,574)	(1,574)
	<u>22,948</u>	<u>23,455</u>

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 receivable as at the reporting date, based on invoice date, is as follows:

	<b>As at 30 April 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 October 2020 HK\$'000 (Audited)</b>
Outstanding balances with ages:		
Within 90 days	23,470	24,794
91–180 days	341	48
181–365 days	39	40
Over 365 days	672	147
	<u>24,522</u>	<u>25,029</u>

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	<b>As at 30 April 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 October 2020 HK\$'000 (Audited)</b>
Cash at bank and in hand	58,286	64,827
Less: pledged bank deposits for banking facilities	<u>(9,020)</u>	<u>(9,020)</u>
Cash and cash equivalents	<u>49,266</u>	<u>55,807</u>
Pledged bank deposits analysed for reporting purposes as non-current assets	<u>9,020</u>	<u>9,020</u>

## 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:

	<b>As at 30 April 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 October 2020 HK\$'000 (Audited)</b>
Outstanding balances with ages:		
Within 90 days	17,667	13,046
91–180 days	101	–
Over 180 days	76	262
	<u>17,844</u>	<u>13,308</u>

#### 14. CONTRACT LIABILITIES

	As at 30 April 2021 <i>HK\$'000</i> (Unaudited)	As at 31 October 2020 <i>HK\$'000</i> (Audited)
Contract liabilities arising from — Sales of goods	<u>4,114</u>	<u>2,436</u>

#### 15. LOAN FROM A SHAREHOLDER

	As at 30 April 2021 <i>HK\$'000</i> (Unaudited)	As at 31 October 2020 <i>HK\$'000</i> (Audited)
Loan from a shareholder	13,891	11,200
Less: current portion	<u>(4,391)</u>	<u>—</u>
	<u>9,500</u>	<u>11,200</u>

The loans from a shareholder represented amount due to a substantial shareholder of the Company who has control over the Group. The loans were unsecured and interest bearing at 5.25% per annum (2020: 5.25% per annum). They were not repayable within twelve months from the reporting date except for the amount of HK\$4,391,000 as at 30 April 2021 (as at 31 October 2020: Nil) which were repayable within twelve months from the reporting date.

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

- (a) In addition to the transactions and balances disclosed elsewhere in these unaudited consolidated financial statements, the Group had the following transactions with related parties during the period:

	Three months ended 30 April		Six months ended 30 April	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses	<u>257</u>	<u>152</u>	<u>385</u>	<u>281</u>

Interest expenses were paid to a shareholder in accordance with the terms as set out in note 15.

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

	<b>Three months ended 30 April</b>		<b>Six months ended 30 April</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Salaries				
Allowances and benefits in kind	<b>1,014</b>	992	<b>2,029</b>	1,985
Pension scheme contributions	<b>14</b>	14	<b>27</b>	27
	<u><b>1,028</b></u>	<u>1,006</u>	<u><b>2,056</b></u>	<u>2,012</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

The total revenue of the Group for the six months ended 30 April 2021 (this “Period”) increased by 50% to HK\$59,211,000 when compared with that of the last corresponding period for six months ended 30 April 2020 (“Last Period”) HK\$39,550,000 as the revenue of our environment-friendly products business increased by 57% from last period HK\$29,298,000 to this Period HK\$45,922,000 under China’s positive industrial market sentiment and the revenue of our water supply plant business increased by 30% from last period HK\$10,252,000 to this period HK\$13,289,000.

The National Bureau of Statistics of the People’s Republic of China (the “Bureau of Statistic of the PRC”) recently announced that the China’s gross domestic product (the “GDP”) growth for the year 2020 fell to 2.3%, the lowest growth rate since year 1976 but the manufacturing Purchasing Managers’ Index (the “PMI”) was 51 in May 2021, over threshold 50 indicating more China manufacturers’ purchase expansion. 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.

### Financial Review

The Group’s total revenue for the period ended 30 April 2021 was HK\$59,211,000, representing an increase of 50% as compared with the last corresponding period (six months ended 30 April 2020: HK\$39,550,000). It was due to the increase of our environment-friendly product business’s revenue under China’s positive industrial market sentiment and the increase of our water supply plant business’s revenue.

The gross profit of the Group for the six months ended 30 April 2021 was amounted to HK\$16,599,000 represented an increase of 34% when compared with that of last corresponding period (six months ended 30 April 2020: HK\$12,398,000) due to increase in the Group's total revenue. The gross profit margin of the Group for the six months ended 30 April 2021 was 28% (six months ended 30 April 2020: 31%), the decrease in the gross profit margin of the Group was due to change of sales mix as the increase of revenue of our water supply plant business with higher gross profit margin was less than the increase of revenue of our environment-friendly product business.

The Group's administrative expenses for the six months ended 30 April 2021 was amounted to HK\$12,125,000 representing an increase of 3% compared with the last corresponding period (six months ended 30 April 2020: HK\$11,828,000). The Group's selling expenses for the six months ended 30 April 2021 was amounted to HK\$2,389,000, representing an increase of 16% compared with the last corresponding period (six months ended 30 April 2020: HK\$2,066,000) due to increase of exhibition cost and travelling expenses in this period.

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 2021, tax provision HK\$848,000 (six months ended 30 April 2020: HK\$9,990,000) was made, of which HK\$ Nil (six months ended 30 April 2020: HK\$8,400,000) further tax provision was made for prior years' under-provided tax after taking into account the up-to-date development with the Inland Revenue Department.

The Group recorded a profit attributable to owners of the Company for the six months ended 30 April 2021 amounted to HK\$1,674,000 while a loss attributable to owners of the Company for six months ended 30 April 2020 amounted to HK\$9,512,000.

### **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 2021, the Group had net current assets of HK\$28,125,000 (31 October 2020: HK\$26,867,000) including bank balances and cash of approximately HK\$49,266,000 (31 October 2020: HK\$55,807,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.40 as at 30 April 2021 (31 October 2020: 1.34). The Group's inventory turnover was about 74 days (31 October 2020: 96 days). The Group's accounts receivable turnover was about 71 days (31 October 2020: 92 days). The decrease in accounts receivable turnover and inventory turnover was due to increase in the Group's total revenue in this period.

## **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 2021 increased to 15% (31 October 2020: 11%) due to increase of loan from a shareholder during this period.

## **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 2021, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2020: 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 2021 (31 October 2020: Nil).

## **Information on Employees**

As at 30 April 2021, the Group had 72 employees (2020: 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 2021 amounted to approximately HK\$7.8 million (for the six months ended 30 April 2020: HK\$6.8 million). The dedication and hard work of the Group's staff during the six months ended 30 April 2021 are generally appreciated and recognized.

## **Contingent liabilities**

The Group had no material contingent liabilities at 30 April 2021 (31 October 2020: Nil).

## **Material acquisitions, disposal of subsidiaries and affiliated companies**

During the six months ended 30 April 2021, the Group did not have any material acquisitions, disposals of subsidiaries and affiliated companies.

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

As at 30 April 2021, 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 2021, 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 2021, 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	% to the
		ordinary shares held as at 30 April 2021	Company's issued shares as at 30 April 2021
Lily Chiang ( <i>Note 1</i> )	Founder of a discretionary trust	344,621,200	53.06
Virtue Trustees (Switzerland) AG ( <i>Note 2</i> )	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited ( <i>Note 2</i> )	Through a controlled corporation	344,621,200	53.06
Team Drive Limited ( <i>Note 2</i> )	Directly beneficially owned	344,621,200	53.06
Dr. Pau Kwok Ping ( <i>Note 3</i> )	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited ( <i>Note 3</i> )	Directly beneficially owned	44,224,000	6.81

#### Notes:

1. Lily Chiang is the founder of the Lily Chiang Family Trust which indirectly holds 344,621,200 shares in the Company. Accordingly, Lily Chiang is deemed to be interested in such shares.
2. 344,621,200 shares are directly and beneficially held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, of which the entire issued shares are held by Virtue Trustees (Switzerland) AG. Wide Sky Management Limited and Virtue Trustees (Switzerland) AG are deemed to be interested in all the shares held by Team Drive Limited.
3. 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 2021. The Company and its subsidiaries did not redeem any of its listed securities during the six months ended 30 April 2021.

## **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 2021.

## **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 2021.

## **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 2021.

## **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 2021 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 2021

*As at the date of this announcement, 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.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for 7 days from the date of publication and on the Company's website at [www.eco-tek.com.hk](http://www.eco-tek.com.hk).*