



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8169)

FIRST QUARTERLY ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 JANUARY 2023

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

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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 three months ended 31 January 2023 amounted to HK\$19,529,000 (three months ended 31 January 2022: HK\$26,655,000), representing a decrease of 27% as compared with the corresponding period.
- Profit attributable to owners of the Company for the three months ended 31 January 2023 amounted to HK\$1,087,000 (three months ended 31 January 2022 amounted to HK\$2,347,000).
- Basic earnings per share for the three months ended 31 January 2023 amounted to approximately HK0.17 cent (three months ended 31 January 2022 amounted to approximately HK0.36 cent).

UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of Eco-Tek Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 January 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 January 2023

| | | Three months ended | |
|------------------------------------|--------------|---------------------------|-----------------|
| | | 31 January | |
| | | 2023 | 2022 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2 | 19,529 | 26,655 |
| Cost of Sales | | (12,564) | (18,433) |
| Gross Profit | | 6,965 | 8,222 |
| Other income, gains and losses | | 2,038 | 2,360 |
| Selling expenses | | (601) | (1,102) |
| Administrative expenses | | (5,979) | (5,994) |
| Profit from operations | | 2,423 | 3,486 |
| Finance costs | | (223) | (126) |
| Share of profit of a joint venture | | 124 | 87 |
| Profit before income tax | | 2,324 | 3,447 |
| Taxation | 3 | (1,237) | (1,100) |

| | Three months ended | |
|--|-----------------------------|---------------------|
| | 31 January | |
| | 2023 | 2022 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the period attributable to owners of the Company | <u>1,087</u> | <u>2,347</u> |
| Other comprehensive income for the period | | |
| — Items that may subsequently reclassified to profit and loss: | | |
| Exchange gain on translation of financial statements of foreign operations | 12,507 | 1,907 |
| Share of other comprehensive income of a joint venture | <u>225</u> | <u>61</u> |
| | <u>12,732</u> | <u>1,968</u> |
| Total comprehensive income for the period attributable to owners of the Company | <u><u>13,819</u></u> | <u><u>4,315</u></u> |
| Earnings per share attributable to owners of the Company: | | |
| — Basic and diluted | <u>HK0.17 cent</u> | <u>HK0.36 cent</u> |

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

For the three months ended 31 January 2023

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> | Exchange translation reserve <i>HK\$'000</i> | Capital contribution reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|---|---|--|--------------------------|
| At 1 November 2021 | 6,495 | 19,586 | 95 | 13,015 | 20,661 | 7,971 | 48,415 | 116,238 |
| Profit for the period | - | - | - | - | - | - | 2,347 | 2,347 |
| Other comprehensive income for the period | - | - | - | - | 1,968 | - | - | 1,968 |
| Total comprehensive income for the period | - | - | - | - | 1,968 | - | 2,347 | 4,315 |
| At 31 January 2022 | 6,495 | 19,586 | 95 | 13,015 | 22,629 | 7,971 | 50,762 | 120,553 |
| At 1 November 2022 | 6,495 | 19,586 | 95 | 13,015 | 7,722 | 7,971 | 52,794 | 107,678 |
| Profit for the period | - | - | - | - | - | - | 1,087 | 1,087 |
| Other comprehensive income for the period | - | - | - | - | 12,732 | - | - | 12,732 |
| Total comprehensive income for the period | - | - | - | - | 12,732 | - | 1,087 | 13,819 |
| At 31 January 2023 | 6,495 | 19,586 | 95 | 13,015 | 20,454 | 7,971 | 53,881 | 121,497 |

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 consolidated financial statements for the three months ended 31 January 2023 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 consolidated financial statements for the three months ended 31 January 2023 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**”) and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated financial statement for the three months ended 31 January 2023 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2022 (“**2022 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 2022 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 2022, 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, recognised during the period comprised the following:

| | Three months ended | |
|-------------------------------|--------------------|---------------|
| | 31 January | |
| | 2023 | 2022 |
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) |
| Environment-friendly products | 9,373 | 16,120 |
| Water supply plant | 10,156 | 10,535 |
| | <u>19,529</u> | <u>26,655</u> |

3. TAXATION

| | Three months ended 31 January | |
|--------------------|----------------------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| — PRC | <u>1,237</u> | <u>1,100</u> |
| | <u>1,237</u> | <u>1,100</u> |

Hong Kong profits tax has been provided for at 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 three months ended 31 January 2023 and 2022. No provision has been provided as the Group has tax losses to set off with assessable profits for the periods.

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% (2022: 25%) on the estimated assessable profits arising in the PRC for the period.

A subsidiary of the Group established and operating in Macau is subject to the Macau complementary profit tax for the three months ended 31 January 2023 and 2022 at the rate of 12% (2022: 12%) according to the relevant laws and regulations in Macau. No provision for Macau complementary profits tax for both period as the Group has no assessable profits arising in Macau.

4. INTERIM DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 January 2023 and 2022.

5. EARNINGS PER SHARE

The basic earnings per share for the period is calculated based on the following data:

| | Three months ended 31 January | |
|---|----------------------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share | <u>1,087</u> | <u>2,347</u> |

Number of shares
Three months ended
31 January
2023 2022
'000 *'000*

| | | |
|--|----------------|---------|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 649,540 | 649,540 |
|--|----------------|---------|

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential shares during the three months ended 31 January 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The total revenue of the Group for the three months ended 31 January 2023 (the “**Current Period**”) was amounted to HK\$19,529,000, decreased by 27% when compared with that of the last corresponding period for three months ended 31 January 2022 (the “**Last Period**”) HK\$26,655,000 as the revenue of our environment-friendly products business segment decreased by 42% from the Last Period HK\$16,120,000 to the Current Period HK\$9,373,000 due to the outbreak of Omicron Variant of COVID-19 and the corresponding control measures and restrictions in China, which not only affected our environment-friendly products business segment’s sales and delivery activities during the Current Period but also caused the postponement of and delay in some of our customers’ engineering, production and procurement activities.

The National Bureau of Statistics of the People’s Republic of China (the “**Bureau of Statistic of the PRC**”) recently announced that the manufacturing Purchasing Managers’ Index (the “**PMI**”) was 52.6 in February 2023 and records highest reading since April 2012, over threshold 50 indicating more China manufacturers’ operations resumption significantly. 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. Certain products of our environment-friendly products business were applied in the marine machinery sectors and clean energy sectors such as hydropower and wind power facilities. As the increase of international concerns of environmental protections, we believe that there will be a brighter prospect for our environment-friendly products business.

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**”), there will be a railway station in Baodi district near our water supply plant in Tianjin. It was believed that the completion of the New Intercity Railways in future will promote the integrative and cooperative economic development of the Baodi District and Jing-Jin New City which will benefit our Group’s water supply plant in Tianjin.

Financial Review

The Group's total revenue for the Current Period is HK\$19,529,000, representing a decrease of 27% as compared with the Last Period (three months ended 31 January 2022: HK\$26,655,000). It was mainly attributable to the outbreak of Omicron Variant of COVID-19 and the corresponding control measures and restrictions in China, which resulted in 42% decrease in the revenue of our environment-friendly products business segment from the Last Period HK\$16,120,000 to the Current Period HK\$9,373,000.

The gross profit of the Group for the Current Period was amounted to approximately HK\$6,695,000, a decrease by 15% when compare with that of the Last Period (three months ended 31 January 2022: HK\$ 8,222,000) due to the decrease in the Group's total revenue. The gross profit margin of the Group for the Current Period was 36% (three months ended 31 January 2022:31%). The increase in the Group's gross profit margin was due to the depreciation of Japanese Yen, one of our major currencies for our Group's purchase activities and the increase of proportion of higher profit margin business segment to the Group's total revenue in the Current Period. The proportion of the revenue of higher profit margin water supply plant business segment to the Group's total revenue increased from the Last Period 40% to in the Current Period 52%. As a result, the gross profit margin of the Group for the Current Period increased to 36% (three months ended 31 January 2022: 31%).

The Group's administrative expenses for the Current Period was amounted to HK\$5,979,000 which is similar to that of the last Period (three months ended 31 January 2022: HK\$5,994,000). The Group's selling expenses for the Current Period was amounted to HK\$601,000, representing a decrease of 45% compared with the last Period (three months ended 31 January 2022: HK\$1,102,000) due to decrease of travelling expense and marketing expense in the Current Period.

The Group recorded a profit attributable to owners of the Company for the three months ended 31 January 2023 amounted to HK\$1,087,000 (three months ended 31 January 2022 amounted to HK\$2,347,000).

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

As at 31 January 2023, 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 31 January 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 January 2023, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Ordinary Shares of the Company

| Name | Capacity and nature of interest | Total number of ordinary shares held as at 31 January 2023 | Percentage to the Company's issued share capital as at 31 January 2023 |
|--|---|--|--|
| 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 | 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. These shares are 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the three months ended 31 January 2023. The Company had not redeemed any of its listed securities during the three months ended 31 January 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the three months ended 31 January 2023.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 January 2023.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 31 January 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

COMPETITION AND CONFLICT OF INTEREST

None of the Directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during three months ended 31 January 2023.

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.

ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

The Company established an environment, social and governance committee (“**ESG Committee**”) in January 2022. The principal duties of the ESG Committee are to advise and assist the Board of directors (the “**Director(s)**”) of in managing matters relating to environment, social and governance. The chairman of the ESG committee is Mr. WU Cheng-wei and other members include Mr. LEUNG Wai Lun, Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa and Professor NI Jun.

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, risk management and internal controls system of the Group. The chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive Directors of the Company.

The Group’s unaudited results for the three months ended 31 January 2023 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, 13 March 2023

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