



## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

# HEALTHY ENVIRONMENT QUALITY LIVING

2019 INTERIM REPORT





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

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

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## Summary

- Revenue for the six months ended 30 April 2019 amounted to HK\$48,866,000 (six months ended 30 April 2018: HK\$55,133,000), representing a decrease of approximately 11% as compared with corresponding period.
- Profit attributable to owners of the Company for the six months ended 30 April 2019 amounted to HK\$811,000 (six months ended 30 April 2018: HK\$1,385,000).
- Basic earnings per share for the six months ended 30 April 2019 amounted to approximately HK0.12 cent (six months ended 30 April 2018: HK0.21 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 2019 together with the comparative figures as follows:

### Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 April 2019

	Notes	Three months ended 30 April		Six months ended 30 April	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	2	<b>25,453</b>	23,410	<b>48,866</b>	55,133
Cost of Sales		(17,757)	(16,139)	(33,059)	(39,396)
<b>Gross profit</b>		<b>7,696</b>	7,271	<b>15,807</b>	15,737
Other income		305	459	1,106	524
Selling expenses		(894)	(866)	(2,152)	(1,912)
Administrative expenses		(5,438)	(5,328)	(11,777)	(11,120)
<b>Profit from operations</b>	4	<b>1,669</b>	1,536	<b>2,984</b>	3,229
Finance costs		(126)	(123)	(255)	(249)
Share of profit/(loss) of a joint venture		(254)	(71)	86	146
<b>Profit before income tax</b>		<b>1,289</b>	1,342	<b>2,815</b>	3,126
Taxation	5	(459)	(662)	(1,420)	(1,543)
<b>Profit for the period</b>		<b>830</b>	680	<b>1,395</b>	1,583

	Three months ended		Six months ended	
	30 April		30 April	
	2019	2018	2019	2018
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income for the period</b>				
— Items that may subsequently reclassified to profit and loss				
Exchange gain on translation of financial statements of foreign operations	1,057	53	2,766	1,027
Share of other comprehensive income of a joint venture	36	65	156	195
	1,093	118	2,922	1,222
Total comprehensive income for the period	1,923	798	4,317	2,805
<b>Profit for the period attributable to:</b>				
Owners of the Company	556	491	811	1,385
Non-controlling interests	274	189	584	198
	830	680	1,395	1,583
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	1,496	359	3,300	1,868
Non-controlling interests	427	439	1,017	937
	1,923	798	4,317	2,805
<b>Earnings per share attributable to owners of the Company for the period</b>				
— Basic	7 HK0.09 cent	HK0.08 cent	HK0.12 cent	HK0.21 cent
— Diluted	N/A	N/A	N/A	N/A

# Condensed Consolidated Statement of Financial Position

As at 30 April 2019

		As at 30 April 2019 HK\$'000 (Unaudited)	As at 31 October 2018 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	75,350	73,958
Interest in leasehold land		4,483	4,385
Interest in a joint venture		3,664	3,422
Deferred tax assets		525	514
Pledged bank deposits	11	9,020	9,020
		<b>93,042</b>	91,299
<b>Current assets</b>			
Inventories	9	16,199	20,471
Accounts receivable	10	23,194	15,638
Deposits, prepayments and other receivables		6,641	4,343
Tax recoverable		3,552	3,667
Financial assets at fair value through profit or loss	11	2,334	–
Cash and cash equivalents	12	33,428	33,895
		<b>85,348</b>	78,014
<b>Current liabilities</b>			
Accounts and bills payable	13	13,146	10,407
Accrued liabilities and other payables		25,638	26,293
Provision for tax		3,084	156
		<b>41,868</b>	36,856
<b>Net current assets</b>		<b>43,480</b>	41,158
<b>Total assets less current liabilities</b>		<b>136,522</b>	132,457

		<b>As at 30 April 2019 HK\$'000 (Unaudited)</b>	As at 31 October 2018 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,570	7,570
Loan from a shareholder	14	9,500	9,500
Loans from a minority shareholder	14	9,526	9,526
		<b>26,596</b>	26,596
<b>Net assets</b>		<b>109,926</b>	105,861
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
Exchange translation reserve		13,320	10,831
Capital contribution reserve		7,971	7,971
Retained profits		52,524	51,965
		<b>99,991</b>	96,943
<b>Non-controlling interests</b>		<b>9,935</b>	8,918
<b>Total equity</b>		<b>109,926</b>	105,861

## Condensed Consolidated Statement of Cash Flows (Unaudited)

	Six months ended 30 April	
	2019 HK\$'000	2018 HK\$'000
Net cash generated operating activities	3,712	14,949
Net cash used in investing activities	(3,043)	(634)
Net cash used in financing activities	(255)	(249)
Increase in cash and cash equivalents	414	14,066
Effect of foreign exchange rate changes	(881)	(3,958)
Cash and cash equivalents at beginning of the period	33,895	18,340
Cash and cash equivalents at end of the period	33,428	28,448



# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 April 2019

	Equity attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000			
At 1 November 2017	6,495	19,586	95	15,460	7,971	47,118	96,725	8,290	105,015
Profit for the period	-	-	-	-	-	1,385	1,385	198	1,583
Other comprehensive income for the period	-	-	-	483	-	-	483	739	1,222
<b>Total comprehensive income for the period</b>	-	-	-	483	-	1,385	1,868	937	2,805
<b>At 30 April 2018</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>15,943</b>	<b>7,971</b>	<b>48,503</b>	<b>98,593</b>	<b>9,227</b>	<b>107,820</b>
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
<b>Total comprehensive income for the period</b>	-	-	-	2,489	-	811	3,300	1,017	4,317
<b>At 30 April 2019</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>13,320</b>	<b>7,971</b>	<b>52,524</b>	<b>99,991</b>	<b>9,935</b>	<b>109,926</b>



# 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 2019 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 2019 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 2019 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2018 (“2018 Audited Consolidated Financial Statements”). The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of 2018 Audited Consolidated financial statements except for the adoption of new or revised HKFRSs as described below:

### **HKFRS 15 — Revenue from contracts with customers**

The Group has applied HKFRS 15 “Revenue from Contracts with Customers” on 1 November 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect transition method. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 November 2018) if any. As a result, the financial information presented for 2018 has not been restated.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed the impacts of adopting HKFRS 15 on its unaudited condensed consolidated financial statements and has no significant impact on the Group’s revenue recognition.

Revenue from sales of goods is recognised at a point in time as when the control of the goods has been transferred to the customers and there is no unfulfilling performance obligation after the acceptance of the goods.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised upon transition and at the end of reporting period. If the Group does not satisfied any performance obligation but the Group has an unconditional right to consideration, the Group should recognised contract liabilities. No contract liabilities is recognised upon transition.

### **HKFRS 9 — Financial Instruments**

In the current period, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments except for the embedded derivatives. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain accounts receivable (that the accounts receivable do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) financial assets at FVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”).

#### **Key changes in accounting policies resulting from application of HKFRS 9**

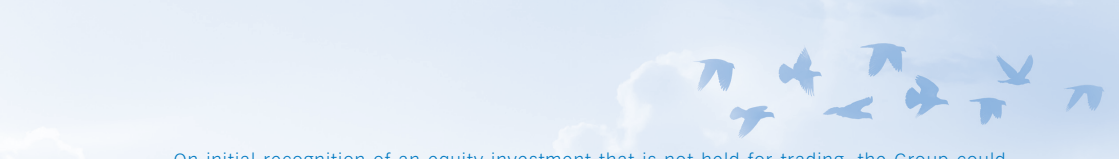
##### *Classification and measurement of financial assets*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.



On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group has elected to measure loss allowances for accounts receivable using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The ECL on these assets are assessed individually for debtors with significant balance and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environmental of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognised the effect of ECL in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

#### Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 October 2018, but are recognised in the condensed consolidated statement of financial position on 1 November 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 November 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39. As at 1 November 2018, the director of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group:

(i) Classification and measurement of financial instruments

On 1 November 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 November 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories.

Accounts receivable, deposits, prepayment and other receivables, pledged bank deposits and cash and cash equivalents were classified as loans and receivables under HKAS 39. At the date of initial application of HKFRS 9, they are classified as financial assets at amortised cost.

- (ii) Reconciliation of consolidated statement of financial position balances from HKAS 39 to HKFRS 9

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been re-measured upon transition to HKFRS 9 on 1 November 2018. The reconciliation of carrying amount in accordance with HKAS 39 and HKFRS 9 is as follow:

	HKAS 39 Carrying amount as at 31 October 2018 HK\$'000 (Audited)	Re- measurement (Additional ECL allowance) HK\$'000 (Unaudited)	HKFRS 9 Carrying amount as at 1 November 2018 HK\$'000 (Unaudited)
Accounts receivable	15,638	(196)	15,442
Deposits, prepayments and other receivables	4,343	(56)	4,287
Pledged bank deposits	9,020	-	9,020
Cash and cash equivalents	33,895	-	33,895

## 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Water supply plant	5,684	5,140	11,257	10,627
General environmental protection related products and services	56	272	117	696
Industrial environmental products	19,713	17,998	37,492	43,810
	<b>25,453</b>	23,410	<b>48,866</b>	55,133

### 3. SEGMENT INFORMATION

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

General environmental protection related products and services	:	Sales of particulate removal devices and related ancillary services in the PRC
Industrial environmental products	:	Sales of hydraulic 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		General environmental protection related products and services		Industrial environmental products		Total	
	Six months ended 30 April		Six months ended 30 April		Six months ended 30 April		Six months ended 30 April	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue from external customers	11,257	10,627	117	696	37,492	43,810	48,866	55,133
Reportable segment revenue	11,257	10,627	117	696	37,492	43,810	48,866	55,133
Reportable segment profit	5,228	2,703	69	297	8,358	10,825	13,655	13,825
Depreciation	1,809	2,171	4	42	24	118	1,837	2,331
Additions to non-current segment assets during the period (Reversal)/provision of slow moving inventories	696	43	13	-	-	591	709	634
	-	-	-	-	(249)	215	(249)	215
Reportable segment assets	109,748	115,962	2,109	2,329	57,414	51,595	169,271	169,886
Reportable segment liabilities	12,477	15,023	31	619	27,493	28,059	40,001	43,701

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

	Six months ended 30 April	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Reportable segment revenue	48,866	55,133
Group revenue	48,866	55,133
Reportable segment profit	13,655	13,825
Other corporate expenses	(10,671)	(10,596)
Finance costs	(255)	(249)
Share of profit of a joint venture	86	146
Profit before income tax	2,815	3,126
Reportable segment assets	169,271	169,886
Interest in a joint venture	3,664	3,713
Tax recoverable	3,552	3,799
Other corporate assets	1,903	2,586
Group assets	178,390	179,984
Reportable segment liabilities	40,001	43,701
Loan from a shareholder	9,500	9,500
Loan from a minority shareholder	9,526	9,526
Other corporate liabilities	9,437	9,437
Group liabilities	68,464	72,164



#### 4. PROFIT FROM OPERATIONS

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

	Three months ended 30 April		Six months ended 30 April	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Auditor's remuneration				
— Provision for the period	254	250	479	450
Amortisation of interest in leasehold land	21	21	42	42
Cost of inventories recognised as expenses, including	16,838	15,122	31,222	36,850
— (Reversal)/provision for slow-moving inventories	(249)	(180)	(249)	215
Depreciation of property, plant and equipment	919	1,197	1,837	2,331
Exchange gain, net	(17)	(7)	(31)	(31)
Operating lease charges in respect of land and buildings	520	639	1,162	1,132
Staff costs (including directors' remuneration)				
— Wages and salaries	3,350	2,775	6,734	6,250
— Pension scheme contributions	287	287	566	566
	<b>3,637</b>	3,062	<b>7,300</b>	6,816

#### 5. TAXATION

	Three months ended 30 April		Six months ended 30 April	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax for the period:				
— PRC	368	603	1,302	1,397
— Hong Kong	91	59	118	146
	<b>459</b>	662	<b>1,420</b>	1,543

Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the six months ended 30 April 2019 and 2018.

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 six months ended 30 April 2019 and 2018.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the six months ended 30 April 2019 and 2018 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 2019 (2018: Nil).

## 7. EARNINGS PER SHARE

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

	Three months ended 30 April		Six months ended 30 April	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	556	491	811	1,385

	Number of shares			
	Three months ended 30 April		Six months ended 30 April	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic 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 2019 and 2018 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 2019</b>						
Opening net book value	412	704	4,000	12	68,830	73,958
Additions	453	77	179	–	–	709
Depreciation	(25)	(13)	(49)	(3)	(1,747)	(1,837)
Translation difference	14	24	137	1	2,344	2,500
Closing net carrying amount	854	792	4,267	10	69,427	75,350
<b>At 30 April 2019</b>						
Cost	4,079	2,597	38,768	876	110,429	156,749
Accumulated depreciation	(3,225)	(1,805)	(34,501)	(866)	(41,002)	(81,399)
Net carrying amount	854	792	4,267	10	69,427	75,350

## 9. INVENTORIES

	As at 30 April 2019 HK\$'000 (Unaudited)	As at 31 October 2018 HK\$'000 (Audited)
Merchandise	20,473	26,422
Provision for slow-moving inventories	(4,274)	(5,951)
	16,199	20,471

## 10. ACCOUNTS RECEIVABLE

	As at 30 April 2019 HK\$'000 (Unaudited)	As at 31 October 2018 HK\$'000 (Audited)
Accounts receivables	24,258	16,438
Less: Provision for impairment loss	(1,064)	(800)
	23,194	15,638

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 150 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:

	<b>As at 30 April 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 October 2018 HK\$'000 (Audited)</b>
Outstanding balances with ages:		
Within 90 days	22,368	13,387
91–180 days	517	2,015
181–365 days	492	149
Over 365 days	881	887
	<b>24,258</b>	<b>16,438</b>

#### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 April 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 October 2018 HK\$'000 (Audited)</b>
Principal Guaranteed Wealth Management Product at fair value	<b>2,334</b>	–

The amount represents investment in principal guaranteed wealth management products issued by bank in the PRC with expected return around 3.65% per annum (31 October 2018: Nil). The amount of HK\$2,334,000 (31 October 2018: Nil) is with maturity of less than one year.

The fair value of principal guaranteed wealth management product is determined based on the latest transaction price.

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The fair value of principal guaranteed wealth management product classified as financial assets at fair value through profit or loss is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	<b>As at 30 April 2019 HK\$'000 (Unaudited)</b>	As at 31 October 2018 HK\$'000 (Audited)
Opening balance (Level 3 recurring fair value)	–	–
Acquisition	<b>2,334</b>	–
Closing balance (Level 3 recurring fair value)	<b>2,334</b>	–

The key inputs to determine the fair value of principal guaranteed wealth management product are the latest transaction price on the same product. A higher in latest transaction price would result in an increase in the fair value of principal guaranteed wealth management product, and vice versa.

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

	<b>As at 30 April 2019 HK\$'000 (Unaudited)</b>	As at 31 October 2018 HK\$'000 (Audited)
Cash at bank and in hand	<b>42,448</b>	42,915
Less: pledged bank deposits for banking facilities	<b>(9,020)</b>	(9,020)
Cash and cash equivalents	<b>33,428</b>	33,895
Pledged bank deposits analysed for reporting purposes as non-current assets	<b>9,020</b>	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 2019 HK\$'000 (Unaudited)	As at 31 October 2018 HK\$'000 (Audited)
Outstanding balances with ages:		
Within 90 days	11,642	10,081
91–180 days	1,422	54
Over 180 days	82	272
	<b>13,146</b>	<b>10,407</b>

### 14. LOAN FROM A SHAREHOLDER AND A 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 (2018: 5.25% per annum). They were not repayable within twelve months from the reporting dates as at 30 April 2019 and 31 October 2018 respectively.

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

### 15. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries				
Allowances and benefits in kind	988	945	2,208	2,173
Pension scheme contributions	14	14	27	27
	<b>1,002</b>	<b>959</b>	<b>2,235</b>	<b>2,200</b>

# Management Discussion and Analysis

## Business Review and Prospects

The revenue of the Group for the six months ended 30 April 2019 decreased by 11% to HK\$48,866,000 when compared with that of the last correspondence period (six months ended 30 April 2018: HK\$55,133,000) as the sales of our industrial environmental products business decreased under the trade war between China and United State (the “US”) during this period. According to the announcement from China’s National Bureau of Statistics, the Manufacturing Purchasing Managers’ Index (“PMI”) was 49.4 in May of 2019 which was below the threshold 50 indicating the contraction of PRC manufacturers’ purchasing activities. 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 fulfil the policy of energy conservation and emission reduction in PRC, 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. Together with the plan of Tianjin Financial Valley inside Jing- Jin New City and within our water supply plant’s coverage area, the Group has confidence that this will be positive for our water supply plant’s future development.



## Financial Review

The Group's revenue for the six months ended 30 April 2019 was HK\$48,866,000, a decrease of 11% as compared with the corresponding period (six month period ended 30 April 2018: HK\$55,133,000). It was due to the decrease in sales of our industrial environmental product business's sales under poor market sentiment since China's trade war with US.

The gross profit of the Group for the six months ended 30 April 2019 was amounted to HK\$15,807,000 represented an increase of 0.4% when compared with that of the corresponding period (six months ended 30 April 2018: HK\$15,737,000) due to the increase in the Group's gross profit margin during the period. The Group's gross profit margin for the six months ended 30 April 2019 was 32% which was higher than that of the corresponding period (six months ended 30 April 2018: 29%) as the proportion of higher gross profit margin water supply plant business to the Group revenue increased from last period ended 30 April 2018: 19% to this period end 30 April 2019: 23%.

The Group's administrative expenses for the six months ended 30 April 2019 was amounted to HK\$11,777,000, represented an increase of 6% when compared with that of the corresponding period (six months ended 30 April 2018: HK\$11,120,000) due to increase of rental expenses and staff related cost. The Group's selling expenses for six months ended 30 April 2019 was amounted to HK\$2,152,000, represented an increase of 13% compared with that of the corresponding period (six months ended 30 April 2018: HK\$1,912,000) due to increase of travelling expense and exhibition expenses.

The Group recorded a profit attributable to owners of the Company amounted to HK\$811,000 for the six months ended 30 April 2019 (six months ended 30 April 2018: HK\$1,385,000).



## 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 2019, the Group had net current assets of HK\$43,480,000 (31 October 2018: HK\$41,158,000) including bank balances and cash of approximately HK\$33,428,000 (31 October 2018: HK\$33,895,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.0 as at 30 April 2019 (31 October 2018: 2.1). The Group's inventory turnover was about 89 days (31 October 2018: 114 days). The Group's accounts receivable turnover was about 86 days (31 October 2018: 56 days).

## Capital Structure

The shares of the Company were listed on the GEM 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 2019 was 17% (31 October 2018: 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 2019, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2018: 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 2019 (31 October 2018: Nil).

## Information on Employees

As at 30 April 2019, the Group had 68 employees (2018: 65) 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 2019 amounted to approximately HK\$7.3 million (for the six months ended 30 April 2018: HK\$6.8 million). The dedication and hard work of the Group's staff during the six months ended 30 April 2019 are generally appreciated and recognized.

## Contingent liabilities

The Group had no material contingent liabilities at 30 April 2019 (31 October 2018: Nil).

## Material acquisitions, disposal of subsidiaries and affiliated companies

During the six months ended 30 April 2019, 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 2019, 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 2019, 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 2019, 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 2019	% to the Company's issued shares as at 30 April 2019
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
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

#### Notes:

- These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management 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 2019. The Company and its subsidiaries did not redeem any of its listed securities during the six months ended 30 April 2019.

## **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 2019.

## **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 2019 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 19 April 2019 (the "AGM") 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 2019.



## 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 2019 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 2019

*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.*