



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

Healthy Environment
Quality Living
2023 THIRD QUARTERLY REPORT

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

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

SUMMARY

- Revenue for the nine months ended 31 July 2023 decreased by approximately 8% to HK\$68,568,000 (nine months ended 31 July 2022: HK\$74,341,000).
- Profit attributable to owners of the Company for the nine months ended 31 July 2023 decreased by approximately 51% to HK\$2,185,000 (nine months ended 31 July 2022 amounted to HK\$4,453,000).
- Basic earnings per share for the nine months ended 31 July 2023 decreased by approximately 51% to HK0.34 cent (nine months ended 31 July 2022 amounted to approximately HK0.69 cents).



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UNAUDITED THIRD 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 and nine months ended 31 July 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 July 2023

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	2	23,425	24,601	68,568	74,341
Cost of sales		(15,318)	(16,416)	(43,775)	(50,855)
Gross profit		8,107	8,185	24,793	23,486
Other income		57	1,355	2,050	4,246
Selling expenses		(1,209)	(503)	(2,669)	(2,462)
Administrative expenses		(6,041)	(6,780)	(18,878)	(18,359)
Profit from operations		914	2,257	5,296	6,911
Finance costs		(206)	(218)	(650)	(593)
Share of profit of a joint venture		261	101	236	215
Profit before income tax		969	2,140	4,882	6,533
Taxation	3	(788)	(786)	(2,697)	(2,080)
Profit for the period attributable to owners of the Company		181	1,354	2,185	4,453

		Three months ended 31 July		Nine months ended 31 July	
		2023	2022	2023	2022
<i>Notes</i>		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income for the period					
— Items that may be subsequently reclassified to profit or loss					
Exchange gain/(loss) on translation of financial statements of foreign operations		(5,876)	(7,779)	5,285	(4,284)
Share of other comprehensive income of a joint venture		(78)	(223)	120	(157)
		(5,954)	(8,002)	5,405	(4,441)
Total comprehensive income for the period attributable to owners of the Company		(5,773)	(6,648)	7,590	12
Earnings per share					
— Basic and diluted		5 HK0.03 cent	HK0.21 cent	HK0.34 cent	HK0.69 cent

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 July 2023

	Share capital	Share premium	Capital reserve	Other reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2021	6,495	19,586	95	13,015	20,661	7,971	48,415	116,238
Profit for the period	-	-	-	-	-	-	4,453	4,453
Other comprehensive income for the period	-	-	-	-	(4,441)	-	-	(4,441)
Total comprehensive income for the period	-	-	-	-	(4,441)	-	4,453	12
At 31 July 2022	6,495	19,586	95	13,015	16,220	7,971	52,868	116,250
At 1 November 2022	6,495	19,586	95	13,015	7,722	7,971	52,794	107,678
Profit for the period	-	-	-	-	-	-	2,185	2,185
Other comprehensive income for the period	-	-	-	-	5,405	-	-	5,405
Total comprehensive income for the period	-	-	-	-	5,405	-	2,185	7,590
At 31 July 2023	6,495	19,586	95	13,015	13,127	7,971	54,979	115,268

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 nine months ended 31 July 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 condensed consolidated financial statements for the nine months ended 31 July 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”). 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 statements for the nine months ended 31 July 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, represented during the period comprised the following:

	Three months ended 31 July		Nine months ended 31 July	
	2023	2022	2023	2022
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Water supply plant	10,399	8,381	30,401	25,503
Environment-friendly products	13,026	16,220	38,167	48,838
	23,425	24,601	68,568	74,341

3. TAXATION

	Three months ended 31 July		Nine months ended 31 July	
	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current tax: — PRC	788	786	2,697	2,080

Hong Kong profits tax has been provided for at 8.25% (2022: 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 nine months ended 31 July 2023 and 2022. No provision for Hong Kong profits tax has been made for the current period as the Group has no assessable profits arising in Hong Kong.

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.

4. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2023 (2022: Nil).

5. EARNINGS PER SHARE

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

	Three months ended 31 July		Nine months ended 31 July	
	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	181	1,354	2,185	4,453

	Number of shares			
	Three months ended 31 July		Nine months ended 31 July	
	2023 '000	2022 '000	2023 '000	2022 '000
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 nine months ended 31 July 2023 and 2022 as there was no dilutive potential ordinary share in existence.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Group's revenue for the nine months ended 31 July 2023 ("Current Period") decreased by 8% to HK\$68,568,000 compared with that of the last corresponding period for nine months ended 31 July 2022 ("Last Period") HK\$74,341,000 as our environment-friendly products business's revenue decreased by 22% from the Last Period HK\$48,838,000 to the Current Period HK\$38,167,000 under tough industrial market in China. While our water supply plant business's revenue increased by 19% from the Last Period HK\$25,503,000 to the Current Period HK\$30,401,000 due to our water supply plant beginning to supply processed water to rural area near the Baodi District of Tianjin City as a substitute for underground water.

The National Bureau of Statistics of the People's Republic of China recently announced a manufacturing Purchasing Managers' Index of 49.7 in August 2023, marking five continuous months of a sub-50 index. This suggests a persistent contraction in China manufacturers' purchasing. Although the demand for low-end machinery and equipment has witnessed some decline, the national "Energy Conservation and Emission Reduction" policy suggests potential opportunities due to a gradual shift in the economy's focus towards domestic consumption and quality under the "new-normal" era. China is grappling with its burgeoning development, resulting in various environmental issues that range from air and noise pollution and water quality problems, to waste management. In pursuit of carbon neutrality, energy-efficient hydraulic machinery and components with diverse control functions are on the table as feasible measures towards significant energy conservation. Moreover, those energy-efficient hydraulic machinery and components also have applicability in specific clean energy sectors. The Group cautiously holds a positive outlook on the potential development of the advanced, environmentally conscious solutions for China's industrial market, particularly in energy-efficient hydraulic technology.

At present, our environmentally friendly products business has successfully established a presence with offices and service centers in Ningbo, Shanghai and Shunde. In our bid for expansion, plans are underway to extend our service networks to potential industrial customers in other regions within mainland China. This strategic approach is geared towards enhancing our operations in the energy-efficient hydraulic machinery and component sector. While maintaining a cautious approach, we will continue to monitor the prevailing circumstances, making appropriate adjustments to our strategy as required.

Our environment-friendly products business is focused on promoting sustainable development within China, a goal that will be achieved through our unwavering commitment to the energy-efficient hydraulic machinery and components market. Leveraging our collective past experiences, we will continuously source new products or services that align with China's policies on energy conservation and emission reduction. Certain products of our environment-friendly products business have been applied in the marine machinery sectors and clean energy sectors, including hydropower, wind, and wave power facilities. With the rise in global environmental consciousness, we anticipate a promising future for our environment-friendly products business.

Our water supply plant business wholly owns a water supply plant in Tianjin City, (the "Tianjin Water Supply Plant") which has the exclusive right to supply processed water to certain areas within and near the Baodi District of Tianjin City, including Jing-Jin New City (the "Group's Water Supply Area"). In our commitment to ensuring the cleanliness of our water supply, the Tianjin Water Supply Plant is equipped with advanced facilities that monitor the quality of water constantly. Moreover, we have implemented a fully automated online system to promptly monitor and detect the state of water transportation pipelines in a timely manner. Any water leaks or emergencies are reported without delay and addressed immediately. Upon the completion of the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (collectively, the "New Intercity Railways"), we anticipate that the newly built Baodi railway station near our Tianjin Water Supply Plant, in conjunction with the New Intercity Railways, will encourage integrated and cooperative economic development in the Group's Water Supply Area. This progress is expected to have a positive impact on the Group's water supply plant in Tianjin.

Financial Review

The Group's total revenue for the Current Period decreased by 8% to HK\$68,568,000 compared with the Last Period (nine months ended 31 July 2022: HK\$74,341,000). The decrease in revenue was due to decrease of our environment-friendly product business's sales under tough industrial market in China.

The Group's gross profit for the Current Period increased by 6% to HK\$24,793,000, compared with the Last Period (nine months ended 31 July 2022: HK\$23,486,000) due to the increase in the Group's gross profit margin from 32% in the Last Period to 36% in the Current Period. The increase in the Group's gross profit margin was mainly attributable to the favorable fluctuation of foreign currencies, particularly the depreciation of the Japanese Yen, which is one of the major currencies for the Group's purchasing activities. Additionally, there was an increase in the revenue proportion from the water supply plant business, which carries a higher profit margin. The percentage of revenue contributed by our high-profit margin water supply plan business to the Group's total

revenue has increased from 34% in the Last Period to 44% in the Current Period. Consequently, the Group's gross profit margin for the Current Period rose to 36% (nine months ended 31 July 2022: 32%).

The Group's other income for the Current Period, decreased by 52% to HK\$2,050,000, compared with the Last Period (nine months ended 31 July 2022: HK\$4,246,000) due to decrease of the agency service income.

The Group's selling expenses for the Current Period, increased by 8% to HK\$2,669,000, compared with the Last Period (nine months ended 31 July 2022: HK\$2,462,000) due to increase of the travelling expense. The Group's administrative expenses for the Current Period, increased by 3% to HK\$18,878,000 compared with the Last Period (nine months ended 31 July 2022: HK\$18,359,000) due to a rise in staff-related costs, and rental expenses.

The Group's profit attributable to owners of the Company for the Current Period, decreased by 51% to HK\$2,185,000 compared with the Last Period (nine months ended 31 July 2022 amounted to HK\$4,453,000).

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

As at 31 July 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 July 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 July 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	Number of ordinary shares held as at 31 July 2023	% to the Company's issued shares as at 31 July 2023
Lily Chiang (Note 1)	Founder of a discretionary trust	344,621,200	53.06
Virtue Trustees (Switzerland) AG (Note 2)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 2)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 2)	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. 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.

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 nine months ended 31 July 2023. The Company and its subsidiaries did not redeem any of its listed securities during the nine months ended 31 July 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 (the "Securities Code") 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 nine months ended 31 July 2023.

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 nine months ended 31 July 2023 except for 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 30 March 2023 due to his other business commitments.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31 July 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 nine months ended 31 July 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 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 nine months ended 31 July 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, 11 September 2023

As at the date of this report, 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.