



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 2018

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

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

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

Hong Kong Exchange and Clearing Limited and the Stock Exchange take no responsibilities for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018 amounted to HK\$31,723,000 (three months ended 31 January 2017: HK\$22,809,000), representing an increase of 39% as compared with the corresponding period.
- Profit attributable to owners of the Company for the three months ended 31 January 2018 amounted to HK\$894,000 (three months ended 31 January 2017: HK\$464,000).
- Basic earnings per share for the three months ended 31 January 2018 amounted to approximately HK0.14 cent (three months ended 31 January 2017 amounted to approximately HK0.07 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 2018 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 January 2018

		Three months ended	
		31 January	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	31,723	22,809
Cost of Sales		(23,257)	(16,217)
Gross Profit		8,466	6,592
Other income		65	158
Selling expenses		(1,046)	(895)
Administrative expenses		(5,792)	(5,213)
Profit from operations		1,693	642
Finance costs		(126)	(126)
Share of profit of a joint venture		217	208
Profit before income tax		1,784	724
Taxation	3	(881)	(189)
Profit for the period		903	535

		Three months ended	
		31 January	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
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		974	391
Share of other comprehensive income of a joint venture		130	(92)
		<u>1,104</u>	<u>299</u>
Total comprehensive income for the period		<u>2,007</u>	<u>834</u>
Profit for the period attributable to:			
Owners of the Company		894	464
Non-controlling interests		9	71
		<u>903</u>	<u>535</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		1,509	653
Non-controlling interests		498	181
		<u>2,007</u>	<u>834</u>
Earnings per share attributable to owners of the Company:			
— Basic	5	HK0.14 cent	HK0.07 cent
— Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 January 2018

	Equity attributable to owners of the Company							Non-	Total
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital 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>	controlling interests <i>HK\$'000</i>	equity <i>HK\$'000</i>
At 1 November 2016	6,495	19,586	95	11,935	7,971	41,982	88,064	6,980	95,044
Profit for the period	-	-	-	-	-	464	464	71	535
Other comprehensive income for the period	-	-	-	189	-	-	189	110	299
Total comprehensive income for the period	-	-	-	189	-	464	653	181	834
At 31 January 2017	6,495	19,586	95	12,124	7,971	42,446	88,717	7,161	95,878
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	-	-	-	-	-	894	894	9	903
Other comprehensive income for the period	-	-	-	615	-	-	615	489	1,104
Total comprehensive income for the period	-	-	-	615	-	894	1,509	498	2,007
At 31 January 2018	6,495	19,586	95	16,075	7,971	48,012	98,234	8,788	107,022

NOTES TO THE 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 2018 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 2018 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 consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited consolidated financial statement for the three months ended 31 January 2018 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2017 (“2017 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 2017 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 judgment 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 2017, 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	
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Industrial environmental products	25,812	17,872
Water supply plant	5,487	4,665
General environmental protection related products and services	424	272
	31,723	22,809

3. TAXATION

	Three months ended	
	31 January	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provisions		
— Hong Kong	87	189
— PRC	794	—
	<u>881</u>	<u>189</u>

Hong Kong profits tax has been provided for at 16.5% (2017: 16.5%) on the estimated assessable profit for the three months ended 31 January 2018 and 2017.

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% (2017: 25%) on the estimated assessable profits arising in the PRC for the period.

Under the current general provision of the PRC enterprise income tax law and published tax circulars, a subsidiary of the Group would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the three months ended 31 January 2018 and 2017 according to the relevant laws and regulation in Macau.

4. INTERIM DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 January 2018 and 2017.

5. EARNINGS PER SHARE

The basic earnings per share for the period are calculated based on the profit attributable to owners of the Company for the three months ended 31 January 2018 of approximately HK\$894,000 (three months ended 31 January 2017: HK\$464,000) and the weighted average of 649,540,000 ordinary shares in issue during the three months ended 31 January 2018 (three months ended 31 January 2017: 649,540,000).

No diluted earnings per share is calculated for the three months ended 31 January 2018 and 2017 as there was no dilutive potential ordinary share in existence.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The revenue of the Group for the three months ended 31 January 2018 increase by 39% to HK\$31,723,000 when compared with the last correspondence period (three months ended 31 January 2017: HK\$22,809,000) as the sales of our industrial environmental products business increased under a better environment for the industrial market in China during this period. The National Bureau of Statistic of the People of Republic of China recently announced that the manufacturing Purchasing Managers' Index (PMI) was 50.3 in February 2018 which was higher than the threshold 50 indicating the expansions of PRC manufactures in 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 fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. Under the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (together as the "New Intercity Railways"), the construction works of Baodi Station was started. It was believed that the completion of the New Intercity Railways will promote the integrative and cooperative economic development of the Baodi District and Jing-Jin New City which will benefit our water supply plant's future development.

Financial Review

The Group's revenue for the period ended 31 January 2018 was HK\$31,723,000 an increase of 39% as compared with the last corresponding period (three months ended 31 January 2017: HK\$22,069,000). It was due to the increase of our industrial environmental product business's sales.

The gross profit of the Group for the three months ended 31 January 2018 was amounted to HK\$8,466,000 represented an increase of 28% when compared with that of last corresponding period (three months ended 31 January 2017: HK\$6,592,000) due to increase in revenue of the industrial environmental products business.

The Group's administrative expenses for the three months ended 31 January 2018 was amounted to HK\$5,792,000 representing an increase of 11% compared with the last corresponding period (three months ended 31 January 2017: HK\$5,213,000) due to appreciation of RMB and increase of staff related cost. The Group's selling expenses for the three months ended 31 January 2018 was amounted to HK\$1,046,000, representing an increase of 17% compared with the last corresponding period (three months ended 31 January 2017: HK\$895,000) due to appreciation of RMB and increase of marketing expense.

The Group recorded a profit attributable to owners of the Company amounted to HK\$894,000 for the three months ended 31 January 2018 (three months ended 31 January 2017: HK\$464,000).

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

As at 31 January 2018, 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 2018, 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 2018, 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 2018	Percentage to the Company's issued share capital as at 31 January 2018
Virtue Trustees (Switzerland) AG (<i>Note 1</i>)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited (<i>Note 1</i>)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (<i>Note 1</i>)	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited (<i>Note 2</i>)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (<i>Note 2</i>)	Directly beneficially owned	44,224,000	6.81
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management (PTC) 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 (PTC) Limited and Virtue Trustees (Switzerland) AG are deemed to be interested in all the shares held by Team Drive Limited.
2. The shares are held by Crayne Company Limited, a company wholly-owned by BOS Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded 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 three months ended 31 January 2018. The Company had not redeemed any of its listed securities during the three months ended 31 January 2018.

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 2018.

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 2018.

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 2018.

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, 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 2018 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 2018

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