



## **ECO-TEK HOLDINGS LIMITED**

**環康集團有限公司\***

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

**(Stock code: 8169)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 OCTOBER 2017**

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

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

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

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

\* For identification purposes only

## SUMMARY

- Revenue for the year ended 31 October 2017 amounted to approximately HK\$105,454,000 (2016: HK\$81,231,000), representing an increase of approximately 30% as compared with preceding year.
- Profit attributable to owners of the Company for the year ended 31 October 2017 amounted to HK\$5,136,000 (loss attributable to owners of the Company for the year ended 31 October 2016: HK\$16,441,000).
- Basic earnings per share for the year ended 31 October 2017 amounted to approximately HK0.79 cent (basic loss per share for the year ended 31 October 2016: HK2.53 cents).

## CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 October 2017 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 October 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>105,454</b>	81,231
Cost of Sales		<b>(74,336)</b>	(60,291)
<b>Gross profit</b>		<b>31,118</b>	20,940
Other income	5	<b>1,881</b>	1,205
Selling expenses		<b>(2,269)</b>	(2,203)
Administrative expenses		<b>(22,540)</b>	(23,459)
Other operating expenses		<b>(131)</b>	(185)
<b>Profit/(loss)from operations</b>	6	<b>8,059</b>	(3,702)
Finance costs		<b>(511)</b>	(519)
Share of profit/(loss) of a joint venture		<b>18</b>	(1)
<b>Profit/(loss) before income tax</b>		<b>7,566</b>	(4,222)
Taxation	7	<b>(1,803)</b>	(11,939)
<b>Profit/(loss) for the year</b>		<b>5,763</b>	(16,161)

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Other comprehensive income for the year</b>			
— Items that may be subsequently reclassified to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		<b>4,147</b>	(5,955)
Share of other comprehensive income of a joint venture		<b>61</b>	(234)
		<u><b>4,208</b></u>	<u>(6,189)</u>
<b>Total comprehensive income for the year</b>		<u><b>9,971</b></u>	<u>(22,350)</u>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>5,136</b>	(16,441)
Non-controlling interests		<b>627</b>	280
		<u><b>5,763</b></u>	<u>(16,161)</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>8,661</b>	(21,542)
Non-controlling interests		<b>1,310</b>	(808)
		<u><b>9,971</b></u>	<u>(22,350)</u>
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
— Basic	9	<b>HK0.79 cent</b>	(HK2.53) cents
— Diluted		<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>79,764</b>	82,543
Interest in leasehold land		<b>4,681</b>	4,667
Interest in a joint venture		<b>3,371</b>	3,292
Deferred tax assets		<b>843</b>	823
Pledged bank deposits		<b>9,020</b>	9,020
		<hr/> <b>97,679</b>	<hr/> 100,345
<b>Current assets</b>			
Inventories		<b>15,150</b>	13,272
Accounts receivable	<i>10</i>	<b>28,367</b>	17,364
Deposits, prepayments and other receivables		<b>4,539</b>	3,790
Tax recoverable		<b>3,945</b>	4,720
Cash and cash equivalents		<b>18,340</b>	16,796
		<hr/> <b>70,341</b>	<hr/> 55,942
<b>Current liabilities</b>			
Accounts and bills payable	<i>11</i>	<b>10,249</b>	10,440
Accrued liabilities, receipts in advance and other payables		<b>25,833</b>	24,207
Provision for tax		<b>327</b>	–
		<hr/> <b>36,409</b>	<hr/> 34,647
<b>Net current assets</b>		<hr/> <b>33,932</b>	<hr/> 21,295
<b>Total assets less current liabilities</b>		<hr/> <b>131,611</b>	<hr/> 121,640
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,570</b>	7,570
Loan from a shareholder	<i>12</i>	<b>9,500</b>	9,500
Loan from a minority shareholder	<i>12</i>	<b>9,526</b>	9,526
		<hr/> <b>26,596</b>	<hr/> 26,596
<b>Net assets</b>		<hr/> <b>105,015</b>	<hr/> 95,044

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</i>	<b>6,495</b>	6,495
Share premium		<b>19,586</b>	19,586
Capital reserve		<b>95</b>	95
Exchange translation reserve		<b>15,460</b>	11,935
Capital contribution reserve		<b>7,971</b>	7,971
Retained profits		<b>47,118</b>	41,982
		<hr/> <b>96,725</b>	<hr/> 88,064
<b>Non-controlling interests</b>		<hr/> <b>8,290</b>	<hr/> 6,980
<b>Total equity</b>		<hr/> <b>105,015</b> <hr/>	<hr/> 95,044 <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2017

	Equity attributable to owners of the Company						Non-	Total	
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	controlling interests	equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 November 2015	6,495	19,586	95	17,036	7,971	58,423	109,606	7,788	117,394
Loss for the year	-	-	-	-	-	(16,441)	(16,441)	280	(16,161)
Other comprehensive income for the year	-	-	-	(5,101)	-	-	(5,101)	(1,088)	(6,189)
Total comprehensive income for the year	-	-	-	(5,101)	-	(16,441)	(21,542)	(808)	(22,350)
At 31 October 2016 and 1 November 2016	6,495	19,586	95	11,935	7,971	41,982	88,064	6,980	95,044
Profit for the year	-	-	-	-	-	5,136	5,136	627	5,763
Other comprehensive income for the year	-	-	-	3,525	-	-	3,525	683	4,208
Total comprehensive income for the year	-	-	-	3,525	-	5,136	8,661	1,310	9,971
At 31 October 2017	6,495	19,586	95	15,460	7,971	47,118	96,725	8,290	105,015

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

Eco-Tek Holdings Limited 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 consolidated financial statements 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 consolidated financial statements for the year ended 31 October 2017 are prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules.

### 2. ADOPTION OF NEW OR REVISED HKFRSs

In the current year, the Group has applied, for the first time the following standards and amendments (the "new HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 November 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these new/revised standards and amendments has no significant impact on how the Group's financial performance and financial positions for the current and prior years have been prepared and presented.

At the date of authorisation of these consolidated financial statements, certain new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

The Group is in the process of making an assessment of the potential impact of the new pronouncements upon application.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the consolidated financial statements are consistently applied to all years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgements of current events and actions, actual results may ultimately differ from those estimates.

#### 4. REVENUE AND SEGMENT REPORTING

Revenue, which is also the Group's turnover, recognised during the year comprised the followings:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Sales of goods	<b>85,123</b>	61,439
Supply of water	<b>20,331</b>	19,792
	<b>105,454</b>	81,231

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	: Sale of particulate removal devices and related ancillary services in the PRC
Industrial environmental products	: Sale 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.

	General environmental protection related products and services		Industrial environmental products		Water supply plant		Total	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from external customers	<b>1,138</b>	1,014	<b>83,985</b>	60,425	<b>20,331</b>	19,792	<b>105,454</b>	81,231
<b>Reportable segment revenue</b>	<b>1,138</b>	1,014	<b>83,985</b>	60,425	<b>20,331</b>	19,792	<b>105,454</b>	81,231
Reportable segment profit	<b>352</b>	227	<b>22,808</b>	13,670	<b>5,689</b>	4,842	<b>28,849</b>	18,739
<b>Other segment information</b>								
Interest income	2	1	5	4	22	20	29	25
Depreciation and amortisation	(25)	(110)	(183)	(202)	(5,613)	(7,070)	(5,821)	(7,382)
Reversal of provision for slow-moving inventories	-	-	326	38	-	-	326	38
Impairment loss on accounts receivable	-	(12)	-	-	-	-	-	(12)
Additions to non-current assets	5	6	112	2	638	532	755	540
<b>Reportable segment assets</b>	<b>12,022</b>	11,646	<b>43,432</b>	38,452	<b>104,048</b>	96,884	<b>159,502</b>	146,982
<b>Reportable segment liabilities</b>	<b>1,271</b>	1,315	<b>21,772</b>	20,387	<b>7,616</b>	7,150	<b>30,659</b>	28,852



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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reportable segment revenue	<u>105,454</u>	<u>81,231</u>
Group revenue	<u><u>105,454</u></u>	<u><u>81,231</u></u>
Reportable segment profit	<b>28,849</b>	18,739
Other corporate expenses	<b>(20,790)</b>	(22,441)
Finance costs	<b>(511)</b>	(519)
Share of profit/(loss) of a joint venture	<u>18</u>	<u>(1)</u>
Profit/(loss) before income tax	<u><u>7,566</u></u>	<u><u>(4,222)</u></u>
Reportable segment assets	<b>159,502</b>	146,982
Interest in a joint venture	<b>3,371</b>	3,292
Tax recoverable	<b>3,945</b>	4,720
Other corporate assets	<u>1,202</u>	<u>1,293</u>
Group assets	<u><u>168,020</u></u>	<u><u>156,287</u></u>
Reportable segment liabilities	<b>30,659</b>	28,852
Deferred tax liabilities	<b>7,570</b>	7,570
Loan from a shareholder	<b>9,500</b>	9,500
Loan from a minority shareholder	<b>9,526</b>	9,526
Other corporate liabilities	<u>5,750</u>	<u>5,795</u>
Group liabilities	<u><u>63,005</u></u>	<u><u>61,243</u></u>

Other corporate expenses mainly included staff cost, Directors' emoluments and office rental expenses for administration purpose.

Other corporate liabilities mainly include accrued Directors' emolument, accrued staff cost and accrued auditor's remuneration.

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (domicile)	9,751	7,115	2,591	2,720
PRC	89,488	72,616	80,746	83,386
Other	6,215	1,500	4,479	4,396
	<u>105,454</u>	<u>81,231</u>	<u>87,816</u>	<u>90,502</u>

The executive Directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

The geographical location of revenue is based on the location of customers. The geographical location of non-current assets is based on the physical location of the assets.

Revenue derived from the largest customer of the Group's industrial environmental products segment amounted to approximately HK\$11,030,000 or 10% (2016: HK\$9,388,000 or 12%) of the Group's total revenue for the year ended 31 October 2017.

## 5. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Government subsidies ( <i>note a</i> )	267	189
Bank interest income	29	25
Surcharge income ( <i>note b</i> )	–	792
Agency income ( <i>note c</i> )	1,330	107
Sundry income	255	92
	<u>1,881</u>	<u>1,205</u>

*Notes:*

- (a) Government subsidies represented the subsidies received from the local PRC government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.
- (b) Surcharge income represented late payment charges awarded by the PRC courts due to late settlement of outstanding balances.
- (c) Agency income represented agency fee charged to independent service providers for subcontracting the installation service of water meters for the Group's customers.

## 6. PROFIT/(LOSS) FROM OPERATIONS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	680	680
Amortisation of interest in leasehold land	119	123
Cost of inventories recognised as expense*, including	74,336	60,291
— Reversal of provision for slow-moving inventories	(326)	(38)
Depreciation of property, plant and equipment	5,702	7,259
Exchange (gain)/loss, net	(6)	3,324
Operating lease charges in respect of land and buildings	2,060	1,914
Impairment loss on accounts receivable	–	12
Staff costs (including Directors' emoluments)		
— Wages, salaries and benefits in kind	12,873	12,937
— Pension scheme contributions	157	178
	<u>13,030</u>	<u>13,115</u>

\* Costs of inventories includes a total amount of approximately HK\$4,420,000 (2016: HK\$8,365,000), relating to depreciation, reversal of provision for slow-moving inventories and exchange (gain)/loss for which are also included in the respective total amounts disclosed separately above.

## 7. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Provision in respect of current year</b>		
— Hong Kong	775	–
— PRC	1,028	–
<b>Under-provision in respect of prior years</b>		
— Hong Kong	–	11,939
	<u>1,803</u>	<u>11,939</u>

Hong Kong profits tax has been provided for at 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

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% (2016: 25%) on the estimated assessable profits arising in the PRC for the year.

A subsidiary of the Group established and operating in Macau was exempted from Macau complementary profits tax for the years ended 31 October 2017 and 2016 according to the relevant laws and regulations in Macau.

## 8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 October 2017 (2016: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	<u><b>5,136</b></u>	<u>(16,441)</u>
	<b>Number of shares</b>	
	<b>2017</b> <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u><b>649,540</b></u>	<u>649,540</u>

No diluted earnings/(loss) per share is calculated for the years ended 31 October 2017 and 2016 as there was no potential ordinary shares in existence.

## 10. ACCOUNTS RECEIVABLE

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accounts receivable	<b>28,473</b>	17,476
Less: Provision for impairment loss	<u>(106)</u>	<u>(112)</u>
	<u><b>28,367</b></u>	<u>17,364</u>

Accounts receivable are non-interest bearing and they are recognised at their original invoice amounts which represent their fair values at initial recognition.

The Group has a policy of allowing an average credit period of 60 to 120 days to its trade customers. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>25,432</b>	13,201
91–180 days	<b>1,154</b>	2,858
181–365 days	<b>1,770</b>	1,171
Over 365 days	<u><b>117</b></u>	<u>246</u>
	<u><b>28,473</b></u>	<u>17,476</u>

## 11. ACCOUNTS AND BILLS PAYABLE

The credit terms granted by suppliers are generally for a period of 60 to 180 days. The ageing analysis of accounts and bills payable as at the reporting date, based on invoice date, is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>9,933</b>	10,128
91–180 days	<b>40</b>	41
Over 180 days	<b>276</b>	271
	<u><b>10,249</b></u>	<u>10,440</u>

## 12. LOANS FROM A SHAREHOLDER AND A MINORITY SHAREHOLDER

The balances were regarded as amounts due to related parties, of which:

- loan from a shareholder represented amount due to a substantial shareholder of the Company who has control over the Group.
- loan from a minority shareholder represented amount due to a minority shareholder of a subsidiary who has significant influence over the subsidiary.

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 (2016: 5.25% per annum).

They were not repayable within twelve months from the reporting dates as at 31 October 2017 and 2016 respectively.

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

## 13. SHARE CAPITAL

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2016: 5,000,000,000) ordinary shares of HK\$0.01 each	<u><b>50,000</b></u>	<u>50,000</u>
Issued and fully paid:		
649,540,000 (2016: 649,540,000) ordinary shares of HK\$0.01 each	<u><b>6,495</b></u>	<u>6,495</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

During the year ended 31 October 2017, revenue of industrial environmental products business, water supply plant business and general environmental protection related products and services business accounted for 80%, 19% and 1% respectively of the Group's total revenue.

Under the effort of our sales team and the recovery of the market of the industrial environmental products business in this year, the revenue of the industrial environmental products business for the year ended 31 October 2017 has significantly increased by 39% to HK\$83,985,000 for the year ended 31 October 2017 as compared with that of last year (2016: HK\$60,425,000).

The Bureau of Statistic of the PRC recently announced that the China's gross domestic product (the "PRC GDP") growth for the year 2017 was 6.9% and the manufacturing Purchasing Managers' Index (PMI) was 51.6 in December 2017 above the threshold 50 indicating the China manufacturers' expansion in purchasing activities. Although, there are challenges of ongoing economic deleveraging in the PRC, the Central Government's ongoing stimulus measures were expected to maintain PRC GDP growth for the year 2018 at a similar level to the year 2017. 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 and deep understanding of the needs of our clients, 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.

Our water supply plant in Tianjin (the "Dong Shan Water Supply Plant") has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. The revenue of the water supply plant business remained stable. 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 the Dong Shan water supply plant's future development.

## Financial Review

The Group's revenue for the year ended 31 October 2017 was HK\$105,454,000, an increase 30% as compared with the last year (2016: HK\$81,231,000) because of the significant increase in the revenue of the industrial environmental products business.

Gross profit for the year ended 31 October 2017 was HK\$31,118,000, representing an increase of 49% as compared with last year (2016: HK\$20,940,000) due to increase of the Group's revenue and gross profit margin. The gross profit margin of the Group for year ended 31 October 2017 has been improved to 30% (2016: 26%) due to Japanese Yen's depreciation which was the Group's major currencies in purchase transaction of the industrial environmental products business. Since Renminbi is of the Group's major selling currencies while the Japanese Yen is one of the Group's major purchase currencies, their exchange rate fluctuations may significantly affect the gross profit margin of the Group, we will cautiously monitor their fluctuations and take measures to deal with, if necessary.

The Group's other income for the year ended 31 October 2017 was amounted to HK\$1,881,000, an increase of 56% as compared with that of last year (2016: HK\$1,205,000) due to increase of agency income in this year.

The Group's administrative expenses for the year ended 31 October 2017 was amounted to HK\$22,540,000, which was 4% less than that of last year (2016: HK\$23,459,000) due to decrease of exchange loss. The Group's selling expenses for the year ended 31 October 2017 was amounted to HK\$2,269,000 which was higher than last year (2016: HK\$2,203,000) as exhibition expense was incurred in this year but no such item in last year. The Group's other operating expenses for the year ended 31 October 2017 was amounted to HK\$131,000 (2016: HK\$185,000).

The Group is subject to taxation in various jurisdictions and judgement is required in determining the amount of provision and the payment of taxation in accordance with the tax laws of the respective jurisdictions. Where the final tax outcome might be different from the amounts that were initially recorded, such difference will impact the income tax provisions. There was no under-provision for taxation has been made for the year ended 31 October 2017 while under-provision for taxation of HK\$205,000 has been made for the year ended 31 October 2016. During this financial year ended 31 October 2017, the Group has made further tax provision of HK\$775,000 (2016: HK\$11,734,000) after taking into account the up-to-date development of the Inland Revenue Department's review.

The Group recorded a profit attributable to owners of the Company amounted to HK\$5,136,000 for the year ended 31 October 2017 while the Group recorded a loss attributable to owners of the Company amounted to HK\$16,441,000 for the year ended 31 October 2016.

## **Liquidity and Finance Resources**

During the year under the review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 October 2017, the Group had net current assets of approximately HK\$33,932,000 (31 October 2016: HK\$21,295,000) including bank balances and cash of approximately HK\$18,340,000 (31 October 2016: HK\$16,796,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 as at 31 October 2017 (31 October 2016: 1.6). As at 31 October 2017, the Group's inventory turnover was about 74 days (31 October 2016: 80 days) and the Group's accounts receivable turnover was about 98 days (31 October 2016: 78 days).

## **Capital Structure**

The Shares of the Company were listed on the GEM board of the Stock Exchange on 5 December 2001. Except for the share options under the pre-IPO share option scheme were exercised at the exercise price of HK\$0.01 per share, resulting in the issue of 96,740,000 ordinary shares of HK\$0.01 each for a total consideration of HK\$967,000 in November 2005, there has been no material change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

## **Gearing Ratio**

The gearing ratio (define as the total borrowing over total equity, including non-controlling interests) was approximately 18% as at 31 October 2017 (31 October 2016: 20%).

## **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 Sterling Pounds, Japanese Yen, 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 31 October 2017, the Group had pledged its bank deposits of approximately HK\$9,020,000 (31 October 2016: HK\$9,020,000) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2017 (2016: Nil).



## **Information on Employees**

As at 31 October 2017, the Group had 65 employees (2016: 65) working in Hong Kong, Macau 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 year ended 31 October 2017 amounted to approximately HK\$13,030,000 (2016: HK\$13,115,000). The dedication and hard work of the Group's staff during the year ended 31 October 2017 are generally appreciated and recognized.

## **Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies**

During the year ended 31 October 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **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 year ended 31 October 2017. The Company had not redeemed any of its listed securities during the year ended 31 October 2017.

## **CORPORATE GOVERNANCE**

Throughout the year ended 31 October 2017, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules 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. Ms. CHAN Siu Ping Rosa and Professor NI Jun, the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 23 April 2017 (the "AGM") as Ms. CHAN was busy for other business while Professor NI 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 year ended 31 October 2017.

## **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 Professional 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 Professional 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 Professional NI Jun, all of them are independent non-executive Directors of the Company.

In the course of the supervision of the financial reporting process and internal controls system of the Group, four meetings were held during the year ended 31 October 2017 to review the operations.

The Group's results for the year ended 31 October 2017 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.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the year ended 31 October 2017 (2016: Nil).

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 October 2017 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The forthcoming annual general meeting is scheduled to be held on Thursday, 19 April 2018 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 17 April 2018 to Thursday, 19 April 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Monday, 16 April 2018.

By Order of the Board  
**Eco-Tek Holdings Limited**  
**WU Cheng-wei**  
*Chairman*

Hong Kong, 23 January 2018

*As at the date of this announcement, the Board of Directors comprises Mr. WU Cheng-wei and Mr. LEUNG Wai Lun as executive Directors; Dr. LUI Sun Wing as non-executive Director; Ms. CHAN Siu Ping Rosa, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive Directors.*

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