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 2019

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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 2019 amounted to approximately HK$96,477,000 (2018: HK$102,352,000), representing a decrease of approximately 6% as compared with preceding year.
- — Loss attributable to owners of the Company for the year ended 31 October 2019 amounted to HK$574,000 while profit attributable to owners of the Company for the year ended 31 October 2018 amounted to HK$4,847,000.
- — Basic loss per share for the year ended 31 October 2019 amounted to approximately HK0.09 cent while basic earnings per share for the year ended 31 October 2018 amounted to HK0.75 cent.

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 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**96,477**	102,352
Cost of sales		**(66,128)**	(65,611)
Gross profit		**30,349**	36,741
Other income	*5*	**1,708**	812
Selling expenses		**(3,475)**	(2,755)
Administrative expenses		**(25,235)**	(25,713)
Other operating expenses		**(33)**	(67)
Profit from operations	*6*	**3,314**	9,018
Finance costs		**(511)**	(500)
Share of profit of a joint venture		**97**	144
Profit before income tax		**2,900**	8,662
Taxation	*7*	**(2,205)**	(2,430)
Profit for the year		**695**	6,232

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit or loss:			
Exchange losses on translation of financial statements of foreign operations		**(941)**	(5,293)
Share of other comprehensive income of a joint venture		**(84)**	(93)
		(1,025)	(5,386)
Total comprehensive income for the year		**(330)**	846
(Loss)/profit for the year attributable to:			
Owners of the Company		**(574)**	4,847
Non-controlling interests		**1,269**	1,385
		695	6,232
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,382)**	218
Non-controlling interests		**1,052**	628
		(330)	846
(Loss)/earnings per share attributable to owners of the Company	*9*		
— Basic		**HK(0.09) cent**	HK0.75 cent
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**69,858**	73,958
Interest in leasehold land		**4,167**	4,385
Interest in a joint venture		**3,435**	3,422
Deferred tax assets		**512**	514
Pledged bank deposits		**9,020**	9,020
		86,992	91,299
Current assets			
Inventories		**15,820**	20,471
Accounts receivable	*10*	**15,725**	15,638
Deposits, prepayments and other receivables		**4,902**	4,343
Financial assets at fair value through profit or loss	*11*	**2,270**	–
Tax recoverable		**3,485**	3,667
Cash and cash equivalents		**75,413**	33,895
		117,615	78,014
Current liabilities			
Accounts and bills payable	*12*	**11,513**	10,407
Accrued liabilities, receipts in advance and other payables	*13*	**55,706**	26,293
Contract liabilities	*14*	**3,476**	–
Provision for tax		**2,039**	156
		72,734	36,856
Net current assets		**44,881**	41,158
Total assets less current liabilities		**131,873**	132,457
Non-current liabilities			
Deferred tax liabilities		**7,568**	7,570
Loan from a shareholder	*15*	**9,500**	9,500
Loan from a minority shareholder	*15*	**9,526**	9,526
		26,594	26,596

	Note	2019 HK$'000	2018 HK$'000
Net assets		**105,279**	105,861
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**6,495**	6,495
Share premium		**19,586**	19,586
Capital reserve		**95**	95
General reserve		**4,405**	–
Exchange translation reserve		**10,023**	10,831
Capital contribution reserve		**7,971**	7,971
Retained profits		**51,139**	51,965
		99,714	96,943
Non-controlling interests		**5,565**	8,918
Total equity		**105,279**	105,861

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2019

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	General 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*	*HK$'000*	*HK$'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 year	–	–	–	–	–	–	4,847	4,847	1,385	6,232
Other comprehensive income for the year	–	–	–	–	(4,629)	–	–	(4,629)	(757)	(5,386)
Total comprehensive income for the year	–	–	–	–	(4,629)	–	4,847	218	628	846
At 31 October 2018 and 1 November 2018, as original presented	**6,495**	**19,586**	**95**	**–**	**10,831**	**7,971**	**51,965**	**96,943**	**8,918**	**105,861**
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**
Deemed disposal of equity interests in a subsidiary	**–**	**–**	**–**	**4,405**	**–**	**–**	**–**	**4,405**	**(4,405)**	**–**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(574)**	**(574)**	**1,269**	**695**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(808)**	**–**	**–**	**(808)**	**(217)**	**(1,025)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(808)**	**–**	**(574)**	**(1,382)**	**1,052**	**(330)**
At 31 October 2019	**6,495**	**19,586**	**95**	**4,405**	**10,023**	**7,971**	**51,139**	**99,714**	**5,565**	**105,279**

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 2019 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 2018.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

Changes in accounting policies

This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. The impacts of the adoption of HKFRS 9 Financial Instruments (see note (A) below) and HKFRS 15 Revenue from Contracts with Customers (see note (B) below) have been summarised below. The other new or amended HKFRSs that are effective from 1 November 2018 did not have any material impact on the Group's accounting policies.

(A) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of 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 ("**ECLs**") for financial assets and (3) general hedge accounting.

The following tables summarised the impact of transition of HKFRS 9 on the opening balance of retained profits as of 1 November 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits as at 31 October 2018 as original stated	51,965
Additional loss allowance of ECLs upon the implementation of HKFRS 9	(252)
Restated retained profits as at 1 November 2018	51,713

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. 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 ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL (as defined in above). 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**").

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It 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.

The accounting policies would be applied to the Group's financial assets as follows:

Amortised cost: Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 31 October 2018 and 1 November 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 31 October 2018 under HKAS 39**	**Effect of adoption of HKFRS 9**	**Carrying amount as at 1 November 2018 under HKFRS 9**
			HK$'000	*HK$'000*	*HK$'000*
Accounts receivable	Loans and receivables	Amortised cost	15,638	(196)	15,442
Deposits and other receivables	Loans and receivables	Amortised cost	3,176	(56)	3,120
Pledged bank deposits	Loans and receivables	Amortised cost	9,020	–	9,020
Cash and cash equivalents	Loans and receivables	Amortised cost	33,895	–	33,895

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECLs for accounts receivable, deposits and other receivables, pledged bank deposits and cash and cash equivalents earlier than HKAS 39. Pledged bank deposits and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for accounts receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

<u>Presentation of ECLs</u>

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

<u>Impact of the ECL model</u>

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for accounts receivable. To measure the ECLs, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

All of the Group's other debt financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month ECLs. Applying the ECLs model results in total loss allowance of HK$252,000 on 1 November 2018.

(iii) 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 ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 October 2018, but are recognised in the 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.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**").

(B) 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 recognise 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 DIA (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 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.

Revenue from water supply is recognised at a point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and the Group has present right to receive and the collection of the consideration is probable.

Agency service income is recognised at point in time as when the relevant services provided to the customers and there is no unfulfilling performance obligation after services rendering.

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 satisfy any performance obligation but the Group has an unconditional right to consideration, the Group should recognise contract liabilities. As at 1 November 2018, receipts in advance of HK$6,056,000 were reclassified to contract liabilities upon the adoption of HKFRS 15.

The adoption of these remaining new/revised standards and amendments has no significant impact on how the Group's financial performance and financial positions for the current year has 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 judgement of current events and actions, actual results may ultimately differ from those estimates.

4. REVENUE AND SEGMENT REPORTING

The Group's revenue from contracts with customers recognised at a point in time during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Sales of goods	**70,422**	78,854
Supply of water	**26,055**	23,498
	96,477	102,352

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

Environment-friendly products	:	Sale of general and industrial environment-friendly products, components and other related accessories
Water supply plant	:	Supply of processed water in the PRC

The segments of general environmental protection related products and services and industrial environmental products have been merged and re-named as environment-friendly products to reflect the current resource allocation and performance assessment by the chief operating decision-maker. Accordingly, the comparative segment information has been represented to conform to the current year's presentation.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	For the year ended 31 October 2019		
	Environment-friendly products	**Water supply plant**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from external customers	**70,422**	**26,055**	**96,477**
Reportable segment revenue	**70,422**	**26,055**	**96,477**
Reportable segment profit	**15,345**	**11,512**	**26,857**
Other segment information			
Interest income	**18**	**288**	**306**
Depreciation and amortisation	**(251)**	**(3,840)**	**(4,091)**
Reversal of provision for slow-moving inventories, net	**352**	**–**	**352**
Reversal of expected credit losses on accounts receivable	**5**	**–**	**5**
Reversal of expected credit losses on other receivables	**13**	**–**	**13**
Additions to non-current assets	**57**	**1,402**	**1,459**
Reportable segment assets	**56,262**	**138,314**	**194,576**
Reportable segment liabilities	**22,213**	**44,774**	**66,987**

	For the year ended 31 October 2018		
	Environment-friendly products (Represented)	Water supply plant	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	78,854	23,498	102,352
Reportable segment revenue	78,854	23,498	102,352
Reportable segment profit	23,222	10,764	33,986
Other segment information			
Interest income	12	57	69
Depreciation and amortisation	(400)	(3,877)	(4,277)
Reversal of provision for slow-moving inventories, net	1,279	–	1,279
Impairment loss on accounts receivable	(698)	–	(698)
Additions to non-current assets	780	351	1,131
Reportable segment assets	58,130	103,270	161,400
Reportable segment liabilities	24,045	7,556	31,601

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:

	2019	2018
	HK$'000	*HK$'000*
Reportable segment revenue	**96,477**	102,352
Group revenue	**96,477**	102,352
Reportable segment profit	**26,857**	33,986
Other corporate expenses	**(23,543)**	(24,968)
Finance costs	**(511)**	(500)
Share of profit of a joint venture	**97**	144
Profit before income tax	**2,900**	8,662
Reportable segment assets	**194,576**	161,400
Financial assets at fair value through profit or loss	**2,270**	–
Interest in a joint venture	**3,435**	3,422
Tax recoverable	**3,485**	3,667
Other corporate assets	**841**	824
Group assets	**204,607**	169,313
Reportable segment liabilities	**66,987**	31,601
Deferred tax liabilities	**7,568**	7,570
Loan from a shareholder	**9,500**	9,500
Loan from a minority shareholder	**9,526**	9,526
Other corporate liabilities	**5,747**	5,255
Group liabilities	**99,328**	63,452

Other corporate expenses mainly include staff costs, directors' emoluments and office rental expenses for administration purpose.

Other corporate liabilities mainly include accrued directors' emoluments, accrued staff costs and accrued auditor's remuneration.

The Group's revenue 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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**7,694**	3,806	**2,457**	2,448
PRC	**87,598**	93,358	**70,466**	74,791
Other	**1,185**	5,188	**4,537**	4,526
	96,477	102,352	**77,460**	81,765

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 the non-current assets is based on the physical location of the assets.

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 October 2019 and 2018.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**306**	69
Agency service income *(note a)*	**1,291**	675
Change in fair value of financial assets at fair value through profit or loss	**60**	–
Sundry income	**51**	68
	1,708	812

Note:

(a) Agency service income represented agency fee charged to independent service providers for subcontracting the installation service of water meters for the Group's customers.

6. PROFIT FROM OPERATIONS

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
— Provision for the year	**720**	700
Amortisation of interest in leasehold land	**119**	125
Cost of inventories recognised as expense*, including	**66,128**	65,611
— Reversal of provision for slow-moving inventories, net	**(352)**	(1,279)
Depreciation of property, plant and equipment	**3,972**	4,152
Loss on disposal of property, plant and equipment	**–**	41
Reversal of expected credit losses on accounts receivable	**(5)**	–
Reversal of expected credit losses on other receivables	**(13)**	–
Impairment loss on accounts receivable	**–**	698
Exchange losses, net	**98**	559
Operating lease charges in respect of land and buildings	**2,338**	2,266
Staff costs (including Directors' emoluments)		
— Wages, salaries and benefits in kind	**14,465**	14,511
— Pension scheme contributions	**155**	163
	14,620	14,674

* Costs of inventories includes a total amount of approximately HK$3,464,000 (2018: HK$2,108,000), relating to depreciation, reversal of provision for slow-moving inventories and exchange loss for which are also included in the respective total amounts disclosed separately above.

7. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax for the year		
— Hong Kong	**182**	278
— PRC	**2,015**	1,832
	2,197	2,110
Deferred tax for the year	**8**	320
	2,205	2,430

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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% (2018: 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 2019 and 2018 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 2019 (2018: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the company for the purpose of calculating basic (loss)/earnings per share	**(574)**	4,847

	Number of shares	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**649,540**	649,540

No diluted earnings per share is calculated for the years ended 31 October 2019 and 2018 as there was no potential ordinary shares in existence.

10. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable	**16,714**	16,438
Less: Provision for loss allowance	**(989)**	(800)
	15,725	15,638

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:

	2019	2018
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**14,430**	13,387
91 to 180 days	**1,015**	2,015
181 to 365 days	**203**	149
Over 365 days	**1,066**	887
	16,714	16,438

The movements in the expected credit losses on accounts receivable for the year ended 31 October 2019 are as follows:

	2019
	HK$'000
Balance as at 31 October 2018 under HKAS 39	**800**
Effect on the adoption of HKFRS 9	**196**
Restated balance as at 1 November 2018 under HKFRS 9	**996**
Reversal of expected credit losses for the year	**(5)**
Exchange realignment	**(2)**
Balance as at 31 October 2019	**989**

The movements in the provision for loss allowance on accounts receivable for the year ended 31 October 2018 are as follows:

	2018
	HK$'000
Balance as at 1 November 2017	106
Impairment loss for the year	698
Exchange realignment	(4)
Balance as at 31 October 2018	800

Impairment loss in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly. At 31 October 2018, the Group has determined that accounts receivable of HK$800,000 were individually impaired. The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Unlisted financial product investment	**2,270**	–

The financial product investment was acquired from a major bank in the PRC during the year. The fair value gain of financial product investment of HK$60,000 has been recognised as other income in the consolidated statement of comprehensive income.

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**9,527**	10,081
91 to 180 days	**1,206**	54
Over 180 days	**780**	272
	11,513	10,407

13. ACCRUED LIABILITIES, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Accrued liabilities	**6,371**	6,172
Receipts in advance	**–**	6,056
Other payables	**49,335**	14,065
	55,706	26,293

Other payables mainly included construction costs payable related to property, plant and equipment, other taxes liabilities and payable to the independent service providers regarding the water meter installation on behalf of the Group's customers.

14. CONTRACT LIABILITIES

	31 October 2019	1 November 2018	31 October 2018
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities arising from			
— Sales of goods	**2,787**	4,969	–
— Supply of water	**689**	1,087	–
	3,476	6,056	–

Movements in contract liabilities

	HK$'000
Balance as at 1 November 2018	6,056
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(5,781)
Increase in contract liabilities as a result of billing in advance	3,201
Balance as at 31 October 2019	3,476

The contract liabilities mainly relate to the advance considerations received from customers. As at 31 October 2019, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK$3,476,000. The Group will recognise the expected revenue in future when or as the performance obligation has been satisfied.

15. 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; and

— 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 5.375% per annum (2018: 5.25% per annum).

They were not repayable within twelve months from the reporting dates as at 31 October 2019 and 2018 respectively.

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

16. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 (2018: 5,000,000,000) ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
649,540,000 (2018: 649,540,000) ordinary shares of HK$0.01 each	**6,495**	6,495

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year ended 31 October 2019, revenue of our environment-friendly products business and water supply plant business accounted for 73% (2018: 77%) and 27% (2018: 23%) respectively of the Group's total revenue. The revenue of environment-friendly products business for the year ended 31 October 2019 was HK$70,422,000, 11% less than that of last year since China's trade war with the United States. The revenue of water supply plant business for the year ended 31 October 2019 was HK$26,055,000, 11% more than that of last year as the water consumption raise with more economic activities in the industrial parks and increased population in the residential areas and schools such as Tianjin University of Finance and Economics and Tianjin College University of Science and Technology Beijing within our existing water supply territory.

The revenue of the Group for the year ended 31 October 2019 decreased by 6% to HK$96,477,000 when compared with that of the last year (2018: HK$102,352,000) as the sales of our environment-friendly products business decreased under poor market sentiment since China's trade war with the United States. National Bureau of Statistics of the People's Republic of China (the "**Bureau of Statistic of the PRC**") recently announced that the China's gross domestic product (the "**GDP**") growth for the third quarter of year 2019 fell to 6%, its weakest pace in almost three decades and the manufacturing Purchasing Managers' Index (the "**PMI**") was 50.2 in December 2019. The PMI was struggling around the threshold 50 which indicated the uncertainty in purchasing activities as the bruising U.S. trade war hit factory productions.

In the process of transforming the China's 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 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 China, although we will monitor the situation cautiously and adjust our development plan accordingly.

Our 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 Group's water supply plant in Tianjin. On 17 December 2019, the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary Asian Way International Limited which is the holding company of our water supply plant in Tianjin. After completion, Asian Way International Limited has become a wholly owned subsidiary of the Group. This acquisition is in line with the strategic management of the Group to review the markets for the Group's respective businesses with a forward looking perspective and to seek business and investment opportunities with a view to providing growth potential of the Group.

Financial Review

The Group's revenue for the year ended 31 October 2019 was HK$96,477,000, decreased by 6% when compared with the last year (2018: HK$102,352,000) as the revenue of our environment-friendly products business decreased under poor market sentiment since China's trade war with US.

The Group's gross profit for the year ended 31 October 2019 was HK$30,349,000, representing a decrease of 17% as compared with last year (2018: HK$36,741,000) due to decrease in the Group's revenue and the drop in gross profit margin of our environment-friendly products business. Under the unfavorable fluctuation of foreign currencies, especially the depreciation of RMB, one of the major currencies for our Group's sales activities and the appreciation of Japanese Yen ("**JPY**"), one of the major currencies of our Group's purchase activities, the gross profit margin of the Group for year ended 31 October 2019 decreased to 32% (2018: 36%).

The Group's other income for the year ended 31 October 2019 was amounted to HK$1,708,000 an increase of 110% as compared with that of last year (2018: HK$812,000) as the agency services income increased from last year HK$675,000 to this year HK$1,291,000.

The Group's selling expenses for the year ended 31 October 2019 was amounted to HK$3,475,000 which was 26% higher than that of last year (2018: HK$2,755,000) due to increase of marketing expenses and exhibitions expenses. The Group's administrative expenses for the year ended 31 October 2019 was amounted to HK$25,235,000 which was 2% less than that of last year (2018: HK$25,713,000).

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. During this financial year ended 31 October 2019, the Group has made further tax provision of HK$182,000 (2018: HK$278,000) after taking into account the up-to-date development of the Inland Revenue Department's review.

The Group recorded a loss attributable to owners of the Company amounted to HK$574,000 while there was a profit attributable to owners of the Company amounted to HK$4,847,000 for the year ended 31 October 2018.

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 2019, the Group had net current assets of approximately HK$44,881,000 (31 October 2018: HK$41,158,000) including bank balances and cash of approximately HK$75,413,000 (31 October 2018: HK$33,895,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.62 as at 31 October 2019 (31 October 2018: 2.1). As at 31 October 2019, the Group's inventory turnover was about 87 days (31 October 2018: 114 days) and the Group's accounts receivable turnover was about 59 days (31 October 2018: 56 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 (defined as the total borrowing over total equity, including non-controlling interests) was approximately 18% as at 31 October 2019 (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 Sterling Pounds, JPY, 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 2019, the Group had pledged its bank deposits of approximately HK$9,020,000 (31 October 2018: 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 2019 (2018: Nil).

Information on Employees

As at 31 October 2019, the Group had 68 employees (2018: 69) 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 2019 amounted to approximately HK$14,620,000 (2018: HK$14,674,000). The dedication and hard work of the Group's staff during the year ended 31 October 2019 are generally appreciated and recognized.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

During the year ended 31 October 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies. On 17 December 2019, the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary, Asian Way International Limited which is the holding company of our water supply plant in Tianjin. After completion, Asian Way International Limited has become a wholly-owned subsidiary of the Group.

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 2019. The Company had not redeemed any of its listed securities during the year ended 31 October 2019.

CORPORATE GOVERNANCE

Throughout the year ended 31 October 2019, 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. The independent non-executive directors, Professor NI Jun, Mr. CHAU Kam Wing Donald and Ms. CHAN Siu Ping Rosa were unable to attend the annual general meeting of the Company held on 11 April 2019 as Professor NI was out of Hong Kong while Mr. CHAU and Ms. CHAN were busy for other business.

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 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 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 2019 to review the operations.

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

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 October 2019 (2018: 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, consolidated statement of changes in equity and the related notes thereto for the year ended 31 October 2019 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, 2 April 2020 (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, 31 March 2020 to Thursday, 2 April 2020, 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, 30 March 2020.

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

Hong Kong, 16 January 2020

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.