



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 2020**

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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 2020 amounted to approximately HK\$92,638,000 (2019: HK\$96,477,000), representing a decrease of approximately 4% as compared with preceding year.
- Loss attributable to owners of the Company for the year ended 31 October 2020 amounted to HK\$7,786,000 (2019: HK\$574,000).
- Basic and diluted loss per share for the year ended 31 October 2020 amounted to approximately HK1.20 cents (2019: HK0.09 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 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	92,638	96,477
Cost of sales		(63,079)	(66,128)
Gross profit		29,559	30,349
Other income, gains and losses	5	11,324	1,690
Selling expenses		(3,611)	(3,475)
Administrative expenses		(27,242)	(25,235)
(Provision for)/reversal of expected credit losses on accounts receivable	11	(581)	5
(Provision for)/reversal of expected credit losses on other receivables		(206)	13
Other operating expenses		–	(33)
Profit from operations	6	9,243	3,314
Finance costs		(717)	(511)
Share of profit of a joint venture		270	97
Profit before income tax		8,796	2,900
Taxation	7	(16,464)	(2,205)
(Loss)/profit for the year		(7,668)	695

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		1,683	(941)
Share of other comprehensive income of a joint venture		135	(84)
		1,818	(1,025)
Total comprehensive income for the year		(5,850)	(330)
(Loss)/profit for the year attributable to:			
Owners of the Company		(7,786)	(574)
Non-controlling interests		118	1,269
		(7,668)	695
Total comprehensive income for the year attributable to:			
Owners of the Company		(6,039)	(1,382)
Non-controlling interests		189	1,052
		(5,850)	(330)
Loss per share attributable to owners of the Company			
— Basic and diluted	9	HK(1.20) cents	HK(0.09) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		69,449	69,858
Interest in leasehold land		–	4,167
Right-of-use assets	<i>10</i>	8,356	–
Interest in a joint venture		3,840	3,435
Deferred tax assets		409	512
Pledged bank deposits		9,020	9,020
		<hr/> 91,074	<hr/> 86,992
Current assets			
Inventories		16,520	15,820
Accounts receivable	<i>11</i>	23,455	15,725
Deposits, prepayments and other receivables		9,417	4,902
Financial assets at fair value through profit or loss		–	2,270
Tax recoverable		–	3,485
Cash and cash equivalents		55,807	75,413
		<hr/> 105,199	<hr/> 117,615
Current liabilities			
Accounts and bills payable	<i>12</i>	13,308	11,513
Accrued liabilities and other payables	<i>13</i>	41,968	55,706
Contract liabilities		2,436	3,476
Lease liabilities		2,322	–
Provision for tax		18,298	2,039
		<hr/> 78,332	<hr/> 72,734
Net current assets		<hr/> 26,867	<hr/> 44,881
Total assets less current liabilities		<hr/> 117,941	<hr/> 131,873

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		141	7,568
Lease liabilities		1,907	–
Other payable		2,408	–
Loan from a shareholder	<i>14</i>	11,200	9,500
Loan from a minority shareholder	<i>14</i>	–	9,526
		<u>15,656</u>	<u>26,594</u>
Net assets		<u>102,285</u>	<u>105,279</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
General reserve		13,015	4,405
Exchange translation reserve		11,770	10,023
Capital contribution reserve		7,971	7,971
Retained profits		43,353	51,139
		<u>102,285</u>	<u>99,714</u>
Non-controlling interests		<u>–</u>	<u>5,565</u>
Total equity		<u>102,285</u>	<u>105,279</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2020

	Equity attributable to owners of the Company							Non-	Total	
	Share capital	Share premium	Capital reserve	General 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	HK\$'000	
At 1 November 2018	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 and 1 November 2019	6,495	19,586	95	4,405	10,023	7,971	51,139	99,714	5,565	105,279
Acquisition of non-controlling interests	-	-	-	5,820	-	-	-	5,820	(5,754)	66
Capital contribution from non-controlling interests	-	-	-	2,790	-	-	-	2,790	-	2,790
(Loss)/profit for the year	-	-	-	-	-	-	(7,786)	(7,786)	118	(7,668)
Other comprehensive income for the year	-	-	-	-	1,747	-	-	1,747	71	1,818
Total comprehensive income for the year	-	-	-	-	1,747	-	(7,786)	(6,039)	189	(5,850)
At 31 October 2020	6,495	19,586	95	13,015	11,770	7,971	43,353	102,285	-	102,285

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 2020 are prepared in accordance with Hong Kong Financial Reporting Standards ("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/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 2019.

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle

Changes in accounting policies

This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. The impacts of the adoption of HKFRS 16 Leases have been summarised below. The other new or amended HKFRSs that are effective from 1 November 2019 did not have any material impact on the Group's accounting policies.

HKFRS 16 Leases ("HKFRS 16")

(i) Impact of adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Interpretation 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Interpretation 15 Operating Leases-Incentives and HK(SIC)-Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 November 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 October 2019 to that of 1 November 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 November 2019	As at 31 October 2019, as originally stated HK\$'000	Impact of transition to HKFRS 16 HK\$'000	As at 1 November 2019, as adjusted HK\$'000
Right-of-use assets	–	5,727	5,727
Interest in leasehold land	4,167	(4,167)	–
Deposits, prepayments and other receivables	4,902	(193)	4,709
Lease liabilities	–	1,367	1,367

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 October 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 November 2019:

	<i>HK\$'000</i>
<i>Reconciliation of operating lease commitment to lease liabilities</i>	
Operating lease commitment as of 31 October 2019	2,887
Less: short-term leases for which lease terms end within 31 October 2020	(1,194)
Less: future interest expenses	(326)
	<hr/>
Total lease liabilities as of 1 November 2019	<u>1,367</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 November 2019 is 5.25%.

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lies with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use assets that meet the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 November 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 November 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 November 2019.

The Group has elected to recognise all the right-of-use assets at 1 November 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 November 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with terms that will end within 12 months of the date of initial application (i.e., 1 November 2019) and accounted for those leases as short-term leases.

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 these 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 the 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of goods	70,299	70,422
Supply of water	22,339	26,055
	<u>92,638</u>	<u>96,477</u>

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

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

	For the year ended 31 October 2020		
	Environment- friendly products <i>HK\$'000</i>	Water supply plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	70,299	22,339	92,638
Reportable segment revenue	<u>70,299</u>	<u>22,339</u>	<u>92,638</u>
Reportable segment profit	<u>16,827</u>	<u>9,121</u>	<u>25,948</u>
Other segment information			
Interest income	3	961	964
Depreciation	(2,493)	(3,946)	(6,439)
Reversal of provision for slow-moving inventories, net	602	–	602
Provision for expected credit losses on accounts receivable	(516)	(65)	(581)
Provision for expected credit losses on other receivables	(81)	(125)	(206)
Additions to non-current assets	<u>184</u>	<u>1,103</u>	<u>1,287</u>
Reportable segment assets	<u>64,325</u>	<u>127,358</u>	<u>191,683</u>
Reportable segment liabilities	<u>29,945</u>	<u>42,360</u>	<u>72,305</u>

	For the year ended 31 October 2019		
	Environment- friendly products <i>HK\$'000</i>	Water supply plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	70,422	26,055	96,477
Reportable segment revenue	<u>70,422</u>	<u>26,055</u>	<u>96,477</u>
Reportable segment profit	<u>15,345</u>	<u>11,512</u>	<u>26,857</u>
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
	<u>57</u>	<u>1,402</u>	<u>1,459</u>
Reportable segment assets	<u>56,262</u>	<u>138,314</u>	<u>194,576</u>
Reportable segment liabilities	<u>22,213</u>	<u>44,774</u>	<u>66,987</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reportable segment revenue	<u>92,638</u>	<u>96,477</u>
Group revenue	<u><u>92,638</u></u>	<u><u>96,477</u></u>
Reportable segment profit	25,948	26,857
Other corporate expenses	(16,705)	(23,543)
Finance costs	(717)	(511)
Share of profit of a joint venture	<u>270</u>	<u>97</u>
Profit before income tax	<u><u>8,796</u></u>	<u><u>2,900</u></u>
Reportable segment assets	191,683	194,576
Financial assets at fair value through profit or loss	–	2,270
Interest in a joint venture	3,840	3,435
Tax recoverable	–	3,485
Other corporate assets	<u>750</u>	<u>841</u>
Group assets	<u><u>196,273</u></u>	<u><u>204,607</u></u>
Reportable segment liabilities	72,305	66,987
Deferred tax liabilities	141	7,568
Loan from a shareholder	11,200	9,500
Loan from a minority shareholder	–	9,526
Other corporate liabilities	<u>10,342</u>	<u>5,747</u>
Group liabilities	<u><u>93,988</u></u>	<u><u>99,328</u></u>

Other corporate expenses mainly include staff costs, directors' emoluments and short-term lease 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (domicile)	3,184	7,694	5,911	2,457
PRC	87,484	87,598	70,795	70,466
Other	1,970	1,185	4,939	4,537
	<u>92,638</u>	<u>96,477</u>	<u>81,645</u>	<u>77,460</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 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 2020 and 2019.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	964	306
Agency service income (<i>note a</i>)	6,587	1,291
Government grants (<i>note b</i>)	640	–
Change in fair value of financial assets at fair value through profit or loss	(171)	60
Reversal of provision for tax surcharges	3,209	–
Sundry income	95	33
	<u>11,324</u>	<u>1,690</u>

Notes:

- Agency service income represented agency fee charged to independent service providers for subcontracting the installation service of water meters for the Group's customers.
- Government grants represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.

6. PROFIT FROM OPERATIONS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	700	720
Amortisation of interest in leasehold land	—	119
Cost of inventories recognised as expense*, including	63,079	66,128
— Reversal of provision for slow-moving inventories, net	(602)	(352)
Depreciation of property, plant and equipment	4,172	3,972
Depreciation of right-of-use assets	2,267	—
Change in fair value of financial asset at fair value through profit or loss	171	(60)
Provision for/(reversal) of expected credit losses on accounts receivable	581	(5)
Provision for/(reversal) of expected credit losses on other receivables	206	(13)
Exchange losses, net	177	98
Operating lease charges in respect of land and buildings	—	2,338
Short-term lease expenses	1,338	—
Staff costs (including directors' emoluments)		
— Wages, salaries and benefits in kind	15,059	14,465
— Pension scheme contributions	147	155
	<u>15,206</u>	<u>14,620</u>

* Costs of inventories includes a total amount of approximately HK\$3,843,000 (2019: HK\$3,464,000), relating to depreciation, staff costs, 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Current year		
— Hong Kong	34	182
— PRC	3,877	2,015
Under-provision in prior years		
— Hong Kong	12,440	—
	<u>16,351</u>	<u>2,197</u>
Deferred tax for the year	<u>113</u>	<u>8</u>
	<u>16,464</u>	<u>2,205</u>

Hong Kong profits tax has been provided for at 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million for the years ended 31 October 2020 and 2019.

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% (2019: 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 2020 and 2019 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 2020 (2019: Nil).

9. LOSS PER SHARE

The basic loss per share for the year is calculated based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(7,786)</u>	<u>(574)</u>
	Number of shares	
	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>649,540</u>	<u>649,540</u>

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential shares during the current and prior years.

10. RIGHT-OF-USE ASSETS

	Leasehold land <i>HK\$'000</i>	Buildings leased for own use <i>HK\$'000</i>	Office equipment leased for own use <i>HK\$'000</i>	Total <i>HK\$'000</i>
Prepaid leases upon reclassification	4,167	193	–	4,360
Lease contract capitalisation	<u>–</u>	<u>1,257</u>	<u>110</u>	<u>1,367</u>
Net carrying amount at 1 November 2019	4,167	1,450	110	5,727
Modification	–	4,694	–	4,694
Depreciation	(120)	(2,123)	(24)	(2,267)
Translation differences	<u>161</u>	<u>41</u>	<u>–</u>	<u>202</u>
Net carrying amount at 31 October 2020	<u><u>4,208</u></u>	<u><u>4,062</u></u>	<u><u>86</u></u>	<u><u>8,356</u></u>

11. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	25,029	16,714
Less: provision for loss allowance	(1,574)	(989)
	<u>23,455</u>	<u>15,725</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	24,794	14,430
91 to 180 days	48	1,015
181 to 365 days	40	203
Over 365 days	147	1,066
	<u>25,029</u>	<u>16,714</u>

The movements in the expected credit losses on accounts receivable during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance as at 1 November	989	996
Change in expected credit losses for the year	581	(5)
Exchange realignment	4	(2)
	<u>1,574</u>	<u>989</u>

The Group did not hold any collateral in respect of accounts receivable.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	13,046	9,527
91 to 180 days	–	1,206
Over 180 days	262	780
	<u>13,308</u>	<u>11,513</u>

13. ACCRUED LIABILITIES AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued liabilities	6,452	6,371
Other payables	37,924	49,335
	<u>44,376</u>	<u>55,706</u>
Less: non-current portion	<u>(2,408)</u>	–
Current portion	<u>41,968</u>	<u>55,706</u>

Other payables mainly included consideration payable, construction costs payable related to property, plant and equipment, other taxes liabilities and payable to the constructors regarding the water meter installation.

14. LOANS FROM A SHAREHOLDER AND A MINORITY SHAREHOLDER

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

- (i) loan from a shareholder represented amount due to a substantial shareholder of the Company who has control over the Group; and
- (ii) loan from a minority shareholder which 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 the loan from a shareholder of HK\$11,200,000 (2019: HK\$9,500,000) which was interest-bearing at 5.25% (2019: 5.375%) per annum.

They were not repayable within twelve months from the reporting date as at 31 October 2020 and 2019.

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

15. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised: 5,000,000,000 (2019: 5,000,000,000) ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid: 649,540,000 (2019: 649,540,000) ordinary shares of HK\$0.01 each	<u>6,495</u>	<u>6,495</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year ended 31 October 2020, revenue of our environment-friendly products business and water supply plant business accounted for 76% (2019: 73%) and 24% (2019: 27%) respectively of the Group's total revenue.

The revenue of environment-friendly products business for the year ended 31 October 2020 was HK\$70,299,000, which is similar to that of last year (2019: HK\$70,422,000) while the revenue of water supply plant business for the year ended 31 October 2020 was HK\$22,339,000, 14% less than that of last year (2019: HK\$26,055,000) as the revenue of our water supply plant in Tianjin was affected by the suspension of schools and factories under the outbreak of COVID-19. The revenue of the Group for the year ended 31 October 2020 decreased by 4% to HK\$92,638,000 when compared with that of the last year (2019: HK\$96,477,000) as the revenue of our water supply plant in Tianjin decreased under the outbreak of COVID-19.

The 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 year 2020 fell to 2.3%, the lowest growth rate since year 1976 but the manufacturing Purchasing Managers' Index (the "**PMI**") was 51.9 in December 2020, continuously ten months over threshold 50 indicating more China manufacturers' operations resumption gradually. 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 provide growth potential of the Group.

Financial Review

The Group's revenue for the year ended 31 October 2020 was HK\$92,638,000, decreased by 4% when compared with the last year (2019: HK\$96,477,000) as the revenue of our water supply business was affected by the suspension of schools and factories under the outbreak of COVID-19.

The Group's gross profit for the year ended 31 October 2020 was HK\$29,559,000, representing a decrease of 3% as compared with last year (2019: HK\$30,349,000) due to decrease in the Group's revenue. The gross profit margin of the Group for year ended 31 October 2020 was 32% (2019: 32%).

The Group's other income, gains and losses for the year ended 31 October 2020 was amounted to HK\$11,324,000 (2019: HK\$1,690,000) as the agency service income increased from last year HK\$1,291,000 to this year HK\$6,587,000 and there was amounted to approximate HK\$3,209,000 reversal of tax surcharges (2019: Nil) after taking into account the up-to-date development of the Inland Revenue Department's review.

The Group's selling expenses for the year ended 31 October 2020 was amounted to HK\$3,611,000, representing an increase of 4% compared with the last year (2019: HK\$3,475,000) due to increase of import related fee. The Group's administrative expenses for the year ended 31 October 2020 was amounted to HK\$27,242,000 which was 8% more than that of the last year (2019: HK\$25,235,000) due to increase of staff cost, legal and professional fee.

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 the year ended 31 October 2020, tax provision HK\$16,464,000 (2019: HK\$2,205,000) was made, of which HK\$12,440,000 (2019: Nil) represented tax under-provided in prior years while there was amounted to approximate HK\$3,209,000 reversal of over-provided tax surcharges (2019: Nil) in other income, gains and losses 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 for the year ended 31 October 2020 amounted to HK\$7,786,000 (2019: HK\$574,000).

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 2020, the Group had net current assets of approximately HK\$26,867,000 (31 October 2019: HK\$44,881,000) including bank balances and cash of approximately HK\$55,807,000 (31 October 2019: HK\$75,413,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.34 as at 31 October 2020 (31 October 2019: 1.62). As at 31 October 2020, the Group's inventory turnover was about 96 days (31 October 2019: 87 days). The Group's accounts receivable turnover was about 92 days (31 October 2019: 59 days), the increase in accounts receivable turnover was due to delay of customers' settlements of outstanding balances under the outbreak of COVID-19.

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 11% as at 31 October 2020 (31 October 2019: 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 HK\$. 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 2020, the Group had pledged its bank deposits of approximately HK\$9,020,000 (31 October 2019: 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 2020 (2019: Nil).

Information on Employees

As at 31 October 2020, the Group had 70 employees (2019: 68) 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 2020 amounted to approximately HK\$15,206,000 (2019: HK\$14,620,000). The dedication and hard work of the Group's staff during the year ended 31 October 2020 are generally appreciated and recognized.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

During the year ended 31 October 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies except the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary, Asian Way International Limited on 17 December 2019. Asian Way International Limited 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 2020. The Company had not redeemed any of its listed securities during the year ended 31 October 2020.

CORPORATE GOVERNANCE

Throughout the year ended 31 October 2020, 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 director, Professor NI Jun, was unable to attend the annual general meeting of the Company held on 2 April 2020 as 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 2020.

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 2020 to review the operations.

The Group's results for the year ended 31 October 2020 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 2020 (2019: 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 2020 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, 25 March 2021 (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, 23 March 2021 to Thursday, 25 March 2021, 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, 22 March 2021.

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

Hong Kong, 20 January 2021

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.