



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

2020 ANNUAL REPORT

Healthy Environment
Quality Living



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

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This annual report is printed on environmentally friendly paper



Corporate Information

BOARD OF DIRECTOR

Executive Directors

WU Cheng-wei (*Chairman*)

LEUNG Wai Lun

Non-Executive Director

LUI Sun Wing

Independent Non-Executive Directors

CHAU Kam Wing Donald

CHAN Siu Ping Rosa

NI Jun

COMPLIANCE OFFICER

LEUNG Wai Lun

COMPANY SECRETARY

YIM Wai Man

AUTHORISED REPRESENTATIVES

LEUNG Wai Lun

YIM Wai Man

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

AUDIT COMMITTEE

CHAU Kam Wing Donald (*Chairman*)

CHAN Siu Ping Rosa

NI Jun

REMUNERATION COMMITTEE

CHAN Siu Ping Rosa (*Chairman*)

CHAU Kam Wing Donald

NI Jun

NOMINATION COMMITTEE

CHAU Kam Wing Donald (*Chairman*)

CHAN Siu Ping Rosa

NI Jun

AUDITOR

BDO Limited

Certified Public Accountants

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 5, 11/F, Westlands Centre

20 Westlands Road, Quarry Bay

Hong Kong

REGISTERED OFFICE

Century Yard

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road, North Point

Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

The Bank of East Asia, Limited

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

Chairman's Statement

I am pleased to report to our valued shareholders and investors the results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the financial year ended 31 October 2020.

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). 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.

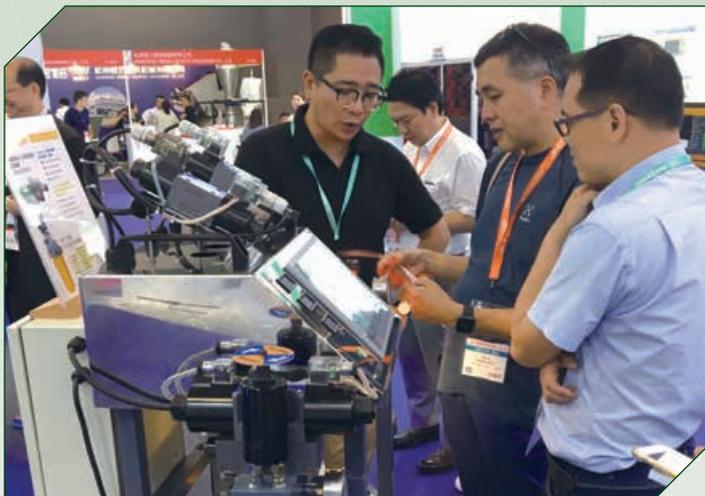
The revenue of the Group for the year ended 31 October 2020 decreased by 4% to HK\$92,638,000 when compared with that of the last year (2019: HK\$96,477,000) as the revenue of our water supply plant in Tianjin decreased under the outbreak of COVID-19. The National Bureau of Statistics of the People's 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.

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 Group's profit margin for the 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.



Chairman's Statement



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: loss HK\$574,000).

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.

On behalf of the board and our management team, I would like to take this opportunity to express my appreciation to the shareholders, customers and business partners for their supports and cooperation. I hereby express my heartfelt gratitude to all the Directors for their supports and contributions, and committed staff for their diligence and effort, which have contributed to the business development of the Group in the past year.

WU Cheng-wei
Chairman

Hong Kong, 20 January 2021

Biographical Details of the Directors and Senior Management

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

CHAIRMAN

Mr. WU Cheng-wei, aged 61, is the executive Director. He has over 31 years of experience in the engineering field and extensive experience in developing the Taiwan and international markets. From 1997 to 2003 and from 2009 to 2015, Mr. WU was Chairman of the Plastic & Rubber Machinery Committee of the Taiwan Association of Machinery Industry ("TAMI"), and a director of TAMI from 2003 to 2006. Currently, he is Chairman of the Trade Coordination Committee of TAMI, the Chief Editor of the Plastic and Rubber Machinery, Machinery Monthly Magazine, a member of each of the National Standards & Technologies Committee and the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs, R. O.C. the General Manager of an engineering company. Mr. WU holds an Executive Master degree of Business Administration from the National Central University (Taiwan) and a Master degree of Engineering Manufacturing Management from the University of South Australia. He joined the Company in December 2015 as non-executive Director and re-designated as executive Director in September 2016. Mr. WU took up the role as Chairman on 27 April 2017.

CHIEF EXECUTIVE OFFICER

The position of Chief Executive Officer remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors during the year.

EXECUTIVE DIRECTORS

Mr. LEUNG Wai Lun, aged 61, is an executive Director of the Company. He has over 20 years of experience in operations and employee management and development and over 30 years of experience in the engineering field. He is a Senior Fellow of The Professional Validation Centre of Hong Kong Business Sector and a Fellow of the Association of Chartered and Certified Accountants (UK). Mr. LEUNG holds a degree in Master of Business Administration from the Chinese University of Hong Kong and a degree in Bachelor of Science in Engineering from the University of Hong Kong. He is a member of each of The Hong Kong Institution of Engineers, The Institute of Marine Engineering, Science and Technology (UK), The Institution of Engineering & Technology (UK), and Institute of Industrial and Systems Engineers (USA). Mr. LEUNG joined the Company in September 2015.

Mr. WU Cheng-wei — Please refer to the paragraph under "CHAIRMAN" above for his profile.

Biographical Details of the Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Dr. LUI Sun Wing, aged 70, is the non-executive Director. He is a former Vice-President of The Hong Kong Polytechnic University responsible for partnership development. Dr. Lui was also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the Hong Kong Enterprise Limited. Prior to joining the Hong Kong Polytechnic University, Dr. Lui was the Branch Director of the Hong Kong Productivity Council in charge of the Materials and Process Branch which provides R & D, consultancy and training services in new materials, advanced manufacturing and environmental technologies to the industry. Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK. He is the Founding Chairman of the Society of Automotive Engineers — HK, Former President of the Hong Kong Association for the Advancement of Science and Technology as well as Honorary Presidents and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001. Dr. Lui also sits as an independent and non-executive director of Human Health Holdings Limited (Stock code: 1419) which is listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 57, is an independent non-executive Director. He has over 26 years of experience in auditing, taxation and financial management and has been appointed as financial controller of a number of companies listed in Hong Kong. Mr. CHAU obtained a Master Degree in Business Administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of Hong Kong Institute of Certified Chartered Accountants. Mr. CHAU is a finance director of Winox Holdings Limited (Stock Code: 6838), an independent non-executive director of China Water Affairs Group Limited (Stock Code: 855), Carpenter Tan Holdings Limited (Stock Code: 837), Ching Lee Holdings Limited (Stock Code: 3728) and Kangda International Environmental Company Limited (Stock Code: 6136) which are listed on the Main Board of the Stock Exchange. He joined the Company in March 2008. He is also the Chairman of the audit committee and nomination committee of the Company, and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 62, is an independent non-executive Director. She is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company. She has over 31 years of experience in management, production and marketing in the textiles manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts degree majoring in business administration from the Simon Fraser University in Canada. She joined the Company in August 2002.

Professor NI Jun, aged 58, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, USA. Professor NI graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D. in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor NI joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit research centres such as the S.M. Wu Manufacturing Research Centre. Professor NI joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

Biographical Details of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. CHEUNG Yuk, aged 39, is the director of subsidiaries under the Group's water supply plant business, namely Asian Way International Limited and Tianjin Asian Way Estate Development Co Limited. Mr. CHEUNG has studied in the department of public management study of Xiamen University from year 2003 to 2007 and joined the Group in year 2008.

Mr. ZHENG Xiao Bo, aged 50, is the chief sales officer under the Group's environment-friendly products business. He obtained a degree in Bachelor of Electrical Engineering from the Anhui Agricultural University in year 1994. Mr. ZHENG was the engineer of purchase department, sales engineer of hydraulic components of several private PRC companies and multi-national business before he joined the Group in year 2006.

Mr. WU Wen Qing, aged 48, is the sales manager under the Group's environment-friendly products business. He obtained a degree in Bachelor of Applied Computer Study from the Guangdong University of Technology in year 2002. Mr. WU was the researcher, mechanical engineer and manager of logistic department of several private PRC companies before he joined the Group in year 2008.

Mr. ZHOU Zhi Cong, aged 37, is the sales manager under the Group's environment-friendly products business. He obtained a degree in Bachelor of Civil Engineering from the South China University of Technology in year 2011. Mr. ZHOU was the human resources manager and head of engineering department of several private PRC companies before he joined the Group in year 2010.

Mr. YIM Wai Man, aged 50, is the company secretary and the financial controller of the Group since September 2011. He has over 25 years of experience in auditing, taxation and finance fields. Mr. YIM obtained a degree in Master of Business Administration from The Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to safeguard the interest of the Company's shareholders and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the shareholders. 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.

This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the application of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year under review.

THE BOARD OF DIRECTORS

The board guides and monitors the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The board is primary responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and relevant authority thereof are delegated to the management by the board with clear directions. The board is provided with monthly management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Company and its subsidiaries (the "Group") in sufficient details.

Composition

As at the date of this report, the board of Directors comprises two executive directors namely Mr. WU Cheng-wei (Chairman), Mr. LEUNG Wai Lun, one non-executive director, namely Dr. LUI Sun Wing, and three independent non-executive directors, namely Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, and Professor NI Jun. Details of the Chairman and the other directors of the Company are set out in the section "Biographical Details of the Directors and Senior Management" of this report.

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

With the various experience of both the executive Directors and the non-executive Directors and the nature of the Group's business, the board considered that the Directors have a balance of skills and experience for the business of the Group.

The Group has arranged for appropriate insurance cover in respect of legal actions against directors.

Corporate Governance Report

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the “Board Diversity Policy”) on 28 August 2013. A summary of this policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of Board Diversity Policy

The Company recognized and embraced the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the board. In designing the board’s composition, board diversity has been considered from a numbers of measurable aspects including gender, age, ethnicity, knowledge and length of services. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the board.

Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the board.

Implementation and Monitoring

The nomination committee reviewing the board’s composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board’s composition under diversified perspectives was summarized as follows:



- PhD : Doctor of Philosophy
- Master : Master Degree
- Bachelor : Bachelor Degree
- ED : Executive Director
- NED : Non-Executive Director
- INED : Independent Non-executive Director

The nomination committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

Corporate Governance Report

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy") on 22 January 2019. A summary of this policy is disclosed as below.

1. Objective

- 1.1 The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- 1.2 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders of the Company (the "Shareholder(s)") for election as Director at general meetings or appoint him/her to fill casual vacancies.
- 1.3 The Nomination Policy helps the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

2. Selection Criteria

- 2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.
 - (1) Reputation for integrity;
 - (2) Commitment in respect of available time and relevant interest; and
 - (3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination Procedures

3.1 Appointment of Directors

- (1) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.
- (2) The Nomination Committee makes recommendation(s) to the Board.
- (3) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.
- (4) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy will be subject to re-election by Shareholders at the first general meeting after his/her appointment, and individual(s) appointed by the Board as an addition to the Board will be subject to re-election by Shareholders at the next annual general meeting, in accordance with the Company's articles of association.
- (5) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Corporate Governance Report

3.2 *Re-appointment of Directors*

- (1) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of each retiring independent non-executive Director.
- (2) The Nomination Committee makes recommendation(s) to the Board.
- (3) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.
- (4) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.
- (5) The Shareholders approve the re-election of Directors at the annual general meeting.

3.3 The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of Directors.

4. **Review of the Nomination Policy**

- 4.1 The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 22 January 2019. A summary of this policy is disclosed as below.

The dividend policy of the Company is to distribute to its shareholder the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the shareholders of the Company (the "Shareholders"), subject to the criteria as set out below.

In accordance with the article of Association of the Company (the "Article of Association") and subject to the relevant laws under the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholder but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rule, regulations and the Articles of Association, in deciding whether to propose an dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considered relevant.

The Board will review the dividend policy from time to time and reserve its right in its sole and absolute to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

Corporate Governance Report

BOARD MEETING

During regular meetings of the board, either in person or by means of electronic communication, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual and interim and quarterly results, as well as discuss and decide on other significant matters.

The Company Secretary is responsible to the board for providing with board papers and related materials, for ensuring that all board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and the board on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter, will be considered and dealt with the board discussed at a duly convened board meeting. Independent non-executive Directors with no conflict of interest will be presented at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. WU Cheng-wei was the Chairman of the board since 27 April 2017. The position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the existing non-executive Directors were appointed for specific terms not more than three years. All Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. According to the Company's articles of association, Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. The Company will provide a comprehensive induction to each newly appointed Director on his/her first appointment in order to enable he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibility and obligations under the GEM Listing Rules and relevant regulatory requirements.

Corporate Governance Report

The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group received by the Directors for the year ended 31 October 2020 is as follows:

Directors	Trainings
Executive Directors	Type of trainings
Mr. WU Cheng-wei	A
Mr. LEUNG Wai Lun	A
Non-executive Director	
Dr. LUI Sun Wing	A,B
Independent Non-executive Directors	
Mr. CHAU Kam Wing Donald	A,B
Ms. CHAN Siu Ping	A
Professor NI Jun	A

A: attending training session/briefings/seminars/forums/workshops/conference

B: reading materials in relation to regulatory updates, the duties and responsibility of the Directors and the business of the Group

During the year ended 31 October 2020, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under the GEM Listing Rules 5.15. He will continue to comply with the GEM Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

The board has established three board committees, namely, the remuneration committee, the nomination committee and the audit committee, for overseeing particular aspects of the Company's affairs. All board committees have been established with defined written terms of reference, which are posted on the GEM's website www.hkgem.com and the Company's website at www.eco-tek.com.hk. All the board committees should report to the board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of board committees follow in line with, so far as practicable, those of the board meetings set out in above.

All board committees are provided with enough resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee was established in March 2005. The chairman of the committee is Ms. CHAN Siu Ping Rosa, an independent non-executive Director, and other members included Mr. CHAU Kam Wing Donald and Professor NI Jun, all of them are independent non-executive Directors. The written terms of reference of the remuneration committee are posted on the GEM website and the Company's website.

The remuneration committee has been charged with the responsibility of making recommendations to the board on the appropriated policy and structures for all aspect of Directors and senior management remuneration. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The remuneration committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that are fair and reasonable during the year.

NOMINATION COMMITTEE

The nomination committee was established in February 2006. The chairman of the committee is Mr. CHAU Kam Wing Donald, an independent non-executive Director, and other members included Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive Directors. The written terms of reference of the nomination committee are posted on the GEM website and on the Company's website.

The primary duties of the nomination committee are mainly to review the structure, size and composition of the board and make recommendations on any proposed changes to the board to complement the Company's corporate strategy; identify suitable candidates for appointment as directors; make recommendations to the board on appointment or re-appointment of an succession planning for directors; and assess the independence of independent non-executive Directors.

The nomination committee considered the past performance, qualification, general market conditions, the board diversity and the Company's articles of association in selecting and recommending candidates of directorship. The nomination committee discussed and reviewed the re-election of Directors.

AUDIT COMMITTEE

The audit committee was established in December 2001. The chairman of the audit committee is Mr. CHAU Kam Wing Donald, an independent non-executive Director, and other members included Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive Directors. The written terms of reference of the audit committee are posted on the GEM website and on the Company's website.

The primary duties of the audit committee are mainly to review the financial information and reporting system, risk management and internal controls system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control, risk managements or other matters of the Company.

The Company has complied with Rules 5.28 of the GEM Listing Rules in that at least one of the members of the audit committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The audit committee held four meetings during the year. The Group's unaudited quarterly results for the 3 months ended 31 January 2020, 9 months ended 31 July 2020 and unaudited interim results for the 6 months ended 30 April 2020 as well as audited annual 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 disclosure have been made.

Corporate Governance Report

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at board meetings, audit committee meetings, remuneration committee meeting, nomination committee meetings and general meeting during the year ended 31 October 2020 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	6	4	2	2	1
Number of meetings attended/Number of meetings held					
Executive Directors					
Mr. WU Cheng-wei	6/6	–	–	–	1/1
Mr. LEUNG Wai Lun	6/6	–	–	–	1/1
Non-executive Director					
Dr. LUI Sun Wing	6/6	–	–	–	1/1
Independent non-executive Directors					
Mr. CHAU Kam Wing Donald	6/6	4/4	2/2	2/2	1/1
Ms. CHAN Siu Ping Rosa	6/6	4/4	2/2	2/2	1/1
Professor NI Jun	1/6	1/4	1/2	1/2	0/1

The Directors acknowledge their responsibility for the preparation of consolidated financial statement that give a true and fair view in accordance with Hong Kong Financial Reporting Standard issued by Hong Kong Institute of Certificated Public Accountants and the disclosure requirement of the Hong Kong Company Ordinance and the GEM Listing Rules. The Directors have selected appropriate account policies and applied them consistently; made judgements and estimate that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 October 2020 amounted approximately HK\$700,000 (2019: HK\$720,000). Except for the fees in respect of tax services provided by BDO Tax Limited, an affiliate company of the Group's independent auditor BDO Limited, for the year ended 31 October 2020 amounted approximately HK\$80,000 (2019: Nil), no other significant fee was incurred for non-audit services during the year ended 31 October 2020.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the audit committee. The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The management assists the board and/or the audit committee in the review of effectiveness of the Group's risk management and internal control on an ongoing basis. The directors are kept regularly apprised of significant risks that may impact the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The system and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

- Determine the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;
- Oversees the Group's risk management and internal controls systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems annually;
- Ensures the adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting, internal control matters and financial reporting functions; and
- Considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluate and manages the risks that may potentially impact the major process of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations; and
- Follow up the findings on risk management and internal control materials raised by independent external risk advisory firm review and take prompt remedial action to improve the systems.

Corporate Governance Report

Independent external risk advisory firm review

- Review the adequacy and effectiveness of the Group's risk management and internal controls system of different operations; and
- Reports to the Audit Committee the findings of the review and make recommendations to the Board and management to improve the material systems deficiencies or control weakness identified.

The Group did not set up its own internal audit team after taking into account the size and complexity of the operations of the Group and potential costs of setting up an internal audit team. Instead of having its own internal audit team, a review of internal controls systems of different operations was conducted by an independent external risk advisory firm (the "Risk Advisory Firm") annually since November 2008 to ensure the effective and adequate internal controls system. The annual review reports from the Risk Advisory Firm was presented to the Board and reviewed by the Audit Committee.

The Audit Committee and the Board were not aware of any area of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate during the year under review.

DISSEMINATION OF INSIDE INFORMATION

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Group has adopted a Policy on Disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (I) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.eco-tek.com.hk";
- (II) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (III) corporate information is made available on the Company's website;
- (IV) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (V) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year ended 31 October 2020, there is no significant change in the Company's memorandum and articles of association.

Corporate Governance Report

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Directors' Report

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Eco-Tek Holdings Limited (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 October 2020.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Island. The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 October 2020 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 33 to 98. The Directors do not recommend the payment of a final dividend for the year ended 31 October 2020.

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 April 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.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 99 to 100 in the annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

Details of the Company's share capital and share option schemes are set out in notes 28 and 14 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 October 2020 are set out in note 36 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

At 31 October 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$12,683,000. This includes the Company's share premium in the amount of approximately HK\$30,537,000 at 31 October 2020, which may be distributable to the shareholder of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 30% (2019: 24%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 8% (2019: 6%).

Purchases from the Group's five largest suppliers accounted for approximately 87% (2019: 69%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 55% (2019: 48%).

None of the Directors of the Company, or any of his associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospectus of the Group's business are provided in sections headed "Chairman's Statement" on page 3 to 4 and "Management Discussion and Analysis" on pages 8 to 10 of the annual report and the notes to the consolidated financial statements.

RISK AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risk relating to the Industry

The environment-friendly products Business of the Group depends substantially on the global economic and market conditions. During period of slowing economic growth or recession and trade conflicts, consumer spending may drop as they are less willing to spend money. As one of the Group's key businesses of environment-friendly products are applied in industrial production lines, a drop in customer spending power could lead to a drop in demand for industrial production lines which in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board intends to carefully plan and monitor any expansion of environment-friendly products business in caution. Besides, the Group has invested in water supply plant business which was less affected by the global economic and market conditions. The percentage of water supply plant business's revenue to the Group's total revenue had been increased from year 2007 around 2% to around 24% in year 2020.

Directors' Report

Risk relating to concentration of suppliers

The largest and top five suppliers of the Group accounted for approximately 55% and 87% of our total purchase (2019: 48% and 69% respectively). There is no assurance that our business relationship with our suppliers will continue in the future. To reduce the risk, the Group has expanded its supplier base for high quality suppliers in which it has achieved an improvement. The Group has also developed its own products which produced through reliable subcontractors to secure sources of products supply.

Risks relating to conducting business in the PRC

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as substantial part of our assets and business operation are located in PRC. The economic political and social conditions, as well as government policies, including taxation policies, could affect our business. To manage the risk, the Board has appointed certain senior management to closely monitor economic, political legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong and Macau.

Risk relating to products' competitiveness

Under the environment-friendly products business, the Group imported environment-friendly products from foreign suppliers to customers in the PRC. Those imported products' competitiveness was affected by local competition, innovation of technology and fluctuation of foreign currency exchange rate which may affect our results, financial condition and prospects. To manage the risks, the Group focused to import high quality environment-friendly products which are relatively difficult to be substituted by local PRC products. Through exhibitions, the latest products trend and technologies were closely monitored. The Group has developed its own products to enhance its products competitiveness. Through expansion in the Group's supplier base in different countries, the Group has diversified its products mix and alleviated the concentration of particular foreign currency during purchase. If necessary, foreign currency exchange rate of purchase transactions may be locked through hedging.

Financial risks

Details of financial risks are set out in note 37 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. It is policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission. The Group achieves this through actively re-designing its activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing operations constantly to ensure that the processes are effective and efficient.

RELATIONSHIPS WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employee. This includes providing the Group's customers with the good quality products, and timely, appropriate pre/after sales services. Similarly, the Group views its suppliers not just vendors but as strategic partners, important links in its supply chain. The Group's procurement policy is to maintain good relationship and communications with suppliers under the principal of mutual trust. The Group considers its employees the key to sustainable business growth. Workplace safety is priority of the Group, and with due awareness of all employees throughout the year, the Group was able to maintain safety workplaces.

Directors' Report

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Macau and Hong Kong, while the Company listed on the GEM of the Stock Exchange. The Group accordingly shall comply with relevant laws and regulations in Mainland China, Macau and Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

DIRECTORS

The Directors of the Company (the "Board") during the year and up to the date of this report were as follows:

Executive Directors

Mr. WU Cheng-wei (*Chairman*)

Mr. LEUNG Wai Lun

Non-executive Director

Dr. LUI Sun Wing

Independent non-executive Directors

Mr. CHAU Kam Wing Donald

Ms. CHAN Siu Ping Rosa

Professor NI Jun

In accordance with the Company's articles of association, Mr. WU Cheng-wei and Professor NI Jun will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 5 to 7 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 12 and 13 to the consolidated financial statements, respectively.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions and connected transactions disclosed in note 36 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As at 31 October 2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 October 2020, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held as at 31 October 2020	Percentage to the Company's issued share capital as at 31 October 2020
Virtue Trustees (Switzerland) AG (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
Dr. Pau Kwok Ping (Note 2)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 2)	Directly beneficially owned	44,224,000	6.81

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, of which the entire issued shares are held by Virtue Trustees (Switzerland) AG. Wide Sky Management Limited and Virtue Trustees (Switzerland) AG are deemed to be interested in all the shares held by Team Drive Limited.
2. The shares are held by Crayne Company Limited, a company wholly-owned by Dr. Pau Kwok Ping.

Directors' Report

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in note 14 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in ordinary shares and underlying shares of the Company

As at 31 October 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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.

COMPETITION AND CONFLICT OF INTERESTS

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.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 21 of this annual report.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 October 2020 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Mr. WU Cheng-wei

Chairman

Hong Kong, 20 January 2021

Independent Auditor's Report



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TO THE MEMBERS OF ECO-TEK HOLDINGS LIMITED 環康集團有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 98, which comprise the consolidated statement of financial position as at 31 October 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Significant event in relation to reviewing the tax affairs of certain subsidiaries of the Group

Refer to the accounting policies in note 3.14 to the consolidated financial statements.

For the year ended 31 October 2020 and up to the date of these financial statements, the Inland Revenue Department ("IRD") of Hong Kong is in the process of finalising the tax affairs of certain subsidiaries of the Group.

The Group has recorded income tax expenses and the related surcharge based on the latest concluded result of the IRD's review and also taken into account the view of the Group's tax advisors. Income tax expenses of HK\$12,474,000 has been recognised for the year ended 31 October 2020 in this respect.

It is considered to be a key audit matter because the event is significant to the audit and the income tax expense is significant to the consolidated financial statements.

Independent Auditor's Report

Our response:

Our procedures in relation to reviewing the tax affairs of certain subsidiaries of the Group included:

- Obtaining and reviewing all communication, correspondence and other relevant documents between the IRD and the Group;
- Enquiring with the management and their tax advisor to understand the latest development of IRD's review; and
- Evaluating the competency, capabilities and objectivity of the management's tax advisors.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of those consolidated financial statements in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lam Tsz Ka

Practising Certificate Number P06838

Hong Kong, 20 January 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	92,638	96,477
Cost of sales		(63,079)	(66,128)
Gross profit		29,559	30,349
Other income, gains and losses	6	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	21	(581)	5
(Provision for)/reversal of expected credit losses on other receivables	7	(206)	13
Other operating expenses		–	(33)
Profit from operations	7	9,243	3,314
Finance costs	8	(717)	(511)
Share of profit of a joint venture		270	97
Profit before income tax		8,796	2,900
Taxation	9	(16,464)	(2,205)
(Loss)/profit for the year		(7,668)	695
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	11		
— Basic and diluted		HK(1.20) cents	HK(0.09) cent

Consolidated Statement of Financial Position

As at 31 October 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	69,449	69,858
Interest in leasehold land	16	–	4,167
Right-of-use assets	17	8,356	–
Interest in a joint venture	18	3,840	3,435
Deferred tax assets	19	409	512
Pledged bank deposits	23	9,020	9,020
		91,074	86,992
Current assets			
Inventories	20	16,520	15,820
Accounts receivable	21	23,455	15,725
Deposits, prepayments and other receivables		9,417	4,902
Financial assets at fair value through profit or loss	22	–	2,270
Tax recoverable		–	3,485
Cash and cash equivalents	23	55,807	75,413
		105,199	117,615
Current liabilities			
Accounts and bills payable	24	13,308	11,513
Accrued liabilities and other payables	25	41,968	55,706
Contract liabilities	26	2,436	3,476
Lease liabilities	33	2,322	–
Provision for tax		18,298	2,039
		78,332	72,734
Net current assets		26,867	44,881
Total assets less current liabilities		117,941	131,873
Non-current liabilities			
Deferred tax liabilities	19	141	7,568
Lease liabilities	33	1,907	–
Other payable	25	2,408	–
Loan from a shareholder	27	11,200	9,500
Loan from a minority shareholder	27	–	9,526
		15,656	26,594
Net assets		102,285	105,279

Consolidated Statement of Financial Position

As at 31 October 2020

	Notes	2020 HK\$'000	2019 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	6,495	6,495
Share premium	29(a)	19,586	19,586
Capital reserve	29(a)	95	95
General reserve	29(a)	13,015	4,405
Exchange translation reserve	29(a)	11,770	10,023
Capital contribution reserve	29(a)	7,971	7,971
Retained profits		43,353	51,139
		102,285	99,714
Non-controlling interests	30	–	5,565
		102,285	105,279

These consolidated financial statements on pages 33 to 98 were approved and authorised for issue by the board of directors on 20 January 2021 and are signed on its behalf by:

Mr. WU Cheng-wei
Director

Mr. LEUNG Wai Lun
Director

Consolidated Statement of Cash Flows

For the year ended 31 October 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Profit before income tax		8,796	2,900
Adjustments for:			
Interest income	6	(964)	(306)
Interest expense	8	717	511
Share of profit of a joint venture		(270)	(97)
Depreciation of property, plant and equipment	7	4,172	3,972
Depreciation of right-of-use assets	7	2,267	–
Amortisation of interest in leasehold land	7	–	119
Provision for/(reversal of) expected credit losses on accounts receivable	7	581	(5)
Provision for/(reversal of) expected credit losses on other receivables	7	206	(13)
Reversal of provision for slow-moving inventories, net	7	(602)	(352)
Reversal of provision for tax surcharges	6	(3,209)	–
Change in fair value of financial assets at fair value through profit or loss	7	171	(60)
Exchange losses, net	7	177	98
Operating profit before working capital changes		12,042	6,767
(Increase)/decrease in inventories		(98)	5,003
Increase in accounts receivable		(8,311)	(278)
Increase in deposits, prepayments and other receivables		(4,919)	(602)
Increase in accounts and bills payable		1,795	1,106
(Decrease)/increase in accrued liabilities and other payables		(12,588)	29,413
(Decrease)/increase in contract liabilities		(1,040)	3,476
Cash (used in)/generated from operations		(13,119)	44,885
Tax paid		(4,030)	(132)
<i>Net cash (used in)/generated from operating activities</i>		(17,149)	44,753
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,287)	(1,459)
Acquisition of financial assets at fair value through profit or loss		–	(2,210)
Proceed from disposal of financial assets at fair value through profit or loss		2,099	–
Interest received		964	306
<i>Net cash generated from/(used in) investing activities</i>		1,776	(3,363)

Consolidated Statement of Cash Flows

For the year ended 31 October 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities			
Interest paid		(512)	(511)
Consideration paid for acquisition of equity interests		2	–
Advance from a shareholder		1,700	–
Repayment of other payable		(2,105)	–
Repayment of principal portion of lease liabilities		(1,839)	–
Repayment of interest portion of lease liabilities		(205)	–
<i>Net cash used in financing activities</i>		(2,959)	(511)
(Decrease)/increase in cash and cash equivalents			
Effect of foreign exchange rate changes		(1,274)	639
Cash and cash equivalents at beginning of the year		75,413	33,895
Cash and cash equivalents at end of the year	23	55,807	75,413

Consolidated Statement of Changes In Equity

For the year ended 31 October 2020

	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			
	HK\$'000 (Note 28)	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	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 (note 31(b))	–	–	–	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 (note 31(a))	–	–	–	5,820	–	–	–	5,820	(5,754)	66
Capital contribution from non-controlling interests (note 31(a))	–	–	–	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

For the year ended 31 October 2020

1. GENERAL INFORMATION

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Island and its principal place of business is Unit 5, 11/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Company’s shares are listed on the GEM (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively known as the “Group”) are principally involved in the marketing, sales, servicing, research and development of environmental protection related products and services in certain major cities (including Hong Kong and Macau) of the People’s Republic of China (the “PRC”) as well as operating a water supply operation in Tianjin, PRC.

The directors consider the immediate holding company and ultimate holding company to be Virtue Trustees (Switzerland) AG, a company incorporated in the Switzerland.

The consolidated financial statements on pages 33 to 98 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 Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

2. ADOPTION OF NEW/REVISED HKFRSs

(a) 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

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 November 2019 did not have any significant impact on the Group’s accounting policies.

Change 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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs (Continued)

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	Impact of transition to HKFRS 16	As at
	31 October 2019, as originally stated		1 November 2019, as adjusted
	HK\$'000	HK\$'000	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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

(i) Impact of adoption of HKFRS 16 (Continued)

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:

	HK\$'000
<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	<hr/> 1,367

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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

(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.

HK(IFRIC)-Interpretation 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss ("FVTPL").

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs (Continued)

Amendments to HKFRS 3, Business Combinations — Annual Improvements to HKFRSs 2015–2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Amendments to HKFRS 11, Joint Arrangements — Annual Improvements to HKFRSs 2015–2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Amendments to HKAS 12, Income Taxes — Annual Improvements to HKFRSs 2015–2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to HKAS 23, Borrowing Costs — Annual Improvements to HKFRSs 2015–2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018–2020 Cycle ⁴
Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁶

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁶ The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Conceptual Framework for Financial Reporting 2018 — Revised Conceptual Framework for Financial Reporting

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The changes to the Conceptual Framework may affect the application of IFRSs in situations where no standard applies to a particular transaction or event.

Amendments to HKFRS 16 — COVID-19 — Related Rent Concessions

Amendments to HKFRS 16 permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 (“COVID-19”) pandemic are lease modifications and instead to account for those rent concessions as they are not lease modifications. The amendments do not affect lessors. The Group is currently assessing the impact of amendments to HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the optional exemption available.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update the reference to the latest version of Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) **New/revised HKFRSs that have been issued but are not yet effective** (Continued)

Amendments to HKAS 16 — Property, Plant and Equipment: Proceeds before Intended Use

The amendments clarify the accounting requirement for proceeds received by an entity from selling items produced while testing an item of property, plant and equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprise the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental cost of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.)

Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards — Annual Improvements to HKFRSs 2018–2020 Cycle

The amendment permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

Amendments to HKFRS 9, Financial Instruments — Annual Improvements to HKFRSs 2018–2020 Cycle

The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to HKFRS 16, Leases — Annual Improvements to HKFRSs 2018–2020 Cycle

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current

The amendments clarify the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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 summarised below. These policies have been 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- (i) Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- (ii) Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- (i) The structure of the joint arrangements;
- (ii) The legal form of joint arrangements structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method of accounting whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.5 Revenue recognition

(i) Revenue from contract with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

(i) Revenue from contract with customers (Continued)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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 payment 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.

(ii) Revenue from other sources

Interest income is recognised on a time-proportion basis using the effective interest rate applicable.

3.6 Property, plant and equipment

(i) Measurement bases

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

(ii) Depreciation

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates per annum are as follows:

Motor vehicles	20%
Office equipment	20%
Plant and machinery	5% to 20%
Furniture and fixtures	20%
Buildings and structure	The shorter of the lease terms and 3.33%

3.7 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, investments in subsidiaries and interest in a joint venture are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Leasing (accounting policies applied from 1 November 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist 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.

(i) *Right-of-use assets*

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (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.

(ii) *Lease liabilities*

The lease liabilities are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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, the Group measures 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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Leasing (accounting policies applied until 31 October 2019)

(i) *Operating leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(ii) *Interest in leasehold land*

Interest in leasehold land is up-front payments to acquire long term interests for the use of land. They are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

3.10 Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(iii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iv) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Employee benefits (Continued)

(v) *Share-based employee compensation*

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset, with a corresponding credit to equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Financial instruments

(a) *Financial assets*

A financial asset (unless it is an account receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(a) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at 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.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(b) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on accounts and other receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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 and other receivables 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. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(b) *Impairment loss on financial assets (Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired 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 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and bills payable, accrued liabilities, other payables, lease liabilities, other borrowing and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.14 Income taxes

Income taxes for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK\$), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each of the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

3.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

- share of profit or loss of a joint venture accounted for using the equity method;
- finance costs; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except interest in a joint venture, tax recoverable and financial assets at FVTPL. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities include all liabilities except deferred tax liabilities, loans from a shareholder and a minority shareholder. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation

The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of its non-financial assets. Where an impairment trigger exists, the recoverable amount of the non-financial asset is determined at the higher of value-in-use and fair value less costs of disposal. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about the future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market and actual transactions entered into by the Group.

Impairment of receivables

The Group's management assesses the collectability of receivables by determining future cash flows. This estimate is based on assumptions about risk of default and expected loss rate. A considerable amount of judgement is required in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates. Management will reassess the provision at the reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and this the impairment loss in the period in which such estimate is changed.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimates at the reporting date.

Right-of-use assets

The Group uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING

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

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

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 HK\$'000	Water supply plant HK\$'000	Total HK\$'000
Revenue from external customers	70,299	22,339	92,638
Reportable segment revenue	70,299	22,339	92,638
Reportable segment profit	16,827	9,121	25,948
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	184	1,103	1,287
Reportable segment assets	64,325	127,358	191,683
Reportable segment liabilities	29,945	42,360	72,305

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)

	For the year ended 31 October 2019		
	Environment-friendly products HK\$'000	Water supply plant HK\$'000	Total 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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)

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 HK\$'000	2019 HK\$'000
Reportable segment revenue	92,638	96,477
Group revenue	92,638	96,477
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	270	97
Profit before income tax	8,796	2,900
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	750	841
Group assets	196,273	204,607
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	10,342	5,747
Group liabilities	93,988	99,328

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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	Revenue from external customers		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
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
	92,638	96,477	81,645	77,460

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.

6. OTHER INCOME, GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
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
	11,324	1,690

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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

7. PROFIT FROM OPERATIONS

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

	2020 HK\$'000	2019 HK\$'000
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 assets 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) (note 12)		
— Wages, salaries and benefits in kind	15,059	14,465
— Pension scheme contributions	147	155
	15,206	14,620

* 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.

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest charges on loan from a shareholder (note 27)	512	511
Interest charges on lease liabilities (note 33)	205	–
	717	511

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

9. TAXATION

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

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.

For the year ended 31 October 2020, the Inland Revenue Department ("IRD") of Hong Kong is in the process of finalising the tax affairs of certain subsidiaries of the Group. Taking into account of the latest status of the tax affairs, the directors of the Company has recognised the under-provision of income tax expenses of HK\$12,440,000 in the consolidated statement of comprehensive income.

A reconciliation of the tax expense applicable to profit before income tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	8,796	2,900
Tax at the domestic rates applicable to profit in the jurisdictions concerned	1,618	566
Tax effect of non-taxable income for tax purpose	(941)	(86)
Tax effect of non-deductible expenses for tax purpose	1,132	187
Under-provision of profits tax in prior year	12,440	—
Tax effect of tax losses not recognised	2,215	1,538
	16,464	2,205

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2020 (2019: Nil).

11. LOSS PER SHARE

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

	2020	2019
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	(7,786)	(574)

	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	649,540	649,540

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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

12. DIRECTORS' EMOLUMENTS

The remunerations of each director for the year are as follows:

	Fees HK\$'000	Salaries HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2020				
Executive directors:				
Mr. WU Cheng-wei	160	-	-	160
Mr. LEUNG Wai Lun	120	-	-	120
Non-executive director:				
Dr. LUI Sun Wing	100	-	-	100
Independent non-executive directors:				
Ms. CHAN Siu Ping Rosa	100	-	-	100
Professor NI Jun	100	-	-	100
Mr. CHAU Kam Wing Donald	100	-	-	100
	680	-	-	680

	Fees HK\$'000	Salaries HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2019				
Executive directors:				
Mr. WU Cheng-wei	160	-	-	160
Mr. LEUNG Wai Lun	120	-	-	120
Non-executive director:				
Dr. LUI Sun Wing	100	-	-	100
Independent non-executive directors:				
Ms. CHAN Siu Ping Rosa	100	-	-	100
Professor NI Jun	100	-	-	100
Mr. CHAU Kam Wing Donald	100	-	-	100
	680	-	-	680

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

13. FIVE HIGHEST PAID INDIVIDUALS

No director (2019: Nil) was included in the five highest paid individuals of the Group during the year. The details of the directors' remuneration are set out in note 12 above. Details of the remuneration of the remaining five (2019: five) non-director, highest paid individuals of the Group for the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	3,678	3,798
Pension scheme contributions	88	88
	3,766	3,886

The emoluments of three non-director highest paid individuals fell within the band of HK\$1 to HK\$500,000 (2019: three); the emolument of one non-director highest paid individual fell within the band of HK\$500,001 to HK\$1,000,000 (2019: one), and the emolument of one non-director highest paid individual fell within the band of HK\$1,500,001 to HK\$2,000,000 (2019: one).

During the year, no emolument was paid by the Group to any of the remaining non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

The emolument of four non-director senior management fell within the band of HK\$1 to HK\$500,000 (2019: four) and the emolument of one non-director senior management fell within the band of HK\$500,001 to HK\$1,000,000 (2019: one).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

14. SHARE OPTION SCHEME

The 2011 Share Option Scheme (the “2011 Scheme”)

On 3 March 2011, the 2011 Scheme was approved by shareholders of the Company. The purpose of the 2011 Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The board of directors may, at its discretion, grants options to any of its employee or consultant or any directors of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors to subscribe for shares of the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and other schemes by the Company must not exceed 30% of the shares in issue from time to time. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. The subscription price for shares under the 2011 Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the option, which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The share options granted may be exercised at any time or times after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors to each grantee, but in any event no later than 10 years from the date of the grant of the share options. The 2011 Scheme remains in force for a period of 10 years with effect from 3 March 2011.

The options under the 2011 Scheme will be vested according to the terms and conditions determined by the board of directors either generally or on a case by case basis and will be stated in the offer letters to each grantee. All share options will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company’s ordinary shares.

The Company did not grant any share options of the 2011 Scheme for the year ended 31 October 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Buildings and structure HK\$'000	Total HK\$'000
At 1 November 2018						
Cost	2,727	2,341	37,722	858	105,360	149,008
Accumulated depreciation	(2,315)	(1,637)	(33,722)	(846)	(36,530)	(75,050)
Net carrying amount	412	704	4,000	12	68,830	73,958
Year ended 31 October 2019						
Opening net carrying amount	412	704	4,000	12	68,830	73,958
Additions	1,114	133	212	–	–	1,459
Depreciation	(220)	(243)	(192)	(1)	(3,316)	(3,972)
Translation differences	(37)	(13)	(94)	–	(1,443)	(1,587)
Closing net carrying amount	1,269	581	3,926	11	64,071	69,858
At 31 October 2019 and 1 November 2019						
Cost	3,798	2,457	37,833	858	103,826	148,772
Accumulated depreciation	(2,529)	(1,876)	(33,907)	(847)	(39,755)	(78,914)
Net carrying amount	1,269	581	3,926	11	64,071	69,858
Year ended 31 October 2020						
Opening net carrying amount	1,269	581	3,926	11	64,071	69,858
Additions	362	282	643	–	–	1,287
Depreciation	(334)	(390)	(207)	(1)	(3,240)	(4,172)
Translation differences	50	17	166	–	2,243	2,476
Closing net carrying amount	1,347	490	4,528	10	63,074	69,449
At 31 October 2020						
Cost	4,220	2,766	38,648	858	106,179	152,671
Accumulated depreciation	(2,873)	(2,276)	(34,120)	(848)	(43,105)	(83,222)
Net carrying amount	1,347	490	4,528	10	63,074	69,449

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

16. INTEREST IN LEASEHOLD LAND

The Group's interest in leasehold land represents prepaid operating lease payment and its net book amount is analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Net carrying amount at the beginning of the year, as originally stated	4,167	4,385
Reclassification to right-of-use assets upon adoption of HKFRS 16	(4,167)	–
Net carrying amount at the beginning of the year, as restated	–	4,385
Amortisation charge for the year	–	(119)
Translation differences	–	(99)
Net carrying amount at the end of the year	–	4,167

17. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Buildings leased for own use HK\$'000	Office equipment leased for own use HK\$'000	Total HK\$'000
Interest in leasehold land upon reclassification	4,167	193	–	4,360
Lease contract capitalisation	–	1,257	110	1,367
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	161	41	–	202
Net carrying amount at 31 October 2020	4,208	4,062	86	8,356

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For the year ended 31 October 2020

18. INTEREST IN A JOINT VENTURE

	2020 HK\$'000	2019 HK\$'000
Unlisted investment, at cost	2,385	2,385
Share of post-acquisition reserves	1,455	1,050
	3,840	3,435

As at 31 October 2020, the Group has interest in the following joint venture:

Company name	Place of incorporation/ establishment and kind of legal entity	Paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Jiangsu Kangyuan Environmental Protection Technology Co. Limited # (江蘇康源環保科技有限公司) ("Jiangsu Kangyuan")	PRC, limited liability company	RMB5,000,000	50%	Provision of environmental protection related solutions in the PRC

English translation only

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Jiangsu Kangyuan. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the consolidated financial statements using equity method.

Summarised financial information in relation to the joint venture extracted from its unaudited management accounts for the years ended 31 October 2020 and 2019 is presented below:

	2020 HK\$'000	2019 HK\$'000
As at 31 October		
Current assets	20,116	15,255
Non-current assets	286	595
Current liabilities	(12,722)	(8,980)
Net assets	7,680	6,870
Reconciliation to the Group's interest in Jiangsu Kangyuan:		
Proportion of the Group's ownership interests	50%	50%
Carrying amount of the Group's investment in Jiangsu Kangyuan	3,840	3,435
<i>Includes in the net assets are:</i>		
Cash and cash equivalents	617	639
Current financial liabilities (excluding trade and other payables)	1,035	1,453

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For the year ended 31 October 2020

18. INTEREST IN A JOINT VENTURE (Continued)

	2020 HK\$'000	2019 HK\$'000
Year ended 31 October		
Revenue	14,667	20,503
Profit for the year	540	194
Other comprehensive income for the year	270	(168)
Total comprehensive income for the year	810	26
Reconciliation to the Group's share of results of Jiangsu Kangyuan:		
Proportion of the Group's share ownership interest	50%	50%
Group's share of profit of the joint venture	270	97
Group's share of other comprehensive income for the year	135	(84)
Share of total comprehensive income of the joint venture	405	13

19. DEFERRED TAXATION

Deferred taxation is calculated on temporary differences under the liability method using the applicable tax rates at reporting date.

The movement in deferred tax assets/(liabilities) arising from temporary differences are as follows:

	Provision for slow- moving inventories HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Capital contribution from a minority shareholder HK\$'000	Total HK\$'000
At 1 November 2018	440	(147)	74	(7,423)	(7,056)
Charged to profit or loss	(10)	2	–	–	(8)
Translation differences	8	–	–	–	8
At 31 October and 1 November 2019	438	(145)	74	(7,423)	(7,056)
Charged to profit or loss	(117)	4	–	–	(113)
Translation differences	14	–	–	–	14
Realisation of deferred tax	–	–	–	7,423	7,423
At 31 October 2020	335	(141)	74	–	268

Deferred tax assets are recognised to the extent the realisation of related tax benefits through the future taxable profits is probable. As at 31 October 2020, the Group has tax losses arising in Hong Kong of approximately HK\$47,950,000 (2019: HK\$37,392,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

19. DEFERRED TAXATION (Continued)

At 31 October 2019 deferred tax liabilities of HK\$7,423,000 have been established for the taxation that would be payable in relation to the capital contribution made by a minority shareholder. Such deferred tax liabilities has been realised to provision for tax for the year ended 31 October 2020.

As at 31 October 2020 and 2019, the aggregate amount of temporary differences associated with the PRC's subsidiaries' undistributed retained profits for which deferred tax liabilities have not been recognised are approximately RMB41,911,000 and RMB29,906,000 respectively. No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	409	512
Deferred tax liabilities	(141)	(7,568)
	268	(7,056)

20. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Merchandise	21,436	21,338
Less: provision for slow-moving inventories	(4,916)	(5,518)
	16,520	15,820

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For the year ended 31 October 2020

21. ACCOUNTS RECEIVABLE

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

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 HK\$'000	2019 HK\$'000
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
	25,029	16,714

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

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 November	989	996
Change in expected credit loss for the year	581	(5)
Exchange realignment	4	(2)
Balance as at 31 October	1,574	989

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Unlisted financial product investment	–	2,270

The financial product investment was acquired from a major bank in the PRC. For the year ended 31 October 2020, the fair value loss of financial product investment of HK\$171,000 (2019: fair value gain of HK\$60,000) has been recognised as other income, gains and losses in the consolidated statement of comprehensive income.

For more detailed information in relation to the fair value measurement, please refer to note 37(f).

23. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Cash at bank and in hand	64,827	84,433
Less: pledged bank deposits for banking facilities (<i>note 32(a)</i>)	(9,020)	(9,020)
Cash and cash equivalents	55,807	75,413
Pledged bank deposits analysed for reporting purposes as non-current	9,020	9,020

The Group had cash and bank balances denominated in RMB of approximately HK\$53,937,000 (2019: HK\$71,044,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

The effective interest rate of pledged bank deposits was 0.01% (2019: 0.01%) per annum as at 31 October 2020. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (*note 32(a)*). The pledge will not be released within twelve months from the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

24. 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 HK\$'000	2019 HK\$'000
Outstanding balances with ages:		
Within 90 days	13,046	9,527
91 to 180 days	–	1,206
Over 180 days	262	780
	13,308	11,513

25. ACCRUED LIABILITIES AND OTHER PAYABLES

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

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. The details of consideration payable are set out in the note 31 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

26. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Contract liabilities arising from		
— Sales of goods	2,436	2,787
— Supply of water	–	689
	2,436	3,476

Movements in contract liabilities

	2020 HK\$'000	2019 HK\$'000
Opening balance as at 1 November	3,476	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	(3,192)	(5,781)
Increase in contract liabilities as a result of billing in advance	2,152	3,201
Closing balance as at 31 October	2,436	3,476

The contract liabilities mainly relate to the advance considerations received from customers. As at 31 October 2020, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK\$2,436,000 (2019: HK\$3,476,000). The Group will recognise the expected revenue in future when or as the performance obligation has been satisfied.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

27. 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 dates 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.

28. SHARE CAPITAL

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, less amounts of the capitalisation issue and share issue expenses.

Capital reserve of the Group represents the difference between the aggregate nominal value of share capital of the subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefor.

General reserve represents the effects of transactions with non-controlling interests.

Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.

Capital contribution reserve of the Group represents the contribution made by a minority shareholder shared by the Group.

(b) Company

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 November 2018	30,537	(14,322)	16,215
Loss for the year	–	(1,579)	(1,579)
At 31 October 2019 and 1 November 2019	30,537	(15,901)	14,636
Loss for the year	–	(1,953)	(1,953)
At 31 October 2020	30,537	(17,854)	12,683

Share premium of the Company includes: (i) the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium; and (ii) the excess of the consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, share premium is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

30. NON-CONTROLLING INTERESTS

Tianjin Asian Way Estate Development Co., Ltd (“Tianjin Asian Way”), an 80% owned subsidiary of the Company, has material non-controlling interests (“NCI”). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to Tianjin Asian Way before intra-group eliminations is prepared below:

	2019 HK\$'000
As at 31 October	
Non-current assets	79,277
Current assets	67,076
Current liabilities	(97,983)
<hr/>	
Net assets	48,370
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Accumulated non-controlling interests	9,674
<hr/>	
	2019 HK\$'000
For the year ended 31 October	
Revenue	26,055
Profit for the year	6,852
Total comprehensive income	5,208
Profit allocated to NCI	1,370
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For the year ended 31 October	
Net cash generated from operating activities	49,562
Net cash used in investing activities	(6,946)
Net cash generated from financing activities	537
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Net cash inflow	43,153
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Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

31. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional equity interests in Asian Way International Limited

On 17 December 2019, the Group entered into the agreement with a minority shareholder to acquire the remaining 20% equity interests in Asian Way International Limited, increasing its equity interests from 80% to 100%, and the assignment of loan from a minority shareholder of HK\$9,526,000 at a total consideration of HK\$6,670,000. The fair value of loan from a minority shareholder is assessed at HK\$6,736,000. HK\$2,790,000 has been recognised as capital contribution from non-controlling interests in general reserve.

The difference between the proportionate share of the carrying amount of its net assets and the consideration for the additional equity interests of HK\$5,820,000 have been credited to general reserve.

(b) Deemed disposal of equity interests in Dongguan MegaTek Machinery Company Limited (“Dongguan MegaTek”)

On 10 May 2019, Tianjin Asian Way completed the capital injection of RMB5,000,000 (approximately equivalent to HK\$5,680,000) into Dongguan MegaTek. Upon the completion of the capital injection, the Group’s effective equity interests in Dongguan MegaTek decreased from 100% to 89.18%. The transaction has been accounted for as an equity transaction with the NCI as follows:

	2019 HK\$’000
Carrying amount of deemed partial equity interest disposed	4,405
Gain on the deemed disposal recognised within equity	4,405

32. BANKING FACILITIES

The Group’s banking facilities were granted for the purposes of general working capital, trade finance and treasury requirements as at 31 October 2020 and 2019, which were secured by the following:

- (a) bank deposits of the Group amounting to approximately HK\$9,020,000 (2019: HK\$9,020,000) (note 23); and
- (b) corporate guarantees executed by the Company.

Notes to the Consolidated Financial Statements

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33. LEASES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Buildings leased for own use HK\$'000	Office equipment leased for own use HK\$'000	Total HK\$'000
As at 31 October 2019	–	–	–
Recognition upon initial application of HKFRS 16	1,257	110	1,367
As at 1 November 2019, as restated	1,257	110	1,367
Modification	4,694	–	4,694
Interest expenses	201	4	205
Lease payments	(2,012)	(32)	(2,044)
Exchange realignment	7	–	7
As at 31 October 2020	4,147	82	4,229

Future lease payments are due as follows:

	2020 HK\$'000
Minimum lease payment due	
— Within one year	2,478
— In the second to fifth years, inclusive	1,949
	4,427
Less: future interest expenses	(198)
Present value of lease liabilities	4,229

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

33. LEASES (Continued)

The present value of future lease payments are analysed as:

	2020 HK\$'000
Current liabilities	2,322
Non-current liabilities	1,907
	4,229

	2020 HK\$'000
Short-term lease expenses	1,338
Aggregate undiscounted commitments for short-term leases	946

34. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings of the Group are payable as follows:

	2019 HK\$'000
Within one year	1,880
In the second to fifth years	1,007
	2,887

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years, without any option to renew the lease terms at the expiry date and do not include contingent rentals.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Loan from a shareholder <i>(note 27)</i> HK\$'000	Lease liabilities <i>(note 33)</i> HK\$'000	Total HK\$'000
At 1 November 2018	9,500	–	9,500
Changes from cash flows:			
Interest paid	(511)	–	(511)
Total changes from financing cash flows	(511)	–	(511)
Other changes:			
Interest expenses	511	–	511
Total other changes	511	–	511
At 31 October 2019, as originally presented	9,500	–	9,500
Initial adoption of HKFRS 16	–	1,367	1,367
At 1 November 2019, as restated	9,500	1,367	10,867
Changes from cash flows:			
Proceeds from a shareholder	1,700	–	1,700
Repayment of principal portion of lease liabilities	–	(1,839)	(1,839)
Interest paid	(512)	(205)	(717)
Total changes from financing cash flows	1,188	(2,044)	(856)
Other changes:			
Modification	–	4,694	4,694
Interest expenses	512	205	717
Exchange realignment	–	7	7
Total other changes	512	4,906	5,418
At 31 October 2020	11,200	4,229	15,429

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36. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2020 HK\$'000	2019 HK\$'000
Interest expenses	512	511

Interest expenses were paid to a shareholder in accordance with the terms as set out in note 27.

- (b) Included in staff costs is key management personnel compensation (including executive directors' remuneration) which comprises the following categories:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	5,287	5,575
Pension scheme contributions	85	84
	5,372	5,659

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum level. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The credit risk of the Group is primarily attributable to accounts receivable, other receivables and deposits, pledged bank balances and bank balance and cash.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

It considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

The credit risk of pledged bank balances and bank balances and cash is limited because the majority of the counterparties are banks with good reputation. No impairment had been provided under 12-month expected credit loss assessment.

For the accounts receivable, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables. Amounted to HK\$1,574,000 (2019: HK\$989,000) impairment allowance had been provided under expected credit loss assessment which calculated using simplified approach.

The loss allowances as at 31 October 2020 and 2019 were determined for accounts receivable as follows:

	ECL rate — weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK\$'000	Expected credit loss HK\$'000	Net amount HK\$'000
2020				
Neither past due nor impaired	3%	19,267	578	18,689
Overdue within 90 days	5%	4,830	242	4,588
Over 91 days past due	6%–100%	932	754	178
Total		25,029	1,574	23,455
2019				
Neither past due nor impaired	1%	12,195	122	12,073
Overdue within 90 days	2%	2,886	58	2,828
Over 91 days past due	3%–100%	1,633	809	824
Total		16,714	989	15,725

For the other debts instruments, given the short term nature of these assets, the ECL had been provided under 12-month expected credit loss assessment. An ECL provision of HK\$13,000 has been made as at 31 October 2019. The management considered further provision of HK\$206,000 (2019: reversal of provision of HK\$13,000) has been provided after the assessments for the year ended 31 October 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group's purchases are mainly denominated in Sterling Pounds ("GBP"), Japanese Yen ("JPY") and US Dollars ("USD"). The sales of the Group are predominantly in RMB and HK\$. The management monitors foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date that are considered significant by management are as follows:

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
JPY	9	1	7,526	7,663
GBP	7	5	912	872
USD	2,202	3,868	1,151	1,142

(c) Foreign currency sensitivity analysis

Since HK\$ are pegged to USD, there is no significant exposure expected on USD transactions and balances whilst the currency peg remains in place.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% increase in foreign currency rates. A number below indicates an increase/(a decrease) in loss for the year and retained profits (2019: an increase/(a decrease) in profit for the year and retained profits) where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities against the relevant foreign currencies, there would be (a decrease)/an increase in the loss for the year and retained profits (2019: (a decrease)/an increase in profit for the year and retained profits). There is no impact on other components of equity in response to the general change in foreign exchange rates.

	2020 HK\$'000		2019 HK\$'000	
	JPY	GBP	JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%
Effect on loss/profit for the year	375	45	(383)	(43)
Effect on retained profits	(375)	(45)	(383)	(43)

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank balance and loan from a shareholder. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's cash flow interest rate risk is minimal.

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements in the short and long terms. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations.

The following table summarises the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows.

	Less than 3 months or on demand HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 October 2020				
Accounts and bills payable	13,308	–	13,308	13,308
Accrued liabilities and other payables	41,968	2,408	44,376	44,376
Lease liabilities	2,478	1,949	4,427	4,229
Loan from a shareholder	–	11,801	11,801	11,200
	57,754	16,158	73,912	73,113
As at 31 October 2019				
Accounts and bills payable	11,513	–	11,513	11,513
Accrued liabilities and other payables	55,706	–	55,706	55,706
Loan from a shareholder	–	10,011	10,011	9,500
Loan from a minority shareholder	–	9,526	9,526	9,526
	67,219	19,537	86,756	86,245

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Year ended 31 October 2019				
Financial assets at FVTPL				
— Unlisted financial product investment	—	—	2,270	2,270

There were no transfers between levels during the year ended 31 October 2019.

The level in the fair value hierarchy within which the financial assets is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of unlisted financial product investment is determined by the management with reference to the valuation performed by Hong Kong Appraisal Advisory Limited, independent professional valuer using discounted cash flow method. The significant unobservable assumptions involved in the estimation of the fair value is as follow:

Significant unobservable assumptions	Range
Discount rate	2.53%

A higher in the discount rate would result in a decrease the fair value of unlisted financial product investment, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

The fair value of unlisted financial product investment is a Level 3 recurring fair value measurement. A reconciliation of the beginning and ending fair value balances are provided as below:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	2,270	–
Addition during the year	–	2,210
Change in fair value of financial assets at FVTPL	(171)	60
Disposal during the year	(2,099)	–
At the end of the year	–	2,270

(g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 October 2020 and 2019 may be categorised as follows:

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets measured at FVTPL	–	2,270
Financial assets measured at amortised costs	94,962	106,199
	94,962	108,469
Financial liabilities		
Financial liabilities at amortised cost	73,113	86,245

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

38. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to members by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financial structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at the reporting date was as follows:

	2020 HK\$'000	2019 HK\$'000
Capital		
— Total equity	102,285	105,279
Overall financing		
— Loan from a shareholder	11,200	9,500
— Loan from a minority shareholder	—	9,526
	11,200	19,026
Capital-to-overall financing ratio	9.13 times	5.53 times

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		10,957	10,957
Current assets			
Prepayments and other receivables		149	186
Amounts due from subsidiaries		44,925	44,772
Cash and cash equivalents		245	16
		45,319	44,974
Current liabilities			
Accrued liabilities and other payables		540	317
Amounts due to subsidiaries		36,558	34,483
		37,098	34,800
Net current assets		8,221	10,174
Net assets		19,178	21,131
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	6,495	6,495
Share premium	29(b)	30,537	30,537
Accumulated losses	29(b)	(17,854)	(15,901)
Total equity		19,178	21,131

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2020 are as follows:

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Directly held				
Eco-Tek (BVI) Investment Holdings Limited	British Virgin Islands ("BVI"), limited liability company	30,000 ordinary shares of US\$1 each	100%	Investment holding in Hong Kong
Indirectly held				
Asian Way International Limited	Hong Kong, limited liability company	HK\$10,000	100% (2019: 80%)	Investment holding in Hong Kong
Eco-Tek Company Limited	Hong Kong, limited liability company	HK\$100,000	100%	Marketing, sale, servicing, research and development of environmental protection related products and services in Hong Kong
Eco-Tek Technology Limited	BVI, limited liability company	101 ordinary shares of US\$1 each	100%	Holding of intellectual properties in Hong Kong
East Miles International Limited	BVI, limited liability company	1 ordinary share of US\$1	100%	Investment holding in Hong Kong
Elegant Well Investment Limited	Hong Kong, limited liability company	HK\$2	100%	Investment holding in Hong Kong
Ningbo Tokawa Precision Hydraulic Equipment Co. Ltd [#]	PRC, limited liability company	US\$100,000	100%	Marketing and sales of environment-friendly products in the PRC
Tianjin Asian Way [#]	PRC, limited liability company	US\$7,000,000	100% (2019: 80%)	Operation of a water supply plant in the PRC
Tokawa Precision (Overseas) Co. Limited	BVI, limited liability company	1 ordinary share of US\$1	100%	Investment holding
Tokawa Precision Co. Limited	Hong Kong, limited liability company	HK\$10,000	100%	Marketing and sales of environment-friendly products in Hong Kong

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Indirectly held (Continued)				
Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore	Macau, limited liability company	MOP100,000	100%	Marketing and sales of environment-friendly products in Macau
Well Spread Investment Limited	Hong Kong, limited liability company	HK\$2	100%	Investment holding in Hong Kong
Dongguan MegaTek Machinery Company Limited ^{#^} (東莞英達朗機械有限公司)	PRC, limited liability company	HK\$10,500,000	100% (2019: 89.18%)	Marketing and sales of environment-friendly products in the PRC
Well Merit Enterprise Limited	Hong Kong, Limited liability company	HK\$100	100%	Investment holding in Hong Kong

These companies are registered as wholly foreign owned enterprise under the law of PRC.

^ English translation only

Summary of Financial Information

31 October 2020

The following is a summary of the consolidated results and of the assets and liabilities of the Group prepared on the basis set out in notes 1 and 2 below:

RESULTS

	Year ended 31 October				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	92,638	96,477	102,352	105,454	81,231
Cost of sales	(63,079)	(66,128)	(65,611)	(74,336)	(60,291)
Gross profit	29,559	30,349	36,741	31,118	20,940
Other income, gains and losses	11,324	1,690	812	1,881	1,205
Selling expenses	(3,611)	(3,475)	(2,755)	(2,269)	(2,203)
Administrative expenses	(27,242)	(25,235)	(25,713)	(22,540)	(23,459)
(Provision for)/reversal of expected credit losses on accounts receivable	(581)	5	–	–	–
(Provision for)/reversal of expected credit losses on other receivables	(206)	13	–	–	–
Other operating expenses	–	(33)	(67)	(131)	(185)
Profit/(loss) from operations	9,243	3,314	9,018	8,059	(3,702)
Finance costs	(717)	(511)	(500)	(511)	(519)
Share of profit/(loss) of a joint venture	270	97	144	18	(1)
Profit/(loss) before income tax	8,796	2,900	8,662	7,566	(4,222)
Taxation	(16,464)	(2,205)	(2,430)	(1,803)	(11,939)
(Loss)/profit for the year	(7,668)	695	6,232	5,763	(16,161)

Summary of Financial Information

31 October 2020

	Year ended 31 October				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	91,074	86,992	91,299	97,679	100,345
Current assets	105,199	117,615	78,014	70,341	55,942
Current liabilities	78,332	72,734	36,856	36,409	34,647
Net current assets	26,867	44,881	41,158	33,932	21,295
Non-current liabilities	15,656	26,594	26,596	26,596	26,596
Net assets	102,285	105,279	105,861	105,015	95,044

Notes:

1. The consolidated results of the Group for the years ended 31 October 2016, 2017 and 2018 are as set out in the annual reports of the Company for those years. The consolidated results of the Group for the years ended 31 October 2019 and 2020 are as set out on page 33 of the audited consolidated financial statements.
2. The consolidated statement of financial position as at 31 October 2016, 2017 and 2018 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2019 and 2020 are as set out on pages 34 to 35 of the audited consolidated financial statements.