



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8169)

**FINAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 OCTOBER 2021**

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

* For identification purposes only

SUMMARY

- Revenue for the year ended 31 October 2021 amounted to approximately HK\$118,520,000 (2020: HK\$92,638,000), representing an increase of approximately 28% as compared with preceding year.
- Profit attributable to owners of the Company for the year ended 31 October 2021 amounted to HK\$5,062,000 while loss attributable to owners of the Company for the year ended 31 October 2020 amounted to HK\$7,786,000.
- Basic and diluted earning per share for the year ended 31 October 2021 amounted to approximately HK0.78 cent while basic and diluted loss per share for the year ended 31 October 2020 amounted to approximately HK1.20 cents.

CONSOLIDATED RESULTS

The board of Directors (the “**Board**”) of Eco-Tek Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 October 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	118,520	92,638
Cost of sales		(84,192)	(63,079)
Gross profit		34,328	29,559
Other income, gains and losses	5	3,966	11,324
Selling expenses		(3,872)	(3,611)
Administrative expenses		(26,467)	(27,242)
Reversal of/(provision for) expected credit losses on accounts receivable	11	151	(581)
Reversal of/(provision for) expected credit losses on other receivables		87	(206)
Profit from operations	6	8,193	9,243
Finance costs		(658)	(717)
Share of profit of a joint venture		228	270
Profit before income tax		7,763	8,796
Taxation	7	(2,701)	(16,464)
Profit/(loss) for the year		5,062	(7,668)

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		8,620	1,683
Share of other comprehensive income of a joint venture		271	135
		8,891	1,818
Total comprehensive income for the year		13,953	(5,850)
Profit/(loss) for the year attributable to:			
Owners of the Company		5,062	(7,786)
Non-controlling interests		—	118
		5,062	(7,668)
Total comprehensive income for the year attributable to:			
Owners of the Company		13,953	(6,039)
Non-controlling interests		—	189
		13,953	(5,850)
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	9	HK0.78 cent	HK(1.20) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		73,815	69,449
Right-of-use assets	<i>10</i>	4,801	8,356
Interest in a joint venture		4,339	3,840
Deferred tax assets		490	409
Pledged bank deposits		9,020	9,020
		92,465	91,074
Current assets			
Inventories		14,216	16,520
Accounts receivable	<i>11</i>	21,312	23,455
Deposits, prepayments and other receivables		6,103	9,417
Cash and cash equivalents		63,270	55,807
		104,901	105,199
Current liabilities			
Accounts and bills payable	<i>12</i>	20,138	13,308
Accrued liabilities and other payables	<i>13</i>	28,958	41,968
Contract liabilities		6,115	2,436
Lease liabilities		304	2,322
Loan from a shareholder	<i>14</i>	4,391	–
Provision for tax		11,323	18,298
		71,229	78,332
Net current assets		33,672	26,867
Total assets less current liabilities		126,137	117,941

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		–	141
Lease liabilities		214	1,907
Other payable		185	2,408
Loan from a shareholder	<i>14</i>	9,500	11,200
		<u>9,899</u>	<u>15,656</u>
Net assets		<u>116,238</u>	<u>102,285</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
General reserve		13,015	13,015
Exchange translation reserve		20,661	11,770
Capital contribution reserve		7,971	7,971
Retained profits		48,415	43,353
Total equity		<u>116,238</u>	<u>102,285</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2021

	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 November 2019	6,495	19,586	95	4,405	10,023	7,971	51,139	99,714	5,565	105,279
Acquisition of non-controlling interests	-	-	-	5,820	-	-	-	5,820	(5,754)	66
Capital contribution from non-controlling interests	-	-	-	2,790	-	-	-	2,790	-	2,790
(Loss)/profit for the year	-	-	-	-	-	-	(7,786)	(7,786)	118	(7,668)
Other comprehensive income for the year	-	-	-	-	1,747	-	-	1,747	71	1,818
Total comprehensive income for the year	-	-	-	-	1,747	-	(7,786)	(6,039)	189	(5,850)
At 31 October 2020 and 1 November 2020	6,495	19,586	95	13,015	11,770	7,971	43,353	102,285	-	102,285
Profit for the year	-	-	-	-	-	-	5,062	5,062	-	5,062
Other comprehensive income for the year	-	-	-	-	8,891	-	-	8,891	-	8,891
Total comprehensive income for the year	-	-	-	-	8,891	-	5,062	13,953	-	13,953
At 31 October 2021	6,495	19,586	95	13,015	20,661	7,971	48,415	116,238	-	116,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Eco-Tek Holdings Limited is a limited liability company incorporated and domiciled in the Cayman Islands. The Company's shares are listed on the GEM of the Stock Exchange since 5 December 2001.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People's Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”), the functional currency of the Company and its subsidiaries are HK\$.

The consolidated financial statements for the year ended 31 October 2021 are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and interpretations issued by the Hong Kong Institutes of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the GEM Listing Rules.

2. ADOPTION OF NEW/REVISED HKFRSs

In the current year, the Group has applied, for the first time the following standards and amendments (the “**new HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 November 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of these new or amended HKFRSs has no material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. REVENUE AND SEGMENT REPORTING

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of goods	87,268	70,299
Supply of water	31,252	22,339
	<u>118,520</u>	<u>92,638</u>

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

Environment-friendly products : Sale of general and industrial environment-friendly products, components and other related accessories

Water supply plant : Supply of processed water in the PRC

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

	For the year ended 31 October 2021		
	Environment- friendly products <i>HK\$'000</i>	Water supply plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	87,268	31,252	118,520
Reportable segment revenue	<u>87,268</u>	<u>31,252</u>	<u>118,520</u>
Reportable segment profit	<u>17,911</u>	<u>12,544</u>	<u>30,455</u>
Other segment information			
Interest income	–	507	507
Depreciation	(2,228)	(4,821)	(7,049)
Reversal of provision for slow-moving inventories, net	609	–	609
Reversal of expected credit losses on accounts receivable	247	(96)	151
Reversal of expected credit losses on other receivables	(42)	136	94
Additions to non-current assets	32	4,947	4,979
Reportable segment assets	<u>57,753</u>	<u>133,490</u>	<u>191,243</u>
Reportable segment liabilities	<u>20,497</u>	<u>31,801</u>	<u>52,298</u>

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

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment revenue	<u>118,520</u>	<u>92,638</u>
Group revenue	<u><u>118,520</u></u>	<u><u>92,638</u></u>
Reportable segment profit	30,455	25,948
Other corporate expenses	(22,262)	(16,705)
Finance costs	(658)	(717)
Share of profit of a joint venture	228	270
Profit before income tax	<u><u>7,763</u></u>	<u><u>8,796</u></u>
Reportable segment assets	191,243	191,683
Interest in a joint venture	4,339	3,840
Other corporate assets	1,784	750
Group assets	<u><u>197,366</u></u>	<u><u>196,273</u></u>
Reportable segment liabilities	52,298	72,305
Deferred tax liabilities	–	141
Loan from a shareholder	13,891	11,200
Other corporate liabilities	14,939	10,342
Group liabilities	<u><u>81,128</u></u>	<u><u>93,988</u></u>

Other corporate expenses mainly include staff costs, directors' emoluments and short-term lease expenses for administration purpose.

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

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

	Revenue from external customers		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (domicile)	5,256	3,184	4,972	5,911
PRC	113,264	87,484	77,981	70,795
Other	–	1,970	2	4,939
	<u><u>118,520</u></u>	<u><u>92,638</u></u>	<u><u>82,955</u></u>	<u><u>81,645</u></u>

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

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

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 October 2021 and 2020.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	507	964
Agency service income (<i>note a</i>)	3,264	6,587
Government grants (<i>note b</i>)	–	640
Change in fair value of financial assets at fair value through profit or loss	–	(171)
Reversal of tax surcharges	–	3,209
Gain on lease modification	56	–
Sundry income	139	95
	<u>3,966</u>	<u>11,324</u>

Notes:

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

6. PROFIT FROM OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	720	700
Cost of inventories recognised as expense*, including	84,192	63,079
— Reversal of provision for slow-moving inventories, net	(609)	(602)
Depreciation of property, plant and equipment	4,786	4,172
Depreciation of right-of-use assets	2,283	2,267
Change in fair value of financial asset at fair value through profit or loss	–	171
(Reversal of)/provision for expected credit losses on accounts receivable	(151)	581
(Reversal of)/provision for expected credit losses on other receivables	(87)	206
Exchange losses, net	129	177
Short-term lease expenses	927	1,338
Staff costs (including directors' emoluments)		
— Wages, salaries and benefits in kind	15,634	15,059
— Pension scheme contributions	133	147
	<u>15,767</u>	<u>15,206</u>

* Costs of inventories includes a total amount of approximately HK\$4,475,000 (2020: HK\$3,843,000), relating to depreciation, staff costs, reversal of provision for slow-moving inventories and exchange loss for which are also included in the respective total amounts disclosed separately above.

7. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Current year		
— Hong Kong	–	34
— PRC	2,901	3,877
Under-provision in prior years		
— Hong Kong	–	12,440
	2,901	16,351
Deferred tax for the year	(200)	113
	2,701	16,464

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 2021 and 2020.

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% (2020: 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 2021 and 2020 according to the relevant laws and regulations in Macau.

For the year ended 31 October 2020, the Inland Revenue Department (“**IRD**”) of Hong Kong was 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.

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 October 2021 (2020: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	<u>5,062</u>	<u>(7,786)</u>
	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>649,540</u>	<u>649,540</u>

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

10. RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying assets at the end of reporting period is as follows:

	Leasehold land <i>HK\$'000</i>	Buildings leased for own use <i>HK\$'000</i>	Office equipment leased for own use <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 November 2019	4,167	1,450	110	5,727
Modification	–	4,694	–	4,694
Depreciation for the year	(120)	(2,123)	(24)	(2,267)
Translation differences	161	41	–	202
	<u>4,208</u>	<u>4,062</u>	<u>86</u>	<u>8,356</u>
As at 31 October 2020 and 1 November 2020	4,208	4,062	86	8,356
Modification	–	(1,538)	–	(1,538)
Depreciation for the year	(125)	(2,137)	(21)	(2,283)
Translation differences	234	32	–	266
	<u>4,317</u>	<u>419</u>	<u>65</u>	<u>4,801</u>
As at 31 October 2021	<u>4,317</u>	<u>419</u>	<u>65</u>	<u>4,801</u>

11. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable	22,787	25,029
Less: provision for loss allowance	(1,475)	(1,574)
	21,312	23,455

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	21,813	24,794
91 to 180 days	432	48
181 to 365 days	18	40
Over 365 days	524	147
	22,787	25,029

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 November	1,574	989
Change in expected credit losses for the year	(151)	581
Exchange realignment	52	4
Balance as at 31 October	1,475	1,574

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

12. ACCOUNTS PAYABLE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	4,876	13,046
91 to 180 days	12,100	–
Over 180 days	3,162	262
	20,138	13,308

13. ACCRUED LIABILITIES AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued liabilities	5,377	6,452
Other payables	23,766	37,924
	<u>29,143</u>	<u>44,376</u>
Less: non-current portion	(185)	(2,408)
	<u>28,958</u>	<u>41,968</u>

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

14. LOANS FROM A SHAREHOLDER

Loan from a shareholder represented amount due to a substantial shareholder of the Company who has control over the Group. The balance was regarded as amount due to a related party.

The loans were unsecured and interest-bearing at 5.25% (2020: 5.25%) per annum.

Except for the loan from a shareholder of HK\$4,391,000 as at 31 October 2021, they were not repayable within twelve months from the reporting date as at 31 October 2021 and 2020.

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

15. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2020: 5,000,000,000) ordinary shares of HK\$0.01 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
649,540,000 (2020: 649,540,000) ordinary shares of HK\$0.01 each	6,495	6,495
	<u>6,495</u>	<u>6,495</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year ended 31 October 2021, revenue of our environment-friendly products business and water supply plant business accounted for 74% (2020: 76%) and 26% (2020: 24%) respectively of the Group's total revenue.

The revenue of environment-friendly products business for the year ended 31 October 2021 was HK\$87,268,000, which was 24% more than that of year ended 31 October 2020 (2020: HK\$70,299,000) under China's positive industrial market sentiment. The revenue of water supply plant business for the year ended 31 October 2021 was HK\$31,252,000, 40% more than that of last year (2020: HK\$22,339,000) as the last year's water consumption was reduced by the suspension of schools and factories under the outbreak of COVID-19 but there was no such suspension in this year ended 31 October 2021 and our water supply plant has started to supply processed water to rural area near Jing-Jin New City, Baodi District of Tianjin City to replace their underground water usage in this year ended 31 October 2021.

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**") in the fourth quarter of 2021 grew by 4%, leading to 2021 full-year growth of 8.1% when the manufacturing Purchasing Managers' Index (the "**PMI**") was 50.3 in December 2021, above the threshold 50 indicating the expansion of China manufacturers' operations. 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. Certain products of our environment-friendly products business were applied in the marine machinery sectors and clean energy sectors such as hydropower and wind power facilities. As the increase of international concerns of environmental protections, we believe that there will be a brighter prospect for our environment-friendly products business.

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**"), there will be a railway station in Baodi district near our water supply plant in Tianjin. It was believed that the completion of the New Intercity Railways in future 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.

Financial Review

The Group's revenue for the year ended 31 October 2021 was HK\$118,520,000, increased by 28% when compared with last year ended 31 October 2020 (2020: HK\$92,638,000) as the revenue of our environment-friendly products business increased by 24% from last year ended 31 October 2020 of HK\$70,299,000 to this year ended 31 October 2021 of HK\$87,268,000 under China's positive industrial market sentiment. The revenue of our water supply plant business increased by 40% from last year ended 31 October 2020 HK\$22,339,000 to this year ended 31 October 2021 HK\$31,252,000 as the last year's water consumption was reduced by the suspension of schools and factories under the outbreak of COVID-19 but there was no such suspension in this year and our water supply plant has started to supply processed water to rural area near Jing-Jin New City, Baodi District of Tianjin City to replace their underground water usage in this year.

The Group's gross profit for the year ended 31 October 2021 was amounted to HK\$34,328,000, represented an increase of 16% when compared with that of last year (2020: HK\$29,559,000) due to increase in the Group's total revenue. The Group's gross profit margin for the year ended 31 October 2021 was amounted to 29% which was slightly decreased when compared with that of last year (2020: 32%). This was due to decrease of the gross profit margin of our environment-friendly products business while the price increases from our suppliers are hard to be transferred to our customers immediately under competitive industrial market in PRC.

The Group's other income, gains and losses for the year ended 31 October 2021 was amounted to HK\$3,966,000, represented a decrease of 65% compared with last year (2020: HK\$11,324,000), as there was amounted to approximate HK\$3,209,000 reversal of tax surcharges after taking into account the up-to-date development of the Inland Revenue Department's review in last year but no such item in this year. Besides, the Group's agency service income decreased from last year HK\$6,587,000 to this year HK\$3,264,000.

The Group's selling expenses for the year ended 31 October 2021 was amounted to HK\$3,872,000, represented an increase of 7% compared with the last year (2020: HK\$3,611,000) due to increase of exhibition cost in this year. The Group's administrative expenses for the year ended 31 October 2021 was amounted to HK\$26,467,000 which was 3% less than that of the last year (2020: HK\$27,242,000) due to decrease of 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 2021, tax provision HK\$2,701,000 was made, represented a decrease of 84%, when compared with tax provision HK\$16,464,000 for the year ended 31 October 2020, as there was HK\$ 12,440,000 tax under-provided in prior years for the year ended 31 October 2020 but no such item in this year ended 31 October 2021.

The Group recorded a profit attributable to owners of the Company for the year ended 31 October 2021 amounted to HK\$5,062,000 while there was a loss attributable to owners of the Company for the year ended 31 October 2020 amounted to HK\$7,786,000.

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 2021, the Group had net current assets of approximately HK\$33,672,000 (31 October 2020: HK\$26,867,000) including bank balances and cash of approximately HK\$63,270,000 (31 October 2020: HK\$55,807,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.47 as at 31 October 2021 (31 October 2020: 1.34). As at 31 October 2021, the Group's inventory turnover was about 62 days (31 October 2020: 96 days). The Group's accounts receivable turnover was about 66 days (31 October 2020: 92 days), the decrease in inventory turnover and accounts receivable turnover were due to increase the Group's revenue and customers' delay in settlements of outstanding balances were alleviated in this year.

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 12% as at 31 October 2021 (31 October 2020: 11%).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

Foreign Exchange Exposure

The Group's purchases are denominated in Sterling Pounds, JPY, Euro and US Dollars. The sales of the Group are predominantly in RMB and HK\$. The Group will review and monitor from time to time the risk relating to foreign exchanges.

Charge on Group Assets and Contingent Liabilities

As at 31 October 2021, the Group had pledged its bank deposits of approximately HK\$9,020,000 (31 October 2020: 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 2021 (2020: Nil).

Information on Employees

As at 31 October 2021, the Group had 77 employees (2020: 70) 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 2021 amounted to approximately HK\$15,767,000 (2020: HK\$15,206,000). The dedication and hard work of the Group's staff during the year ended 31 October 2021 are generally appreciated and recognized.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

During the year ended 31 October 2021, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 October 2021. The Company had not redeemed any of its listed securities during the year ended 31 October 2021.

CORPORATE GOVERNANCE

Throughout the year ended 31 October 2021, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules.

COMPETITION AND CONFLICT OF INTEREST

None of the Directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during year ended 31 October 2021.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the Directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include Mr. CHAU Kam Wing Donald and Professional NI Jun, all of them are independent non-executive Directors of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee in February 2006. The principal duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the Directors and board succession. The chairman of the nomination committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professional NI Jun, all of them are independent non-executive Directors of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group. The chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professional NI Jun, all of them are independent non-executive Directors of the Company.

In the course of the supervision of the financial reporting process and internal controls system of the Group, four meetings were held during the year ended 31 October 2021 to review the operations.

The Group's results for the year ended 31 October 2021 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 October 2021 (2020: Nil).

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 October 2021 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 31 March 2022 (the “AGM”). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 28 March 2022 to Thursday, 31 March 2022, 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 Friday, 25 March 2022.

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

Hong Kong, 19 January 2022

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website for 7 days from the date of publication and on the Company’s website at www.eco-tek.com.hk.