



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 2023

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* For identification purposes only

SUMMARY

- Revenue for the year ended 31 October 2023 increased by approximately 4% to HK\$101,924,000 (2022: HK\$97,595,000).
- Profit attributable to owners of the Company for the year ended 31 October 2023 increased by approximately 28% to HK\$5,593,000 (2022: HK\$4,379,000).
- Basic and diluted earnings per share for the year ended 31 October 2023 increased by approximately 28% to HK0.86 cent (2022: HK0.67 cent).

CONSOLIDATED RESULTS

The board of Directors (the “**Board**”) of Eco-Tek Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 October 2023 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	101,924	97,595
Cost of sales		(64,992)	(66,277)
Gross profit		36,932	31,318
Other income, gains and losses	5	1,845	5,318
Selling expenses		(3,415)	(2,360)
Administrative expenses		(25,522)	(27,179)
(Provision for)/reversal of provision for expected credit losses on accounts receivable	6	(377)	72
Profit from operations	6	9,463	7,169
Finance costs		(984)	(816)
Share of profit of a joint venture		64	269
Profit before income tax		8,543	6,622
Taxation	7	(2,950)	(2,243)
Profit for the year attributable to owners of the Company		5,593	4,379

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit or loss:			
Net movement in hedging reserve — derivative financial instruments		(127)	—
Exchange loss on translation of financial statements of foreign operations		(5,527)	(12,508)
Share of other comprehensive income of a joint venture		(56)	(431)
		<u>(5,710)</u>	<u>(12,939)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>(117)</u></u>	<u><u>(8,560)</u></u>
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	<u><u>HK0.86 cent</u></u>	<u><u>HK0.67 cent</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		66,634	69,082
Right-of-use assets	<i>10</i>	5,621	5,273
Interest in a joint venture		4,185	4,177
Deferred tax assets		434	440
Deposits		122	–
Pledged bank deposits		–	9,020
		76,996	87,992
Current assets			
Inventories		16,898	16,435
Accounts receivable	<i>11</i>	25,850	18,256
Deposits, prepayments and other receivables		9,310	8,291
Cash and cash equivalents		41,485	41,064
		93,543	84,046
Current liabilities			
Accounts payable	<i>12</i>	12,236	18,447
Accrued liabilities and other payables	<i>13</i>	17,572	14,499
Contract liabilities		5,671	4,343
Lease liabilities		1,375	970
Loan from a related company	<i>14</i>	1,200	1,100
Provision for tax		11,521	10,667
Derivative financial instruments	<i>15</i>	127	–
		49,702	50,026
Net current assets		43,841	34,020
Total assets less current liabilities		120,837	122,012

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Lease liabilities		712	570
Loan from a related company	<i>14</i>	12,564	13,764
		<u>13,276</u>	<u>14,334</u>
Net assets		<u>107,561</u>	<u>107,678</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
General reserve		13,015	13,015
Hedging reserve		(127)	–
Exchange translation reserve		2,139	7,722
Capital contribution reserve		7,971	7,971
Retained profits		58,387	52,794
Total equity		<u>107,561</u>	<u>107,678</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 November 2021	6,495	19,586	95	13,015	-	20,661	7,971	48,415	116,238
Profit for the year	-	-	-	-	-	-	-	4,379	4,379
Other comprehensive income for the year	-	-	-	-	-	(12,939)	-	-	(12,939)
Total comprehensive income for the year	-	-	-	-	-	(12,939)	-	4,379	(8,560)
At 31 October 2022 and 1 November 2022	6,495	19,586	95	13,015	-	7,722	7,971	52,794	107,678
Profit for the year	-	-	-	-	-	-	-	5,593	5,593
Other comprehensive income for the year	-	-	-	-	(127)	(5,583)	-	-	(5,710)
Total comprehensive income for the year	-	-	-	-	(127)	(5,583)	-	5,593	(117)
At 31 October 2023	6,495	19,586	95	13,015	(127)	2,139	7,971	58,387	107,561

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 2023 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**”). 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

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 2022.

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of goods	55,296	65,250
Supply of water	46,628	32,345
	101,924	97,595

The chief operating decision-maker is identified as executive directors. The executive directors have identified the Group's two business 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 2023		
	Environment- friendly products <i>HK\$'000</i>	Water supply plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	55,296	46,628	101,924
Reportable segment revenue	55,296	46,628	101,924
Reportable segment profit	11,652	21,866	33,518
Other segment information			
Interest income	33	754	787
Depreciation	(833)	(4,652)	(5,485)
Provision for slow-moving inventories, net	(270)	–	(270)
Reversal for/(provision of) expected credit losses on accounts receivable	41	(418)	(377)
Income tax credit/(expense)	1,169	(4,119)	(2,950)
Additions to non-current assets	2,316	6,144	8,460
Reportable segment assets	41,533	122,241	163,774
Reportable segment liabilities	17,716	28,793	46,509

For the year ended 31 October 2022

	Environment- friendly products <i>HK\$'000</i>	Water supply plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Revenue from external customers	<u>65,250</u>	<u>32,345</u>	<u>97,595</u>
Reportable segment revenue	<u><u>65,250</u></u>	<u><u>32,345</u></u>	<u><u>97,595</u></u>
Reportable segment profit	<u><u>19,344</u></u>	<u><u>9,614</u></u>	<u><u>28,958</u></u>
Other segment information			
Interest income	5	326	331
Depreciation	(648)	(4,684)	(5,332)
Provision for slow-moving inventories, net	(336)	–	(336)
Reversal for/(provision of) expected credit losses on accounts receivable	216	(144)	72
Income tax expense	<u>(258)</u>	<u>(1,985)</u>	<u>(2,243)</u>
Additions to non-current assets	<u>56</u>	<u>5,464</u>	<u>5,520</u>
Reportable segment assets	<u><u>55,922</u></u>	<u><u>108,899</u></u>	<u><u>164,821</u></u>
Reportable segment liabilities	<u><u>22,172</u></u>	<u><u>24,176</u></u>	<u><u>46,348</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reportable segment revenue	<u>101,924</u>	<u>97,595</u>
Group revenue	<u><u>101,924</u></u>	<u><u>97,595</u></u>
Reportable segment profit	33,518	28,958
Other corporate expenses	(24,055)	(21,789)
Finance costs	(984)	(816)
Share of profit of a joint venture	<u>64</u>	<u>269</u>
Profit before income tax	<u><u>8,543</u></u>	<u><u>6,622</u></u>
Reportable segment assets	163,774	164,821
Interest in a joint venture	4,185	4,177
Other corporate assets	<u>2,580</u>	<u>3,040</u>
Group total assets	<u><u>170,539</u></u>	<u><u>172,038</u></u>
Reportable segment liabilities	46,509	46,348
Loan from a related company	13,764	14,864
Other corporate liabilities	<u>2,705</u>	<u>3,148</u>
Group total liabilities	<u><u>62,978</u></u>	<u><u>64,360</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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (domicile)	6,457	2,634	6,480	6,435
PRC	95,467	94,961	69,960	72,096
Other	—	—	—	1
	<u>101,924</u>	<u>97,595</u>	<u>76,440</u>	<u>78,532</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 and operation.

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 2023 and 2022.

5. OTHER INCOME, GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Bank interest income	787	331
Agency service income (<i>note a</i>)	444	4,493
Government grants (<i>note b</i>)	—	160
Sundry income	614	334
	<u>1,845</u>	<u>5,318</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):

	2023	2022
	HK\$'000	HK\$'000
Auditor's remuneration		
— Provision for the year	740	720
Cost of inventories recognised as expense*, including	64,992	66,277
— Provision for slow-moving inventories, net	270	336
— Exchange gains	(268)	(3,165)
Depreciation of property, plant and equipment	5,044	4,789
Depreciation of right-of-use assets	1,691	672
Provision for/(reversal of provision for) expected credit losses on accounts receivable	377	(72)
Exchange losses, net of exchange gain**	326	266
Short-term lease expenses	694	1,021
Staff costs (including directors' emoluments)		
— Wages, salaries and benefits in kind	17,327	17,118
— Pension scheme contributions	143	149
	17,470	17,267

* Costs of inventories includes a total amount of approximately HK\$4,006,000 (2022: HK\$1,732,000), relating to depreciation, staff costs, provision for slow-moving inventories, net and exchange gains for which are also included in the respective total amounts disclosed separately above.

** Exchange losses, net of exchange gains is included in administrative expenses.

7. TAXATION

	2023	2022
	HK\$'000	HK\$'000
Current tax		
Current year		
— PRC	4,275	2,127
Over-provision in respect of prior years	(1,392)	—
Deferred tax for the year	67	116
	2,950	2,243

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 2023 and 2022. No provision has been provided as the Group has tax losses to set off with assessable profits for the both years.

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% (2022: 25%) on the estimated assessable profits arising in the PRC for the year.

The Group is also subject to PRC withholding tax at the rate of 5% in respect of dividend income derived from PRC incorporated company.

A subsidiary of the Group established and operating in Macau is subject to Macau complementary profits tax for the years ended 31 October 2023 and 2022 at the rate of 12% (2022: 12%) according to the relevant laws and regulations in Macau. No provision for Macau complementary profits tax for both years as the Group has no assessable profit arising in Macau.

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 October 2023 (2022: Nil).

9. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>5,593</u>	<u>4,379</u>
	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>649,540</u>	<u>649,540</u>

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential ordinary 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 HK\$'000	Buildings leased for own use HK\$'000	Office equipment leased for own use HK\$'000	Total HK\$'000
Net carrying amount at 1 November 2021	4,317	419	65	4,801
Modification	–	1,598	–	1,598
Depreciation charge for the year	(123)	(525)	(24)	(672)
Translation differences	(433)	(21)	–	(454)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net carrying amount at 31 October 2022 and 1 November 2022	3,761	1,471	41	5,273
Addition	–	2,127	–	2,127
Depreciation charge for the year	(116)	(1,551)	(24)	(1,691)
Translation differences	(44)	(44)	–	(88)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net carrying amount at 31 October 2023	3,601	2,003	17	5,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 31 October 2023, building leased for own use of HK\$533,000 (2022: HK\$1,332,000) is leased from a company, which is owned by a beneficial shareholders of the Company.

11. ACCOUNTS RECEIVABLE

	2023 HK\$'000	2022 HK\$'000
Accounts receivable	27,490	19,544
Less: provision for loss allowance	(1,640)	(1,288)
	<u> </u>	<u> </u>
	25,850	18,256
	<u> </u>	<u> </u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	21,050	19,049
91 to 180 days	6,068	221
181 to 365 days	–	4
Over 365 days	372	270
	<u>27,490</u>	<u>19,544</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance as at 1 November	1,288	1,475
Change in expected credit losses on accounts receivable recognised in profit or loss	377	(72)
Exchange realignment	(25)	(115)
	<u>1,640</u>	<u>1,288</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	8,082	11,198
91 to 180 days	4,071	7,166
Over 180 days	83	83
	<u>12,236</u>	<u>18,447</u>

13. ACCRUED LIABILITIES AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued liabilities	3,340	5,008
Other payables	14,232	9,491
	<u>17,572</u>	<u>14,499</u>

Other payables mainly included other taxes liabilities, payable to the local government related to water supply plant business and payable to the constructors regarding the water meter installation.

14. LOAN FROM A RELATED COMPANY

Loan from a related company represented amount due to a related company, which is controlled by a substantial shareholder of the Company. The balance was regarded as amount due to a related party.

The loan from a related company was unsecured and interest-bearing at 5.375% to 6.125% (2022: 5.25% to 5.375%) per annum.

Except for the loan from a related company of HK\$1,200,000 as at 31 October 2023, it was not repayable within twelve months from the reporting date as at 31 October 2023.

Except for the loan from a related company of HK\$1,100,000 as at 31 October 2022, it was not repayable within twelve months from the reporting date as at 31 October 2022.

The directors of the Company consider that the fair value of the loan is not materially different from its carrying amounts.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Foreign exchange forward contracts — at fair value through profit or loss — Current liabilities	<u>127</u>	<u>—</u>

During the year ended 31 October 2023, the Group entered into foreign exchange forward contracts to manage its foreign exchange rate exposures in relation to the settlement of trade payables in JPY which met the criteria for hedge accounting. The Group's policy is not to utilise trading derivative financial instruments for speculative purposes. As at 31 October 2023, the Group had outstanding foreign exchange forward contracts with notional principal amounts of JPY77,215,000.

16. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised: 5,000,000,000 (2022: 5,000,000,000) ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid: 649,540,000 (2022: 649,540,000) ordinary shares of HK\$0.01 each	<u>6,495</u>	<u>6,495</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 October 2023 (the “**Current Year**”), the Group’s revenue increased by 4% from the year ended 31 October 2022 (the “**Last Year**”) HK\$97,595,000 to Current Year HK\$101,924,000.

The percentage of revenue contribution of our environment-friendly products business and water supply plant business accounted for 54% (2022: 67%) and 46% (2022: 33%) respectively of the Group’s total revenue. The revenue of our environment-friendly products business decreased by 15% from the Last Year HK\$65,250,000 to the Current Year HK\$55,296,000 under tough industrial market in China. While our water supply plant business’s revenue increased by 44% from the Last Year HK\$32,345,000 to the Current Year HK\$46,628,000 due to our water supply plant’s increasing supply of processed water to rural area near the Baodi District of Tianjin City as a substitute for underground water during the Current Year.

The National Bureau of Statistics of the People’s Republic of China recently announced that the China’s gross domestic product in 2023 grew by 5.2% and a manufacturing Purchasing Managers’ Index of 49 in December 2023, marking three continuous months of below-50 index. This suggests a contraction in China manufacturers’ purchasing. Although the demand for low-end machinery and equipment has witnessed some decline, the national “Energy Conservation and Emission Reduction” policy suggests potential opportunities due to a gradual shift in the economy’s focus towards domestic consumption and quality under the “new-normal” era. China is grappling with its burgeoning development, resulting in various environmental issues that range from air and noise pollution and water quality problems, to waste management. In pursuit of carbon neutrality, energy-efficient hydraulic machinery and components with diverse control functions are on the table as feasible measures towards significant energy conservation. Moreover, those energy-efficient hydraulic machinery and components also have applicability in specific clean energy sectors. The Group cautiously holds a positive outlook on the potential development of the advanced, environmentally conscious solutions for China’s industrial market, particularly in energy-efficient hydraulic technology.

At present, our environmentally friendly products business has successfully established a presence with offices and service centers in Ningbo, Shanghai and Shunde. In our bid for expansion, plans are underway to extend our service networks to potential industrial customers in other regions within mainland China. This strategic approach is geared towards enhancing our operations in the energy-efficient hydraulic machinery and component sector. While maintaining a cautious approach, we will continue to monitor the prevailing circumstances, making appropriate adjustments to our strategy as required.

Our environment-friendly products business is focused on promoting sustainable development within China, a goal that will be achieved through our unwavering commitment to the energy-efficient hydraulic machinery and components market. Leveraging our collective past experiences, we will continuously source new products or services that align with China's policies on energy conservation and emission reduction. Certain products of our environment-friendly products business have been applied in the marine machinery sectors and clean energy sectors, including hydropower, wind, and wave power facilities. With the rise in global environmental consciousness, we anticipate a promising future for our environment-friendly products business.

Our water supply plant business wholly owns a water supply plant in Tianjin City, (the "**Tianjin Water Supply Plant**") which has the exclusive right to supply processed water to certain areas within and near the Baodi District of Tianjin City, including Jing-Jin New City (the "**Group's Water Supply Area**"). In our commitment to ensuring the cleanliness of our water supply, the Tianjin Water Supply Plant is equipped with advanced facilities that monitor the quality of water constantly. Moreover, we have implemented a fully automated online system to promptly monitor and detect the state of water transportation pipelines in a timely manner. Any water leaks or emergencies are reported without delay and addressed immediately. Upon the completion of the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (collectively, the "**New Intercity Railways**"), we anticipate that the newly built Baodi Nan railway station near the Tianjin Water Supply Plant, in conjunction with the New Intercity Railways, will encourage integrated and cooperative economic development in the Group's Water Supply Area. This progress is expected to have a positive impact on the Group's water supply plant in Tianjin.

Financial Review

The Group's revenue for the Current Year increased by 4% to HK\$101,924,000 compared with the Last Year (2022: HK\$97,595,000). The revenue of our environment-friendly products business decreased by 15% from the Last Year HK\$65,250,000 to This Year HK\$55,296,000 under tough China's industrial market sentiment while the revenue of our water supply plant business increased by 44% from Last Year HK\$32,345,000 to this Year HK\$46,628,000 as our water supply plant's increasing supply of processed water to rural area near Jing-Jin New City, Baodi District of Tianjin City to replace their underground water usage.

The Group's gross profit for the Current Year increased by 18% to HK\$36,932,000 compared with the Last Year (2022: HK\$31,318,000) due to the increase in the Group's gross profit margin from 32% in the Last Year to 36% in the Current Year. This increase in the Group's gross profit margin was mainly attributable to the favorable fluctuation of foreign currencies, particularly the depreciation of the Japanese Yen, which is one of the major currencies for the Group's purchasing activities. Additionally, there was an increase in the revenue proportion from the water supply plant business, which carries a higher profit margin. The percentage of revenue contributed by our high-profit margin water supply plant business to the Group's total revenue has increased from 33% of the Group's total revenue in the Last Year to 46% of the Group's total revenue in the Current Year. Consequently, the Group's gross profit margin for the Current Year rose to 36% (2022: 32%).

The Group's other income, gains and losses for the Current Year, decreased by 65% to HK\$1,845,000, compared with Last year (2022: HK\$5,318,000) as the Group's agency service income decreased from the Last Year HK\$4,493,000 to the Current Year HK\$444,000.

The Group's selling expenses for the Current Year, increased by 45% to HK\$3,415,000, compared with the Last Year (2022: HK\$2,360,000) due to increase of the traveling expense. The Group's administrative expenses for the Current Year decreased by 6% to HK\$25,522,000, compared with that of the Last Year (2022: HK\$27,179,000) due to decrease of legal and professional fees.

The Group's profit attributable to owners of the Company for the Current Year, increased by 28% to HK\$5,593,000 compared with the Last Year (2022: HK\$4,379,000).

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 loan from a related company. As at 31 October 2023, the Group had net current assets of approximately HK\$43,841,000 (31 October 2022: HK\$34,020,000) including bank balances and cash of approximately HK\$41,485,000 (31 October 2022: HK\$41,064,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.88 as at 31 October 2023 (31 October 2022: 1.68). As at 31 October 2023, the Group's inventory turnover was about 95 days (31 October 2022: 91 days). The Group's accounts receivable turnover was about 93 days (31 October 2022: 68 days), the increase in inventory turnover and accounts receivable turnover were due to decrease the revenue of our environment-friendly products business under tough China's industrial market sentiment and certain customers of the water supply plant's business delay in settlement.

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) was approximately 13% as at 31 October 2023 (31 October 2022: 14%).

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 2023, there was no charge on the Group's asset while the Group had pledged its bank deposits of approximately HK\$9,020,000 as at 31 October 2022 to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2023 (2022: Nil).

Employees and remuneration policy

As at 31 October 2023, the Group had 81 employees (2022: 79) 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 2023 amounted to approximately HK\$17,470,000 (2022: HK\$17,267,000). The dedication and hard work of the Group's staff during the year ended 31 October 2023 are generally appreciated and recognized.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

During the year ended 31 October 2023, 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 2023. The Company had not redeemed any of its listed securities during the year ended 31 October 2023.

CORPORATE GOVERNANCE

Throughout the year ended 31 October 2023, 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 for 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. Professor NI Jun, the independent non-executive director, was unable to attend the annual general meeting of the Company held on 30 March 2023 due to his other business commitments.

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 2023.

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, Ms. WONG Ching Yan and Professional NI Jun, all of them are independent non- executive Directors of the Company.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 October 2023 (2022: Nil).

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, Ms. WONG Ching Yan 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, Ms. WONG Ching Yan 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 2023 to review the operations.

The Group's results for the year ended 31 October 2023 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.

ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

The Company established an environment, social and governance committee (“**ESG Committee**”) in January 2023. The principal duties of the ESG Committee are to advise and assist the Board of directors (the “**Director(s)**”) of in managing matters relating to environment, social and governance. The chairman of the ESG committee is Mr. WU Cheng-wei and other members include Mr. LEUNG Wai Lun, Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, Ms. WONG Ching Yan and Professor NI Jun.

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 2023 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, 7 March 2024 (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, 4 March 2024 to Thursday, 7 March 2024, 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, 1 March 2024.

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

Hong Kong, 22 January 2024

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, Mr. CHAU Kam Wing Donald and Ms. WONG Ching Yan 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.