



## Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8169

2023 Annual Report

# Healthy Environment Quality Living



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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

WONG Ching Yan (appointed on 30 October 2023)

## 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

WONG Ching Yan (appointed on 30 October 2023)

## REMUNERATION COMMITTEE

CHAN Siu Ping Rosa (*Chairman*)

CHAU Kam Wing Donald

NI Jun

WONG Ching Yan (appointed on 30 October 2023)

## NOMINATION COMMITTEE

CHAU Kam Wing Donald (*Chairman*)

CHAN Siu Ping Rosa

NI Jun

WONG Ching Yan (appointed on 30 October 2023)

## ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

WU Cheng-wei (*Chairman*)

LEUNG Wai Lun

CHAU Kam Wing Donald

CHAN Siu Ping Rosa

NI Jun

WONG Ching Yan (appointed on 30 October 2023)

## AUDITOR

BDO Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

accordance with the Accounting and

Financial Reporting Council Ordinance

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2, 9/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](http://www.eco-tek.com.hk)

# Chairman's Statement

I am pleased to report to our valued shareholders the results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the financial year ended 31 October 2023 (the "Current Year") along with its comparative figures for the year ended 31 October 2022 (the "Last Year").

The Group's revenue increased by 4% from Last Year HK\$97,595,000 to Current Year HK\$101,924,000. Throughout the Current Year, 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. There was a decline in the percentage of revenue contribution from our environment-friendly products business to the Group's overall revenue, falling from 67% in the Last Year to 54% in the Current Year. The percentage of revenue contribution from our water supply plant business to the Group's overall revenue increased, climbing from 33% in the Last Year to 46% in the Current Year. This increment marks the fourth consecutive year of growth of the percentage of revenue contribution from our water supply plant business. Our water supply plant business, being a segment with higher gross profit margin and less affected by economic fluctuations, has thus played a significant role in mitigating the effects of prevailing economic volatility on the Group's performance in the Current Year.

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"). The Tianjin Water Supply Plant observed a revenue increase of 44%, from HK\$32,345,000 in the Last Year to HK\$46,628,000 in the Current Year. This was as a result of the increasing supply of processed water to rural areas near the Baodi District of Tianjin City, substituting their use of underground water.

Our Group puts substantial effort into managing the environmental impact of our business. We are fully aware that greenhouse gases and various types of waste are generated during operations. We monitor the environmental performance of our operations consistently in a systematic manner. To reduce the burden on landfills, we have adopted a responsible waste management policy that includes waste avoidance, waste reduction at source, as well as the reuse, recycling, and responsible disposal of waste. Our Tianjin Water Supply Plant is equipped with advanced facilities that continually monitor



# Chairman's Statement



water quality. We have implemented a fully automated online system to promptly monitor and detect the state of water transportation pipelines in real-time. As a result, any water leaks or emergencies are reported immediately and addressed without delay. These transitions not only save on operational costs and maintenance fees but also benefit the environment.

At present, our environmentally friendly products business has successfully established a presence with offices and service centers in Ningbo, Shanghai, and Shunde, focusing on the supply of energy-efficient hydraulic machinery components to promote sustainable development. In pursuit of carbon neutrality, energy-efficient hydraulic machinery components with diverse control functions are being considered as practical measures towards significant energy conservation. Furthermore, these energy-efficient hydraulic machinery components also have applicability in specific clean energy sectors. Amidst challenging industrial market conditions in China, the revenue from our environment-friendly products business experienced a decrease of 15%, falling from HK\$65,250,000 in the Last Year to HK\$55,296,000 in the Current Year.

Looking forward, we will continuously source new products and services that align with China's policies on energy conservation and emission reduction. 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, the Group cautiously holds a positive outlook on the potential development of our environment-friendly products business. Since 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 railway station near our 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 our water supply plant business.

# Chairman's Statement

Our Group fully aware of the importance of environmental protection and directs substantial efforts towards it. Our goal is to strike a balance between commercial expansion and environmental responsibilities. Through efficient operations, minimizing pollution, conscientious utilization of resources, and commitment to environmental safeguards, we aim to enhance shareholder value while advocating for environmental sustainability.

This year, our Group was bestowed with the prestigious "The ESG Corporate Awards 2022–2023" by The Yazhou Zhoukan, a renowned International Chinese Newsweekly Magazine. This notable recognition not only validates our focused efforts on enhancing our ESG strategy, fortifying environmental protection measures, assuming social responsibility, and strengthening our corporate governance, but it also bears witness to our firm commitment towards sustainability and corporate responsibility. The award reflects the acknowledgment of our Group's ESG commitment and efforts, we see this recognition as an encouragement to perpetuate our responsible strategies and practices.

Being highlighted by an esteemed publication such as The Yazhou Zhoukan further enhances our reputation and solidity, giving stakeholders further confidence in our commitment to sustainability. This not only bolsters our corporate image but also triggers a positive ripple effect, radiating assurance to our investors, customers, and employees while setting a precedent for the industry.

As we move forward, we remain devoted to maintaining this momentum, continuously integrating sustainability into our business endeavors, and enhancing our overall ESG performance. Thus, we see this accolade not as a pinnacle of our success but as a stepping-stone towards higher ESG goals and a more sustainable corporate landscape.

On behalf of the board and our management team, I would like to express my appreciation to the shareholders, customers and business partners for their support and cooperation. Additionally, I would like to convey my heartfelt gratitude to all Directors for their support and contributions, and to our dedicated 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, 22 January 2024

# 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 64, is the executive Director. He has over 34 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. and 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 from 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 64, 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 73, 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 60, is an independent non-executive Director. He has over 30 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 and environment, social and governance committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 65, is an independent non-executive Director. She is also the chairman of the remuneration committee and a member of the nomination committee, audit committee and environment, social and governance committee of the Company. She has over 34 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 61, 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 committee, remuneration committee, nomination committee and environment, social and governance committee of the Company.

Ms. WONG Ching Yan, aged 46, is an independent non-executive Director. Ms. WONG graduated from The Chinese University of Hong Kong in 1999 with a degree in Journalism and Communication. She worked as a news reporter at Radio Television Hong Kong in 1998 and a senior news anchor at Cable TV News between 1999 and 2012. Since 2012 to date, she has served as an investor relations consultant at Stimulus Consulting Group Limited, providing professional advice on corporate investor relations for listed companies. Ms. WONG joined the Company in October 2023 and is member of the audit committee, remuneration committee, nomination committee and environment, social and governance committee of the Company.

# Biographical Details of the Directors and Senior Management

## SENIOR MANAGEMENT

Mr. CHEUNG Yuk, aged 42, 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 53, 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 51, 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 40, 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 53, is the company secretary and the financial controller of the Group since September 2011. He has over 28 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

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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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 Report

The Company recognises 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 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 the following:

The code provision A 6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. The independent non-executive directors, Professor NI Jun was unable to attend the annual general meeting of the Company held on 30 March 2023 due to his other business commitments.

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 has 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 to enhances long-term Shareholders' value. The board is primary responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and budgets as well as providing leadership and control for effective management. The board has delegated the authority and responsibility for business strategy implementation and day-to-day operations of the Group's business to the management. The board is provided with monthly management update report to give a balanced and understandable assessment of the performance, position, recent and prospect of the Company and its subsidiaries (the "Group") in sufficient details. The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company expense.

### 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 four independent non-executive directors, namely Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, Professor NI Jun and Ms. WONG Ching Yan. 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 four 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 their 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. Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, and Professor NI Jun have served as independent non-executive directors of the Company for more than 9 years. Consideration was given to the independence of these directors. During the year of appointment, they have demonstrated their abilities to provide an independent view to the Company's matters and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively. Their familiarity with the business and the industry over the year has enabled them to contribute the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. The Board believes that the long tenure of those independent non-executive director does not compromise their independence but instead brings significant positive qualities. During this year, Ms. WONG Ching Yan is newly appointed as an independent non-executive director. The Group believes that the appointment of Ms. WONG could bring in new perspectives and balance of skills.

# Corporate Governance Report

With the various experience of the executive Directors, non-executive Director, independent 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.

## 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 recognised 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 number 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.

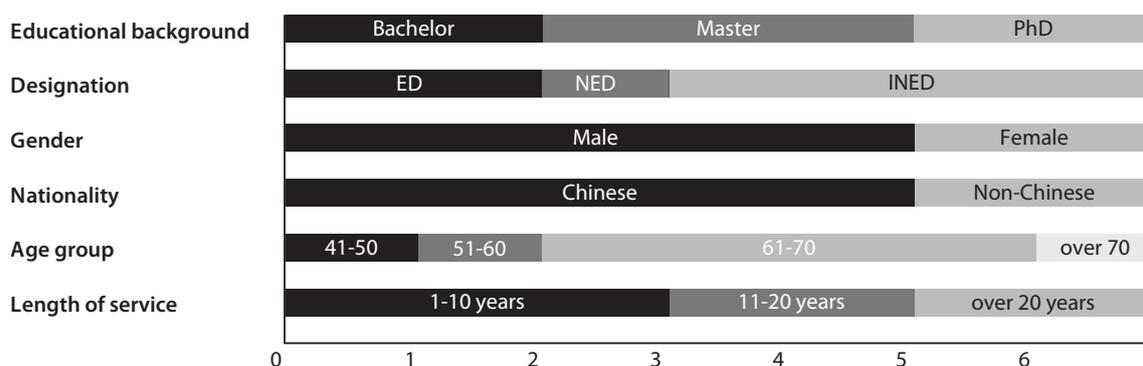
### Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, nationality, 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 2023 is as follows:

Directors	Trainings
<b>Executive Directors</b>	<b>Type of trainings</b>
Mr. WU Cheng-wei	A
Mr. LEUNG Wai Lun	A
<b>Non-executive Director</b>	
Dr. LUI Sun Wing	A, B
<b>Independent Non-executive Directors</b>	
Mr. CHAU Kam Wing Donald	A, B
Ms. CHAN Siu Ping	A
Professor NI Jun	A
Ms. WONG Ching Yan	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 2023, 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 four board committees, namely, the remuneration committee, the nomination committee, the environment, social and governance 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](http://www.hkgem.com) and the Company's website at [www.eco-tek.com.hk](http://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, Professor NI Jun and Ms. WONG Ching Yan, 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, Professor NI Jun and Ms. WONG Ching Yan, 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 a 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.

## ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

The Company established an environment, social and governance committee ("ESG Committee") in January 2022. 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, Professor NI Jun and Ms. WONG Ching Yan.

## 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, Professor NI Jun and Ms. WONG Ching Yan, 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.

# Corporate Governance Report

The audit committee held 4 meetings during the year. The Group's unaudited quarterly results for the 3 months ended 31 January 2023, 9 months ended 31 July 2023 and unaudited interim results for the 6 months ended 30 April 2023 as well as audited annual 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 disclosure have been made.

## ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at board meetings, audit committee meetings, remuneration committee meeting, nomination committee meetings, ESG committee meeting and general meeting during the year ended 31 October 2023 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	ESG Committee Meeting	General Meeting
<b>Number of meetings held</b>	6	4	2	2	1	1
<b>Number of meetings attended/Number of meetings held</b>						
<b>Executive Directors</b>						
Mr. WU Cheng-wei	6/6	N/A	N/A	N/A	1/1	1/1
Mr. LEUNG Wai Lun	6/6	N/A	N/A	N/A	1/1	1/1
<b>Non-executive Director</b>						
Dr. LUI Sun Wing	6/6	N/A	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors</b>						
Mr. CHAU Kam Wing Donald	6/6	4/4	2/2	2/2	1/1	1/1
Ms. CHAN Siu Ping Rosa	6/6	4/4	2/2	2/2	1/1	1/1
Professor NI Jun	2/6	2/4	1/2	1/2	0/1	0/1
Ms. WONG Ching Yan	1/6	0/4	1/2	1/2	0/1	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 2023 amounted approximately HK\$740,000 (2022: HK\$720,000). There was no other significant fee was incurred for non-audit services during the year ended 31 October 2023 (2022: Nil).

# 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 were presented to the Board and reviewed by the Audit Committee. The arrangements of appointing the Risk Advisory Firm, instead of having the Group's own internal audit team audit, for reviewing the internal controls systems of different operations have been considered and reviewed annually by the Audit Committee and Board of Director of the Company.

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.

# Corporate Governance Report

## CONSTITUTIONAL DOCUMENTS

During the year, the Shareholders have approved certain amendments to the Company's Articles of Association at the annual general meeting held on 30 March 2023 for the purpose of, among others, (i) conforming with the core shareholder protection standards as set out in the revised Appendix 3 to the GEM Listing Rules; (ii) enabling the Company to have general meetings to be held in physical form, hybrid form or electronic form; (iii) introducing house-keeping amendments to the Articles of Association for the purpose of clarifying existing practices pursuant to the relevant laws and regulations of the Cayman Islands; and (iv) rectifying certain typographical errors and formatting in the Articles of Association.

Except for the above, there were no other significant change in the Company's Memorandum and Articles of Association which are available on both the GEM website and the Company's website.

## 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.

## WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 in Part 2 of the Code, the Board adopted a whistleblowing policy (the "Whistleblowing Policy") on 26 September 2022 which provides formal channels and guidance to facilitate the raising of matters of concern by employees of the Group (the "Employee") and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) (the "Third Parties", each a "Whistleblower"), in confidence, without fear of reprisals. Procedures are formulated to enable the Whistleblower to report suspected improprieties in any matters related to the Group directly addressed to the Chairman of the Audit Committee as well as the Company Secretary.

## ANTI-CORRUPTION POLICY

In compliance with code provision D.2.7 in Part 2 of the Code, the Board adopted an anti-corruption policy (the "Anti-corruption Policy") on 26 September 2022 which sets out the guidelines and responsibilities of the Employees, the Third Parties and those acting in an agency or fiduciary capacity on behalf of the Group. The Group is committed to maintaining a high standard of integrity, openness and discipline in its business operations. The Anti-corruption Policy forms an integral part of the framework, including the Code and Whistleblowing Policy, outline the Group's expectations and requirement of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

# Corporate Governance Report

The Anti-corruption Policy demonstrates the Company's commitment to the practice of ethical business conduct and compliance with all applicable laws and regulations related to anti-corruption and anti-bribery. The Board and the Audit Committee will review the anti-corruption mechanism periodically to improve its effectiveness and align with the applicable laws and regulations.

## OTHER SPECIFIC DISCLOSURES

Directors have acknowledged their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 October 2023.

Directors consider that the consolidated financial statements of the Company for the year ended 31 October 2023 have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates, and reasonable, informed and prudent judgments of the Board and management of the Company with an appropriate consideration to materiality.

Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for the year ended 31 October 2023 on a going concern basis.

# 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 2023.

## 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 36 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 2023 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 37 to 92. The Directors do not recommend the payment of a final dividend for the year ended 31 October 2023.

## 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.

## 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 93 to 94 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 26 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 27 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 2023 are set out in note 32 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 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$7,871,000. This includes the Company's share premium in the amount of approximately HK\$30,537,000 at 31 October 2023, 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 27% (2022: 31%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 6% (2022: 7%).

Purchases from the Group's five largest suppliers accounted for approximately 62% (2022: 82%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 26% (2022: 38%).

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 pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 11 of the annual report and the notes to the consolidated financial statements.

## KEY RISKS 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. The products of the environment-friendly products business 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 46% in year 2023.

# Directors' Report

## **Risk relating to concentration of suppliers**

The largest and top five suppliers of the Group accounted for approximately 26% and 62% of our total purchase (2022: 38% and 82% 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.

## **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 33 to the consolidated financial statements.

## 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 employees. 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

## 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

Ms. WONG Ching Yan (appointed on 30 October 2023)

In accordance with the Company's Articles of Association, Professor NI Jun, Mr. WU Cheng-wei and Ms. WONG Ching Yan will retire by rotation. Professor NI Jun has notified the Company that he will not stand for the re-election at the AGM due to his intention to achieve his other personal goals. The other two retiring directors, Mr. WU Cheng-wei and Ms. WONG Ching Yan being eligible, offer themselves for re-election.

Professor NI Jun has confirmed that he has no claims whatsoever against the Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise, that he has no disagreement with the Board, and that he is not aware of any matters relating to his retirement that need to be brought to the attention of the Shareholders or the Stock Exchange.

## 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 6 to 8 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 32 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 2023, 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 2023, 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 2023	Percentage to the Company's issued share capital as at 31 October 2023
Lily CHIANG (Note 1)	Founder of a discretionary trust	344,621,200	53.06
Virtue Trustees (Switzerland) AG (Note 2)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 2)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 2)	Directly beneficially owned	344,621,200	53.06
Dr. PAU Kwok Ping	Directly beneficially owned	44,224,000	6.81

#### Notes:

1. Lily CHIANG is the founder of the Lily Chiang Family Trust which indirectly holds 344,621,200 shares in the Company. Accordingly, Lily CHIANG is deemed to be interested in such shares.
2. 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.

## 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' Report

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

As at 31 October 2023, 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 2023, 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.

## PERMITTED INDEMNITY

The Company's Articles of Association provides that every Director and other officers of the Company are entitled to be indemnified out of the assets of the Company against losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

## 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.

## 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 2023.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 23 of this annual report.

# Directors' Report

## PENSION SCHEME

The Group has only defined contribution retirement plan and does not have any defined benefit plans. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) be used to reduce the existing level of contributions during the year ended 31 October 2023.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2022: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK\$1,500 per employee (2022: HK\$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees. There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme or the PRC Retirement Schemes (as the case may be). Hence, there is no such an issue whether forfeited contributions may be used by the Group to reduce the existing level of contributions to such schemes respectively as described in Rule 18.34(2) of the GEM Listing Rules.

## 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 environment friendly raw materials and reviewing operations constantly to ensure that the processes are effective and efficient. Various environmental factors were carefully taken into account in the operation and decision-making processes to optimise the use of resources. The Group hopes to develop its business objectives and creates shareholder/investor value, while at the same time protects the ecological environment by fully utilizing resources and minimizing the emission of pollutants during operations. We, as a responsible and visionary corporate, have to balance the relationship between operations and environment by continuously optimizing operations management, business strategies and policies on environmental protection, training and development, and community investments and contribute towards the sustainable development of the globe, human being and our business.

The following principles and policies adopted enable the Group to minimise the impact on the environment from our operations:

- Complying with all relevant environmental regulations and other statutory requirements;
- Monitoring, identifying and reviewing the impact from the Group's operations on the environment on a regular basis; and
- Request our employee to address environmental responsibilities and enhance their environmental awareness.

# Directors' Report

To counter sewage and sludge generated from our water supply plant business's operation was one of the Group's key environmental performances, we have adopted several sewage and sludge reduction measures to monitor the wastewater and pollutants generated during our water supply plant business's operation and take appropriate measures, so as to comply with the environmental regulations and standards of the PRC. We have built our own waste and sludge sedimentation tanks to collect wastewater generated from our operation, in which the liquid supernatant from the sedimentation tank will be reused as raw water in the operation and sediment (sludge) will be air dried in the sludge drying bed then it would be disposed of in accordance with the instructions of the relevant environmental departments.

Furthermore, the Group has introduced energy-saving facilities at its major offices, in which energy-efficient lighting is adopted to reduce power consumption. We strictly select energy-efficient equipment and electrical appliances for use in operation. LED lighting and natural light are deployed in large extent in our office areas. Memos and notices were posted everywhere in our office to encourage our employees to reduce the production of waste and we have introduced waste separation measures from the start. We gradually replace aged fossil fuel vehicles to electric cars which not only save operational costs and maintenance fee but also benefit our environment.

The Company believes that the environmental systems and facilities of our office and water supply plant have complied with the relevant national and local regulations on environmental protection.

## 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.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- major customers
- major suppliers, and
- bankers

# Directors' Report

## CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 October 2023 are disclosed in note 32 to the consolidated financial statements. Some of these transactions also constituted connected transactions but are fully exempt from the usual reporting, announcement and independent shareholders' approval requirement under the GEM Listing rules, as identified below:

### (1) Lease Agreement

On 18 July 2022, Gainwise Developments Ltd\* (the "Gainwise") as the lessor and Asia Way International Ltd ("Asia Way"), an indirect wholly-owned subsidiary of the Company in Hong Kong, as the lessee entered into a lease agreement (the "Lease Agreement") for the lease of Room 902, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong with an aggregate gross floor area of 2,408 square feet (the "Premises") for a term of two years commencing on 1 September 2022 to 31 August 2024 for a total rent of approximately HK\$1.39 million.

Gainwise (a limited liability company established in the British Virgin Islands) is indirectly wholly-owned by Team Drive Limited (a limited liability company established in the British Virgin Islands) which, held 53.06% % to the Company's issued shares capital, is the Company's substantial shareholder and constitutes a connected person of the Company under the Rule 20.07 of the GEM Listing Rules.

Pursuant to Hong Kong Financial Reporting Standard 16 "Leases", the Premises leased under the Lease Agreement was recognised by the Group as right-of-use assets with the estimated value of approximately HK\$1.39 million, and the transaction contemplated under the Lease Agreement is recognised as the acquisition of right-of-use assets which is a de minimis transactions exempt from the connected transaction requirements under the Rule 20.74 of the GEM Listing Rules. It is fully exempt from the usual reporting, announcement and independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

### (2) Loan from a related company

On 1 April 2022, Yield Top Limited ("Yield Top") as the lender and Tokawa Precision Co. Limited ("Tokawa"), an indirect wholly-owned subsidiary of the Company in Hong Kong, as the borrower entered into a loan agreement (the "Loan Agreement") under which Tokawa owes Yield Top a loan (the "Related Company Loan") for the total sum approximately HK\$14.9 million with a maturity period of 156 months from 1 April 2022. The Related Company Loan is interest-bearing. Tokawa shall pay accrued interest on the Related Company Loan at the Hong Kong Dollar Prime lending rate per annum published by Hong Kong Standard Chartered Bank (the "Prime Rate") from time to time.

Yield Top (a limited liability company established in the British Virgin Islands) is a related company, which is controlled by Wide Sky Management Limited (a limited liability company established in the British Virgin Islands) which, indirectly held 53.06% % to the Company's issued shares capital, is the Company's related company and constitutes a connected person of the Company under the Rule 20.07 of the GEM Listing Rules.

It is a form of financial assistance received by the Company's subsidiary, Tokawa, from a related company, Yield Top, of the Company's substantial shareholder, which is fully exempt from the usual reporting, announcement and independent shareholder's approval requirement under Chapter 20 of the GEM Listing Rules.

## 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.

# Directors' Report

## 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 2023 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, 22 January 2024

# 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 37 to 92, which comprise the consolidated statement of financial position as at 31 October 2023, 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 2023, 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 ("HKSAs") 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.

#### **Revenue recognition relating to sales of goods**

Refer to note 5 to the consolidated financial statements and the significant accounting policies in note 3.5 to the consolidated financial statements

A substantial portion of the Group's revenue was derived from sales of environment-friendly products.

For sales of environment-friendly products, the amount of revenue recognised during the year is dependent on the point in time the transfer of the control of the goods from the Group to the customers.

We identified the recognition of revenue relating to sales of goods as key audit matter because revenue is one of the key performance indicators of the Group and there is a significant inherent risk over the recognition of revenue by the management to meet specific targets or expectations.

# Independent Auditor's Report

## **Our response:**

Our procedures on the revenue recognition relating to sales of goods included:

- (i) Assessing, on a sample basis, whether sales transactions recorded during the financial year had been recognised properly by inspecting the transactions selected with relevant underlying documentations;
- (ii) Testing the key controls over the revenue recognition and tested the operating effectiveness of those controls;
- (iii) Assessing, on a sample basis, whether sales transactions before and after the financial year end had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentations; and
- (iv) Reviewing if there are any significant adjustments to revenue during the reporting period, understanding the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentations.

## 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.

## 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 HKSAs 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.

# Independent Auditor's Report

As part of an audit in accordance with HKSAAs, 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.

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, 22 January 2024

# Consolidated Statement of Comprehensive Income

For the year ended 31 October 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	101,924	97,595
Cost of sales		(64,992)	(66,277)
<b>Gross profit</b>		<b>36,932</b>	31,318
<i>Other income, gains and losses</i>	6	<b>1,845</b>	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	7	(377)	72
<b>Profit from operations</b>	7	<b>9,463</b>	7,169
Finance costs	8	(984)	(816)
Share of profit of a joint venture	17	64	269
<b>Profit before income tax</b>		<b>8,543</b>	6,622
Taxation	9	(2,950)	(2,243)
<b>Profit for the year attributable to owners of the Company</b>		<b>5,593</b>	4,379
<b>Other comprehensive income for the year</b>			
— <i>Items that may be subsequently reclassified to profit or loss:</i>			
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	17	(56)	(431)
		(5,710)	(12,939)
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>(117)</b>	(8,560)
<b>Earnings per share attributable to owners of the Company</b>	11		
— Basic and diluted		<b>HK0.86 cent</b>	HK0.67 cent

# Consolidated Statement of Financial Position

As at 31 October 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>66,634</b>	69,082
Right-of-use assets	16	<b>5,621</b>	5,273
Interest in a joint venture	17	<b>4,185</b>	4,177
Deferred tax assets	18	<b>434</b>	440
Deposits		<b>122</b>	–
Pledged bank deposits	21	–	9,020
		<b>76,996</b>	87,992
<b>Current assets</b>			
Inventories	19	<b>16,898</b>	16,435
Accounts receivable	20	<b>25,850</b>	18,256
Deposits, prepayments and other receivables		<b>9,310</b>	8,291
Cash and cash equivalents	21	<b>41,485</b>	41,064
		<b>93,543</b>	84,046
<b>Current liabilities</b>			
Accounts payable	22	<b>12,236</b>	18,447
Accrued liabilities and other payables	23	<b>17,572</b>	14,499
Contract liabilities	24	<b>5,671</b>	4,343
Lease liabilities	29	<b>1,375</b>	970
Loan from a related company	25	<b>1,200</b>	1,100
Provision for tax		<b>11,521</b>	10,667
Derivative financial instruments	30	<b>127</b>	–
		<b>49,702</b>	50,026
<b>Net current assets</b>		<b>43,841</b>	34,020
<b>Total assets less current liabilities</b>		<b>120,837</b>	122,012
<b>Non-current liabilities</b>			
Lease liabilities	29	<b>712</b>	570
Loan from a related company	25	<b>12,564</b>	13,764
		<b>13,276</b>	14,334
<b>Net assets</b>		<b>107,561</b>	107,678

# Consolidated Statement of Financial Position

As at 31 October 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	<b>6,495</b>	6,495
Share premium	27(a)	<b>19,586</b>	19,586
Capital reserve	27(a)	<b>95</b>	95
General reserve	27(a)	<b>13,015</b>	13,015
Hedging reserve	27(a)	<b>(127)</b>	–
Exchange translation reserve	27(a)	<b>2,139</b>	7,722
Capital contribution reserve	27(a)	<b>7,971</b>	7,971
Retained profits		<b>58,387</b>	52,794
<b>Total equity</b>		<b>107,561</b>	107,678

These consolidated financial statements on pages 37 to 92 were approved and authorised for issue by the board of directors on 22 January 2024 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 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>8,543</b>	6,622
Adjustments for:			
Interest income	6	<b>(787)</b>	(331)
Interest expense	8	<b>984</b>	816
Share of profit of a joint venture	17	<b>(64)</b>	(269)
Depreciation of property, plant and equipment	7	<b>5,044</b>	4,789
Depreciation of right-of-use assets	7	<b>1,691</b>	672
Provision for/(reversal of provision for) expected credit losses on accounts receivable	7	<b>377</b>	(72)
Provision for slow-moving inventories, net	7	<b>270</b>	336
Exchange losses, net	7	<b>326</b>	266
Operating profit before working capital changes		<b>16,384</b>	12,829
Increase in inventories		<b>(733)</b>	(2,555)
(Increase)/decrease in accounts receivable		<b>(7,996)</b>	3,128
Increase in deposits, prepayments and other receivables		<b>(1,779)</b>	(2,188)
Decrease in accounts payable		<b>(9,682)</b>	(1,691)
Increase/(decrease) in accrued liabilities and other payables		<b>4,725</b>	(14,644)
Increase/(decrease) in contract liabilities		<b>1,429</b>	(1,772)
Cash generated from/(used in) operations		<b>2,348</b>	(6,893)
Tax paid		<b>(1,967)</b>	(2,783)
<i>Net cash generated from/(used in) operating activities</i>		<b>381</b>	(9,676)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(6,333)</b>	(7,259)
Proceeds from disposal of property, plant and equipment		<b>2,921</b>	–
Interest received		<b>787</b>	331
Release of pledged bank deposits		<b>9,020</b>	–
<i>Net cash generated from/(used in) investing activities</i>		<b>6,395</b>	(6,928)

# Consolidated Statement of Cash Flows

For the year ended 31 October 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Cash flows from financing activities</b>			
Interest paid	31	<b>(858)</b>	(773)
Repayment to a shareholder	31	–	(13,891)
Advance from a related company	31	–	14,864
Repayment to a related company	31	<b>(1,100)</b>	–
Repayment of principal portion of lease liabilities	31	<b>(1,534)</b>	(553)
Repayment of interest portion of lease liabilities	31	<b>(126)</b>	(43)
<i>Net cash used in financing activities</i>		<b>(3,618)</b>	(396)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>3,158</b>	(17,000)
Effect of foreign exchange rate changes		<b>(2,737)</b>	(5,206)
<b>Cash and cash equivalents at beginning of the year</b>		<b>41,064</b>	63,270
<b>Cash and cash equivalents at end of the year</b>		<b>41,485</b>	41,064

# Consolidated Statement of Changes in Equity

For the year ended 31 October 2023

	Share capital HK\$'000 (Note 26)	Share premium HK\$'000 (Note 27(a))	Capital reserve HK\$'000 (Note 27(a))	General reserve HK\$'000 (Note 27(a))	Hedging reserve HK\$'000 (Note 27(a))	Exchange translation reserve HK\$'000 (Note 27(a))	Capital contribution reserve HK\$'000 (Note 27(a))	Retained profits HK\$'000	Total HK\$'000
<b>At 1 November 2021</b>	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)
<b>At 31 October 2022 and 1 November 2022</b>	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)
<b>At 31 October 2023</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>13,015</b>	<b>(127)</b>	<b>2,139</b>	<b>7,971</b>	<b>58,387</b>	<b>107,561</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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 2, 9/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Company’s shares are listed on 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-friendly products 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 37 to 92 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 comply with 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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 HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") <sup>2</sup>
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>4</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies*

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies to decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### *Amendments to HKAS 8, Definition of Accounting Estimates*

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

#### *Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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, Classification of Liabilities as Current or Non-current (the "2020 Amendments")*

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

*Amendments to HKAS 1, Non-current Liabilities with Covenants (the "2022 Amendments")*

The amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendments") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of this amendments, the entity should also apply this amendments for that period.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

*Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Hong Kong Interpretation 5 (Revised) was revised as a consequence of the amendments to HKAS 1. The revision to Hong Kong Interpretation 5 (Revised) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

*Amendments to HKAS 21, Lack of Exchangeability*

The amendments specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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 2023

## 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 in 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 recognised 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 2023

## 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 2023

## 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 capitalised 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 goods or 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.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Revenue recognition (Continued)

#### (i) Revenue from contract with customers (Continued)

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 are rendered.

#### (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 2023

## 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 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.

### 3.8 Leasing

All 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 of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Leasing (Continued)

#### (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 lessee'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.

### 3.9 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Employee benefits (Continued)

#### (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.

#### (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.

### 3.10 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.11 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 fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Accounts 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 marketplace.

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

#### 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. The Group classifies its debt instruments as follows:

**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 method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

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

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.11 Financial instruments (Continued)

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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 amortised costs are initially measured at fair value, net of directly attributable costs incurred.

##### Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss in accordance with the accounting policy as set out in note 3.4.

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 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group enters into certain derivative instruments which qualify for hedge accounting. Changes in the fair value of any derivative instrument that qualify for hedge accounting are recognised in other comprehensive income. Accumulated gain or loss would be recycled to the profit or loss at the maturity date of derivative instruments.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### 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 resources embodying economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of resources embodying 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 of resources embodying 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 resources embodying 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 Company'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 2023

## 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 HK\$. Assets and liabilities have been translated into HK\$ at the closing rate at the reporting date. Income and expenses have been converted into HK\$ 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 exchange 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. 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 loan from a related company. 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 2023

## 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 and right-of-use assets on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for 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 and other factors that may result in diminution of economic benefits that might be obtained from the assets.

### **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 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.

### **Lease-estimating the incremental borrowing rate**

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 2023

## 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:

	2023 HK\$'000	2022 HK\$'000
Sales of goods	55,296	65,250
Supply of water	46,628	32,345
	<b>101,924</b>	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 HK\$'000	Water supply plant HK\$'000	Total HK\$'000
Revenue from external customers	55,296	46,628	101,924
<b>Reportable segment revenue</b>	<b>55,296</b>	<b>46,628</b>	<b>101,924</b>
<b>Reportable segment profit</b>	<b>11,652</b>	<b>21,866</b>	<b>33,518</b>
<b>Other segment information</b>			
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
<b>Reportable segment assets</b>	<b>41,533</b>	<b>122,241</b>	<b>163,774</b>
<b>Reportable segment liabilities</b>	<b>17,716</b>	<b>28,793</b>	<b>46,509</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 5. REVENUE AND SEGMENT REPORTING (Continued)

	For the year ended 31 October 2022		
	Environment-friendly products HK\$'000	Water supply plant HK\$'000	Total HK\$'000
Revenue from external customers	65,250	32,345	97,595
<b>Reportable segment revenue</b>	65,250	32,345	97,595
<b>Reportable segment profit</b>	19,344	9,614	28,958
<b>Other segment information</b>			
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	(258)	(1,985)	(2,243)
Additions to non-current assets	56	5,464	5,520
<b>Reportable segment assets</b>	55,922	108,899	164,821
<b>Reportable segment liabilities</b>	22,172	24,176	46,348

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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:

	2023 HK\$'000	2022 HK\$'000
Reportable segment revenue	<b>101,924</b>	97,595
Group revenue	<b>101,924</b>	97,595
Reportable segment profit	<b>33,518</b>	28,958
Other corporate expenses	<b>(24,055)</b>	(21,789)
Finance costs	<b>(984)</b>	(816)
Share of profit of a joint venture	<b>64</b>	269
Profit before income tax	<b>8,543</b>	6,622
Reportable segment assets	<b>163,774</b>	164,821
Interest in a joint venture	<b>4,185</b>	4,177
Other corporate assets	<b>2,580</b>	3,040
Group total assets	<b>170,539</b>	172,038
Reportable segment liabilities	<b>46,509</b>	46,348
Loan from a related company	<b>13,764</b>	14,864
Other corporate liabilities	<b>2,705</b>	3,148
Group total liabilities	<b>62,978</b>	64,360

Other corporate expenses mainly include staff costs, directors' emoluments and short-term lease expenses for administrative 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 2023

## 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	
	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
	<b>101,924</b>	97,595	<b>76,440</b>	78,532

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.

## 6. OTHER INCOME, GAINS AND LOSSES

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 7. PROFIT FROM OPERATIONS

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

	2023 HK\$'000	2022 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 gains**	326	266
Short-term lease expenses	694	1,021
Staff costs (including directors' emoluments) (note 12)		
— Wages, salaries and benefits in kind	17,327	17,118
— Pension scheme contributions	143	149
	<b>17,470</b>	<b>17,267</b>

\* 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.

## 8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Bank loan interests	–	26
Interest charges on loan from a shareholder	–	290
Interest charges on loan from a related company (note 25)	858	457
Interest charges on lease liabilities (note 29)	126	43
	<b>984</b>	<b>816</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 9. TAXATION

	2023 HK\$'000	2022 HK\$'000
<b>Current tax</b>		
Current year		
— PRC	4,275	2,127
<b>Over-provision in respect of prior years</b>	(1,392)	–
<b>Deferred tax for the year (note 18)</b>	67	116
	<b>2,950</b>	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 does not have assessable profit for the year ended 31 October 2023 and the Group has tax losses to set off with assessable profit for the year ended 31 October 2022.

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.

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:

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	8,543	6,622
Tax at the domestic rates applicable to profit in the jurisdictions concerned	2,468	1,500
Tax effect of non-deductible expenses	623	312
Tax effect of non-taxable income	(627)	–
Utilisation of tax loss previously not recognised	–	(589)
Tax effect of tax losses not recognised	1,878	1,020
Over-provision in respect of prior years	(1,392)	–
	<b>2,950</b>	2,243

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 10. DIVIDENDS

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

## 11. EARNINGS PER SHARE

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<b>5,593</b>	4,379

	<b>Number of shares</b>	
	<b>2023</b>	2022
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>649,540</b>	649,540

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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
<b>2023</b>				
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
Ms. WONG Ching Yan (note)	–	–	–	–
	<b>680</b>	<b>–</b>	<b>–</b>	<b>680</b>

	Fees HK\$'000	Salaries HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>2022</b>				
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
	<b>680</b>	<b>–</b>	<b>–</b>	<b>680</b>

Note: Ms. Wong Ching Yan has been appointed as independent non-executive director with the effect from 30 October 2023.

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 (2022: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2022: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 13. FIVE HIGHEST PAID INDIVIDUALS AND PENSION SCHEMES

### Five highest paid individuals

No director (2022: 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 (2022: five) non-director, highest paid individuals of the Group for the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	3,691	3,905
Pension scheme contributions	85	88
	<b>3,776</b>	3,993

The emoluments of four non-director highest paid individuals fell within the band of HK\$1 to HK\$1,000,000 (2022: four) and the emolument of one non-director highest paid individual fell within the band of HK\$1,500,001 to HK\$2,000,000 (2022: 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 (2022: Nil).

The emolument of five non-director senior management fell within the band of HK\$1 to HK\$1,000,000 (2022: five).

### Pension schemes

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefits of its employees in Hong Kong. The assets of the schemes are held, separately from those of the Group, in funds under the control of independent trustees. In accordance with the statutory limits prescribed by the MPFSO, for each employee under the MPF Scheme, the Group contributes 5% (2022: 5%) of the relevant income to the MPF Scheme, subject to a cap of monthly contribution at HK\$1,500 per employee (2022: HK\$1,500), which contribution is matched by the employee. Contributions to the MPF Scheme for the Group's employees are fully and immediately vested in the employees once the contributions are made.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group has joined defined contribution retirement schemes for the employees in the PRC arranged by local government labour and security authorities ("PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

There were no contributions forfeited by the Group on behalf of its employees who leave the MPF Scheme or the PRC Retirement Schemes (as the case may be).

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 14. SHARE OPTION SCHEME

### **The 2021 Share Option Scheme (the “2021 Scheme”)**

On 25 March 2021, the 2021 Scheme was approved by shareholders of the Company. The purpose of the 2021 Scheme is to enable the Group to grant share options to eligible persons as incentives or rewards for their contribution to the Group. The board of directors may in its sole and absolute discretion determine whether the eligible persons have made or may make valuable contribution to the business of the Group. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Scheme and other share option scheme(s) by the Company must not exceed 30% of the shares in issue from time to time.

The total number of shares which may be issued upon exercise of the share options to be granted under the 2021 Scheme, together with all share options to be granted under any other share option scheme(s) of the Company, must not in aggregate represent more than 10% of the total number of shares in issue as at the date of approval of the 2021 Scheme.

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 2021 Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest 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; (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; and (iii) the nominal value of a share.

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 2021 Scheme remains in force for a period of 10 years with effect from 25 March 2021.

The options under the 2021 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 2021 Scheme for the year ended 31 October 2023 (2022: Nil).

As at 31 October 2023 and 2022, there is no any outstanding share option.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 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	Construction in progress HK\$'000	Total HK\$'000
<b>At 1 November 2021</b>							
Cost	5,116	2,853	38,655	858	113,437	974	161,893
Accumulated depreciation	(3,287)	(2,427)	(34,321)	(849)	(47,194)	-	(88,078)
<b>Net carrying amount</b>	<b>1,829</b>	<b>426</b>	<b>4,334</b>	<b>9</b>	<b>66,243</b>	<b>974</b>	<b>73,815</b>
<b>Year ended 31 October 2022</b>							
Opening net carrying amount	1,829	426	4,334	9	66,243	974	73,815
Additions	351	201	150	1,793	4,764	-	7,259
Transfer in/(out)	-	-	-	-	953	(953)	-
Depreciation	(551)	(143)	(198)	(46)	(3,851)	-	(4,789)
Translation differences	(263)	(96)	(3,127)	-	(3,696)	(21)	(7,203)
<b>Closing net carrying amount</b>	<b>1,366</b>	<b>388</b>	<b>1,159</b>	<b>1,756</b>	<b>64,413</b>	<b>-</b>	<b>69,082</b>
<b>At 31 October 2022 and 1 November 2022</b>							
Cost	5,167	2,950	35,661	2,651	115,145	-	161,574
Accumulated depreciation	(3,801)	(2,562)	(34,502)	(895)	(50,732)	-	(92,492)
<b>Net carrying amount</b>	<b>1,366</b>	<b>388</b>	<b>1,159</b>	<b>1,756</b>	<b>64,413</b>	<b>-</b>	<b>69,082</b>
<b>Year ended 31 October 2023</b>							
Opening net carrying amount	<b>1,366</b>	<b>388</b>	<b>1,159</b>	<b>1,756</b>	<b>64,413</b>	<b>-</b>	<b>69,082</b>
Additions	<b>565</b>	<b>156</b>	<b>512</b>	<b>-</b>	<b>5,100</b>	<b>-</b>	<b>6,333</b>
Disposals	<b>(112)</b>	<b>(20)</b>	<b>(1)</b>	<b>-</b>	<b>(2,788)</b>	<b>-</b>	<b>(2,921)</b>
Depreciation	<b>(545)</b>	<b>(110)</b>	<b>(238)</b>	<b>(349)</b>	<b>(3,802)</b>	<b>-</b>	<b>(5,044)</b>
Translation differences	<b>(10)</b>	<b>(4)</b>	<b>(50)</b>	<b>-</b>	<b>(752)</b>	<b>-</b>	<b>(816)</b>
<b>Closing net carrying amount</b>	<b>1,264</b>	<b>410</b>	<b>1,382</b>	<b>1,407</b>	<b>62,171</b>	<b>-</b>	<b>66,634</b>
<b>At 31 October 2023</b>							
Cost	<b>5,596</b>	<b>2,855</b>	<b>36,104</b>	<b>2,651</b>	<b>116,584</b>	<b>-</b>	<b>163,790</b>
Accumulated depreciation	<b>(4,332)</b>	<b>(2,445)</b>	<b>(34,722)</b>	<b>(1,244)</b>	<b>(54,413)</b>	<b>-</b>	<b>(97,156)</b>
<b>Net carrying amount</b>	<b>1,264</b>	<b>410</b>	<b>1,382</b>	<b>1,407</b>	<b>62,171</b>	<b>-</b>	<b>66,634</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 16. 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 the 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
<b>Net carrying amount at 1 November 2021</b>	<b>4,317</b>	<b>419</b>	<b>65</b>	<b>4,801</b>
Modification	–	1,598	–	1,598
Depreciation charge for the year	(123)	(525)	(24)	(672)
Translation differences	(433)	(21)	–	(454)
<b>Net carrying amount at 31 October 2022 and 1 November 2022</b>	<b>3,761</b>	<b>1,471</b>	<b>41</b>	<b>5,273</b>
Addition	–	2,127	–	2,127
Depreciation charge for the year	(116)	(1,551)	(24)	(1,691)
Translation differences	(44)	(44)	–	(88)
<b>Net carrying amount at 31 October 2023</b>	<b>3,601</b>	<b>2,003</b>	<b>17</b>	<b>5,621</b>

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.

## 17. INTEREST IN A JOINT VENTURE

	2023 HK\$'000	2022 HK\$'000
Unlisted investment, at cost	2,385	2,385
Share of post-acquisition reserves	1,800	1,792
	<b>4,185</b>	<b>4,177</b>

As at 31 October 2023, 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 <sup>#</sup> (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

<sup>#</sup> English translation only

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 17. INTEREST IN A JOINT VENTURE (Continued)

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 2023 and 2022 is presented below:

	2023 HK\$'000	2022 HK\$'000
<b>As at 31 October</b>		
Current assets	<b>21,912</b>	25,979
Non-current assets	<b>102</b>	180
Current liabilities	<b>(13,644)</b>	(17,805)
<b>Net assets</b>	<b>8,370</b>	8,354
Reconciliation to the Group's interest in Jiangsu Kangyuan:		
Proportion of the Group's ownership interests	<b>50%</b>	50%
Carrying amount of the Group's investment in Jiangsu Kangyuan	<b>4,185</b>	4,177
<i>Includes in the net assets are:</i>		
Cash and cash equivalents	<b>2,609</b>	4,486
Current financial liabilities (excluding trade and other payable)	<b>2,792</b>	3,635
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Year ended 31 October</b>		
Revenue	<b>21,581</b>	45,674
Profit for the year	<b>128</b>	538
Other comprehensive income for the year	<b>(112)</b>	(862)
Total comprehensive income for the year	<b>16</b>	(324)
Reconciliation to the Group's share of results of Jiangsu Kangyuan:		
Proportion of the Group's share of ownership interest	<b>50%</b>	50%
Group's share of profit for the year	<b>64</b>	269
Group's share of other comprehensive income for the year	<b>(56)</b>	(431)
<b>Share of total comprehensive income for the year</b>	<b>8</b>	(162)

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 18. 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 arising from temporary differences are as follows:

	<b>Provision for slow-moving inventories</b> HK\$'000
<b>At 1 November 2021</b>	490
Charged to profit or loss	116
Translation differences	(166)
<b>At 31 October and 1 November 2022</b>	440
Charged to profit or loss	67
Translation differences	(73)
<b>At 31 October 2023</b>	<b>434</b>

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 2023, the Group has tax losses arising in Hong Kong of approximately HK\$52,500,000 (2022: HK\$49,740,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 October 2023, the Group has tax losses arising in PRC of approximately HK\$5,692,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these estimated unused tax losses as these were incurred by the companies that have been loss-making for some time.

As at 31 October 2023 and 2022, 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 RMB53,187,000 and RMB53,922,000 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.

## 19. INVENTORIES

	<b>2023</b> HK\$'000	2022 HK\$'000
Merchandise	<b>20,615</b>	19,882
Less: provision for slow-moving inventories	<b>(3,717)</b>	(3,447)
	<b>16,898</b>	16,435

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 20. ACCOUNTS RECEIVABLE

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

Accounts receivable are non-interest bearing and they are recognised at their original invoice amounts which represent their transaction price 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 HK\$'000	2022 HK\$'000
Outstanding balances with ages:		
Within 90 days	<b>21,050</b>	19,049
91 to 180 days	<b>6,068</b>	221
181 to 365 days	–	4
Over 365 days	<b>372</b>	270
	<b>27,490</b>	19,544

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

	2023 HK\$'000	2022 HK\$'000
Balance as at 1 November	<b>1,288</b>	1,475
Change in expected credit losses on accounts receivable recognised in profit or loss	<b>377</b>	(72)
Exchange realignment	<b>(25)</b>	(115)
Balance as at 31 October	<b>1,640</b>	1,288

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

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Cash at bank and in hand	41,485	50,084
Less: pledged bank deposits for banking facilities ( <i>note 28(a)</i> )	–	(9,020)
Cash and cash equivalents	41,485	41,064
Pledged bank deposits analysed for reporting purposes as non-current	–	9,020

The Group had cash and bank balances denominated in RMB of approximately HK\$35,668,000 (2022: HK\$35,233,000) 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 0.875% per annum as at 31 October 2022. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (*note 28(a)*) as at 31 October 2022. The pledge has been released during the year.

## 22. 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 HK\$'000	2022 HK\$'000
Outstanding balances with ages:		
Within 90 days	8,082	11,198
91 to 180 days	4,071	7,166
Over 180 days	83	83
	12,236	18,447

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 23. ACCRUED LIABILITIES AND OTHER PAYABLES

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

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.

## 24. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
<b>Contract liabilities arising from</b>		
— Sales of goods	5,671	4,343

### Movements in contract liabilities

	2023 HK\$'000	2022 HK\$'000
Opening balance as at 1 November	4,343	6,115
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	(4,429)	(6,007)
Increase in contract liabilities as a result of billing in advance	5,858	4,235
Translation differences	(101)	—
Closing balance as at 31 October	<b>5,671</b>	4,343

The contract liabilities mainly relate to the advance considerations received from customers. The Group will recognise the expected revenue in future when or as the performance obligation has been satisfied, which is expected to occur in the next 12 months. Information related to the aggregated amount of transaction price allocated to the remaining performance obligations has not been disclosed as the Group had applied the practical expedients under HKFRS 15.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 25. 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 amount.

## 26. SHARE CAPITAL

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

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 27. 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 thereof.

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

Hedging reserve represented the accumulated fair value change of derivative forward contracts that met the criteria for hedge accounting.

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 ex-minority shareholder in the prior years.

### (b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 November 2021</b>	30,537	(19,424)	11,113
Loss for the year	–	(1,679)	(1,679)
<b>At 31 October 2022 and 1 November 2022</b>	30,537	(21,103)	9,434
Loss for the year	–	(1,563)	(1,563)
<b>At 31 October 2023</b>	<b>30,537</b>	<b>(22,666)</b>	<b>7,871</b>

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 thereof. 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 2023

## 28. 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 2023 and 2022, which were secured by the following:

- (a) bank deposits of the Group amounting to HK\$9,020,000 as at 31 October 2022 (note 21);
- (b) corporate guarantees executed by the Company; and
- (c) the property beneficially owned by the substantial shareholder of the Company as at 31 October 2023.

## 29. LEASES LIABILITIES

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 1 November 2021	450	68	518
Modification	1,598	–	1,598
Interest expenses	40	3	43
Lease payments	(569)	(27)	(596)
Exchange realignment	(23)	–	(23)
As at 31 October 2022 and 1 November 2022	1,496	44	1,540
Addition	2,127	–	2,127
Interest expenses	124	2	126
Lease payments	(1,633)	(27)	(1,660)
Exchange realignment	(46)	–	(46)
As at 31 October 2023	<b>2,068</b>	<b>19</b>	<b>2,087</b>

Future lease payments are due as follows:

	2023 HK\$'000	2022 HK\$'000
Future lease payment due		
— Within one year	<b>1,441</b>	1,021
— In the second to fifth years, inclusive	<b>735</b>	579
	<b>2,176</b>	1,600
Less: future interest expenses	<b>(89)</b>	(60)
Present value of lease liabilities	<b>2,087</b>	1,540

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 29. LEASES LIABILITIES (Continued)

The present value of future lease payments are analysed as:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Current liabilities	<b>1,375</b>	970
Non-current liabilities	<b>712</b>	570
	<b>2,087</b>	1,540

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Short-term lease expenses	<b>694</b>	1,021

## 30. DERIVATIVE FINANCIAL INSTRUMENTS

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Loans from a shareholder HK\$'000	Loan from a related company (note 25) HK\$'000	Lease liabilities (note 29) HK\$'000	Total HK\$'000
<b>At 1 November 2021</b>	13,891	–	518	14,409
<b>Changes from financing cash flows:</b>				
Advance from a related company	–	14,864	–	14,864
Repayment to a shareholder	(13,891)	–	–	(13,891)
Repayment of principal portion of lease liabilities	–	–	(553)	(553)
Interest paid	(290)	(457)	(43)	(790)
<b>Total changes from financing cash flows</b>	(14,181)	14,407	(596)	(370)
<b>Exchange realignment</b>	–	–	(23)	(23)
<b>Other changes:</b>				
Modification	–	–	1,598	1,598
Interest expenses	290	457	43	790
<b>Total other changes</b>	290	457	1,641	2,388
<b>At 31 October 2022 and 1 November 2022</b>	–	14,864	1,540	16,404
<b>Changes from financing cash flows:</b>				
Repayment to a related company	–	(1,100)	–	(1,100)
Repayment of principal portion of lease liabilities	–	–	(1,534)	(1,534)
Interest paid	–	(858)	(126)	(984)
<b>Total changes from financing cash flows</b>	–	(1,958)	(1,660)	(3,618)
<b>Exchange realignment</b>	–	–	(46)	(46)
<b>Other changes:</b>				
Addition	–	–	2,127	2,127
Interest expenses	–	858	126	984
<b>Total other changes</b>	–	858	2,253	3,111
<b>At 31 October 2023</b>	–	<b>13,764</b>	<b>2,087</b>	<b>15,851</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 32. 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:

	2023 HK\$'000	2022 HK\$'000
Interest expenses		
Interest expenses paid to a shareholder	–	290
Interest expenses paid to a related company (note (i))	<b>858</b>	457
	<b>858</b>	747
Short term lease expenses (note (ii))	–	520

Notes:

- (i) Interest expenses were paid in accordance with the terms as set out in note 25.
- (ii) Short term lease expenses were paid to a company, which is owned by a beneficial shareholders of the Company.
- (b) Included in staff costs is key management personnel compensation (including directors' remuneration) which comprises the following categories:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	<b>4,766</b>	5,006
Pension scheme contributions	<b>72</b>	88
	<b>4,838</b>	5,094

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from its operating, financing 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 entered into several foreign exchange forward contracts for hedging purposes for the year ended 31 October 2023. (note 30) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Credit risk (Continued)

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 and 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.

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\$1,640,000 (2022: HK\$1,288,000) impairment allowance had been provided under simplified approach.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Credit risk (Continued)

The loss allowances as at 31 October 2023 and 2022 were determined for accounts receivable as follows:

	Expected credit loss rate — weighted average (%)	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net amount HK\$'000
<b>2023</b>				
Not yet past due	4%	17,460	698	16,762
Overdue within 90 days	6%	3,590	197	3,393
Over 91 days past due	10%–100%	6,440	745	5,695
Total		27,490	1,640	25,850
<b>2022</b>				
Not yet past due	5%	15,661	712	14,949
Overdue within 90 days	7%	3,387	237	3,150
Over 91 days past due	10%–100%	496	339	157
Total		19,544	1,288	18,256

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. The management considered no additional provision (2022: HK\$nil) would be necessary after the assessments for the year ended 31 October 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
JPY	14	1,003	9,664	12,021
GBP	7	7	579	2,410
USD	3,745	2,900	1,258	2,163

### (c) Foreign currency sensitivity analysis

Since HK\$ are pegged to USD, there is no significant foreign currency risk 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 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 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 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.

	2023 HK\$'000		2022 HK\$'000	
	JPY	GBP	JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%
Effect on profit for the year	(482)	(29)	(551)	(120)
Effect on retained profits	(482)	(29)	(551)	(120)

### (d) Interest rate risk

The Group's interest rate risk arises primarily from bank balances and loan from a related company. 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 undue 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (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 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 October 2023</b>				
Accounts payable	12,236	–	12,236	12,236
Accrued liabilities and other payables	17,572	–	17,572	17,572
Lease liabilities	1,441	735	2,176	2,087
Loan from a related company	2,012	16,694	18,706	13,764
Derivative financial instruments — net settled	127	–	127	127
	<b>33,388</b>	<b>17,429</b>	<b>50,817</b>	<b>45,786</b>
<b>As at 31 October 2022</b>				
Accounts payable	18,447	–	18,447	18,447
Accrued liabilities and other payables	14,499	–	14,499	14,499
Lease liabilities	1,021	579	1,600	1,540
Loan from a related company	1,159	18,220	19,379	14,864
	<b>35,126</b>	<b>18,799</b>	<b>53,925</b>	<b>49,350</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (f) 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 2023 and 2022 are categorised as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
Financial assets measured at amortised costs	75,036	74,088
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	45,659	49,350
Derivative financial instruments at FVTPL	127	–

### (g) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

### (h) Financial instruments measured at fair value

#### *Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial liabilities measured and recognised at fair value at 31 October 2023 and 2022:

	Level 2 2023 HK\$'000	2022 HK\$'000
<b>Financial liabilities</b>		
Derivative financial instruments	127	–

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (h) Financial instruments measured at fair value (Continued)

#### *Fair value hierarchy (Continued)*

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. There were no significant transfer between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

Valuation techniques and inputs used in Level 2 fair value measurements. The fair value of derivative financial instruments is mark to market using the foreign forward rates ruling at the end of each reporting periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 34. 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:

	2023 HK\$'000	2022 HK\$'000
Capital		
— Total equity	107,561	107,678
Overall financing		
— Loan from a related company	13,764	14,864
<b>Capital-to-overall financing ratio</b>	<b>7.81 times</b>	7.24 times

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		<b>10,957</b>	10,957
<b>Current assets</b>			
Prepayments and other receivables		<b>149</b>	149
Amounts due from subsidiaries		<b>45,289</b>	45,443
Cash and cash equivalents		<b>252</b>	359
		<b>45,690</b>	45,951
<b>Current liabilities</b>			
Accrued liabilities and other payables		<b>350</b>	513
Amounts due to subsidiaries		<b>41,931</b>	40,466
		<b>42,281</b>	40,979
<b>Net current assets</b>		<b>3,409</b>	4,972
<b>Net assets</b>		<b>14,366</b>	15,929
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	<b>6,495</b>	6,495
Share premium	27(b)	<b>30,537</b>	30,537
Accumulated losses	27(b)	<b>(22,666)</b>	(21,103)
<b>Total equity</b>		<b>14,366</b>	15,929

# Notes to the Consolidated Financial Statements

For the year ended 31 October 2023

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2023 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
<b>Directly held</b>				
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
<b>Indirectly held</b>				
Asian Way International Limited	Hong Kong, limited liability company	HK\$10,000	100%	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 <sup>#</sup>	PRC, limited liability company	US\$100,000	100%	Marketing and sales of environment-friendly products in the PRC
Tianjin Asian Way <sup>#</sup>	PRC, limited liability company	US\$7,000,000	100%	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 2023

## 36. 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
<b>Indirectly held</b> (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 <sup>#^</sup> (東莞英達朗機械有限公司)	PRC, limited liability company	HK\$10,500,000	100%	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

For the year ended 31 October 2023

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				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	<b>101,924</b>	97,595	118,520	92,638	96,477
Cost of sales	<b>(64,992)</b>	(66,277)	(84,192)	(63,079)	(66,128)
<b>Gross profit</b>	<b>36,932</b>	31,318	34,328	29,559	30,349
Other income, gains and losses	<b>1,845</b>	5,318	3,966	11,324	1,690
Selling expenses	<b>(3,415)</b>	(2,360)	(3,872)	(3,611)	(3,475)
Administrative expenses	<b>(25,522)</b>	(27,179)	(26,467)	(27,242)	(25,235)
(Provision for)/reversal of expected credit losses on accounts receivable	<b>(377)</b>	72	151	(581)	5
Reversal of/(provision for) expected credit losses on other receivables	–	–	87	(206)	13
Other operating expenses	–	–	–	–	(33)
<b>Profit from operations</b>	<b>9,463</b>	7,169	8,193	9,243	3,314
Finance costs	<b>(984)</b>	(816)	(658)	(717)	(511)
Share of profit of a joint venture	<b>64</b>	269	228	270	97
<b>Profit before income tax</b>	<b>8,543</b>	6,622	7,763	8,796	2,900
Taxation	<b>(2,950)</b>	(2,243)	(2,701)	(16,464)	(2,205)
<b>Profit/(loss) for the year</b>	<b>5,593</b>	4,379	5,062	(7,668)	695

# Summary of Financial Information

For the year ended 31 October 2023

	Year ended 31 October				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>76,996</b>	87,992	92,465	91,074	86,992
Current assets	<b>93,543</b>	84,046	104,901	105,199	117,615
Current liabilities	<b>49,702</b>	50,026	71,229	78,332	72,734
<b>Net current assets</b>	<b>43,841</b>	34,020	33,672	26,867	44,881
Non-current liabilities	<b>13,276</b>	14,334	9,899	15,656	26,594
<b>Net assets</b>	<b>107,561</b>	107,678	116,238	102,285	105,279

Notes:

1. The consolidated results of the Group for the years ended 31 October 2019, 2020 and 2021 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 2022 and 2023 are as set out on page 37 of the audited consolidated financial statements.
2. The consolidated statement of financial position as at 31 October 2019, 2020 and 2021 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2022 and 2023 are as set out on pages 38 to 39 of the audited consolidated financial statements.