



Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169



2015 Annual Report
Healthy Environment
Quality Life



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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 announcement misleading.

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 This annual report is printed on environmentally friendly paper

Corporate Information

BOARD OF DIRECTOR

Executive Directors

KWOK Tsun Kee
LEUNG Wai Lun

Non-Executive Directors

HUI Wai Man Shirley (*Chairman*)
LUI Sun Wing
WU Cheng-wei

Independent Non-Executive Directors

CHAU Kam Wing Donald
CHAN Siu Ping Rosa
NI Jun

COMPLIANCE OFFICER

KWOK Tsun Kee

COMPANY SECRETARY

YIM Wai Man

AUTHORISED REPRESENTATIVES

KWOK Tsun Kee
YIM Wai Man

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

AUDIT COMMITTEE

CHAU Kam Wing Donald (*Chairman*)
CHAN Siu Ping Rosa
NI Jun

REMUNERATION COMMITTEE

CHAN Siu Ping Rosa (*Chairman*)
CHAU Kam Wing Donald
NI Jun

NOMINATION COMMITTEE

CHAU Kam Wing Donald (*Chairman*)
CHAN Siu Ping Rosa
NI Jun

AUDITOR

BDO Limited
Certified Public Accountants

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 5, 11/F, Westlands Centre
20 Westlands Road, Quarry Bay
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Union Registrars Limited
A18/F., Asia Orient Tower, Town Place
33 Lockhart Road, Wanchai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

Chairman's Statement

I am pleased to report to our valued shareholders and investors the results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the financial year ended 31 October 2015.

FINANCIAL HIGHLIGHTS

During the year under review, the Group's revenue was HK\$84,324,000, a 12% decrease as compared to last year HK\$96,073,000 due to decreasing in sales orders from our customers in industrial environmental products business under global and domestic economic uncertainties. The Group recorded a profit attributable to owners of the Company amounted to HK\$3,980,000 for the year ended 31 October 2015 while there was a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014.

BUSINESS REVIEW

China's previous high gross domestic product ("GDP") growth was shifted to sustainable development. According to the announcement from China's National Bureau of Statistics, China's GDP growth for the year of 2015 was only 6.9%, which was the lowest growth in a quarter of a century. The U.S. Federal Reserve has started raising interest rates in December 2015, more fluctuations in global markets were expected. Weak export market and declining consumer consumption in China depressed the demand for acquiring industrial machines. Expectation of weak economy inevitably suppressed capital investments and affected the confidence of our customers under industrial environmental products business to place order to us. The Group's revenue for the year ended 31 October 2015 was HK\$84,324,000, a decrease of 12% as compared with the corresponding period (2014: HK\$96,073,000). It was mainly due to our customers in industrial environmental products business reduced their orders significantly under global and domestic economic uncertainties.

Gross profit for the year ended 31 October 2015 was HK\$30,599,000, representing an increase of 18% as compared with the last year (2014: HK\$25,993,000) because of increase of the Group's profit margin to 36% for the year ended 31 October 2015 (2014: 27%) under the depreciation of Japanese Yen. Since Renminbi is one of the Group's major selling currencies while the Japanese Yen is one of the Group's major purchase currencies, those exchange rates significantly affect the gross margin of the Group, we will cautiously monitor their fluctuations and take measures to hedge if necessary.



Chairman's Statement



The Group's administrative expenses for the year ended 31 October 2015 was amounted to HK\$23,529,000, representing an increase of 8% compared with the last year (2014: HK\$21,810,000) due to increase in exchange loss and salaries expenses. The Group's selling expenses for the year ended 31 October 2015 was amounted to HK\$2,184,000, representing an decrease of 3% compared with the last year (2014: HK\$2,250,000). The Group's other operating expenses for the year ended 31 October 2015 was amounted to HK\$415,000 (2014: HK\$7,455,000) represented the impairment loss on accounts receivable and trade deposit during this year.

On 23 December 2013, the Board decided to discontinue the operation of the production of machines (the "Discontinued Operations"). There was no loss from the Discontinued Operations for the year ended 31 October 2015 while the loss from the Discontinued Operations for the year ended 31 October 2014 was HK\$1,652,000.

The Group recorded a profit attributable to owners of the Company amounted to HK\$3,980,000 for the year ended 31 October 2015 while the Group records a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014.

PROSPECTS

The slow growth in China's GDP suppressed capital investments, together with the problem of over production capacity in traditional industries brings challenges to the future development of the industrial environmental products sectors. In view of this, other than dedicating further efforts to enhance value added services to existing industrial environmental products, the Group will also explore opportunities in new products or services to capture opportunities arising from the development in China.

"Energy Conservation and Emission Reduction" is one of the national strategies. Leverage on the Group's past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

Chairman's Statement

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. According to the press release conference held by the state council information office of the People's Republic of China (國務院新聞辦事處) on 10 December 2015, Mr. Yin Hai Lin, 尹海林先生, the deputy mayor of Tianjin City, mentioned that the progress of preparation works for Beijing-Tangshan Intercity Railway and Tianjin Binhai New Area Intercity Railway (together as the "New Intercity Railways") are on schedule and the construction of Baodi Station will be firstly started in December 2015 and remaining constructions of the New Intercity Railways will also be started in year 2016. Completion of the New Intercity Railways will promote the integrative and cooperative economic development of the Baodi and Jing-Jin New City which will benefit our water supply plant. Together with the planning of Tianjin Financial Valley in Jing-Jin New City to provide financial services including training, data backup and outsourcing for the financial institutes located in the Beijing and Tianjin cities, the Group has confidence on future developments of our water supply plant.

APPRECIATION

The uncertainties and changes during the year, both inside and outside the Group provided valuable experiences to strengthen our board, management and employees. The experience in this year will enable us to face and survive new challenges to come.

On behalf of the board, I would like to acknowledge the dedication of our staff, past and present, and the continued support of our business partners and shareholders. I would also like to express my personal appreciation to my fellow board members for their continuous valuable contributions.

Hui Wai Man, Shirley

Chairman

Hong Kong, 21 January 2016

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

Ms. HUI Wai Man Shirley, aged 48, is the Chairman and non-executive Director. She is a practicing accountant in Hong Kong. Ms. Hui has over 26 years of experience in public accounting and corporate finance. Ms. Hui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is also a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Hui joined the Company in October 2004 as independent non-executive director, and was subsequently re-designated as non-executive director and chairman in March 2008. Save as disclosed herein, Ms. Hui has not previously held and is not holding any other position within the Group. Ms. Hui is an independent non-executive director of Goldin Financial Holdings Limited (Stock Code:530) which is listed on the Main Board of the Stock Exchange. She was an independent non — executive director of Evergrande Health Industry Group Limited (formerly known as “New Media Group Holdings Limited”) (Stock Code: 708), a company listed on the Main Board of the Hong Kong Stock Exchange, for the period from 16 January 2008 to 27 March 2015.

CHIEF EXECUTIVE OFFICER

The position of Chief Executive Officer remains vacant since 6 October 2014. The responsibilities of the chief executive officer were taken up by executive Director during the year.

EXECUTIVE DIRECTORS

Mr. KWOK Tsun Kee, aged 78, is the executive Director of the Company and is responsible for Greater China business development. Mr. Kwok holds a master degree of Philosophy and he is the College Tutor of Shaw College of The Chinese University of Hong Kong. He has over 45 years of extensive experience with academic and technology fields. Mr. Kwok joined the Company in November 2009.

Mr. LEUNG Wai Lun, aged 56, is the 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 Engineers (USA). Mr. LEUNG joined the Company in September 2015.

NON-EXECUTIVE DIRECTORS

Ms. HUI Wai Man Shirley — Please refer to the paragraph under “CHAIRMAN” above for her profile.

Dr. LUI Sun Wing, aged 65, 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 Shanghai Electric Group Company Limited (Stock Code: 2727) which is a listed public company in Hong Kong.

Biographical Details of the Directors and Senior Management

Mr. WU Cheng-wei, aged 56, is the non-executive Director. He has over 27 years of experience in the engineering field and extensive experience in developing the Taiwan and international markets. From 1997 to 2003 and from 2009 to 2015, Mr. Wu was Chairman of the Plastic & Rubber Machinery Committee of the Taiwan Association of Machinery Industry ("TAMI"), and a director of TAMI from 2003 to 2006. Currently, he is Chairman of the Trade Coordination Committee of TAMI, the Chief Editor of the Plastic and Rubber Machinery, Machinery Monthly Magazine, a member of each of the National Standards & Technologies Committee and the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs, R.O.C. the General Manager of an engineering company. Mr. Wu holds an Executive Master degree of Business Administration from the National Central University (Taiwan) and a Master of Engineering Manufacturing Management from the University of South Australia. Mr. Wu joined the Company in December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 52, is an independent non-executive Director. He has over 23 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) and Carpenter Tan Holdings Limited (Stock Code: 837) which are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of Zhejiang Chang'an Renheng Technology Co. Ltd (Stock Code: 8139), which is listed on the GEM Board of the Stock Exchange., He joined the Company in March 2008. He is also the Chairman of the audit committee and nomination committee of the Company, and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 56, is an independent non-executive Director. She has over 28 years of experience in management, production and marketing in manufacturing industry. 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. She is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company.

Professor NI Jun, aged 54, 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. He joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

SENIOR MANAGEMENT

Mr. YIM Wai Man, aged 45, is the company secretary and the financial controller of the Group and is responsible for the financial management, reporting and secretarial matters of the Group. He has over 21 years of experience in auditing, taxation and finance fields. He obtained a Master degree in Business Administration from The Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

China's economic raise over the past two decades relied on enormous capital investment and exports backed by a huge and cheap labor force, but the economy was steered onto a more sustainable development track with more domestic consumption, rather than over-relying on investment and exports. Previous high gross domestic product ("GDP") growth was shifted to sustainable development. National Bureau of Statistics of the People's Republic of China announced that China's GDP growth in year 2015 was 6.9% only which was the lowest growth in a quarter of a century. The Chinese Academy of Sciences recently in its research report, estimated that China's GDP growth in year 2016 would be approximately 6.7% only. Weak and declining consumer consumption in China depressed the demand for acquiring industrial machines like plastic injection molding machines.

The China's Caixin manufacturing Purchasing Managers' Index (PMI) dropped by 0.4 percentage points month-on-month to 48.2 in December 2015. It has been ten straight months for the figure to be lower than 50 indicating contraction of purchasing activities. It was believed that the forces driving an economic recovery have encountered obstacles and the economy was facing a greater risk of weakening. More fluctuations in global markets were expected as the U.S. Federal Reserve has started raising interest rates. Majority of our customers were PRC mainland factories who have reduced or delayed machinery and equipment procurement which inevitably affected our industrial environmental products business. As results, the Group's revenue for the year ended 31 October 2015 dropped by 12% to HK\$84,324,000 as compared with that of last year (2014: HK\$96,073,000).

The slow growth in China's GDP suppressed capital investments, together with the problem of over production capacity in traditional industries brings challenges to the future development of the industrial environmental products sectors. In view of this, other than dedicating further efforts to enhance value added services to existing industrial environmental products, the Group will also explore opportunities in new products or services to capture opportunities arising from the development in China.

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Management Discussion and Analysis

FINANCIAL REVIEW

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LIQUIDITY AND FINANCE RESOURCES

During the year under the review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 October 2015, the Group had net current assets of approximately HK\$30,773,000 (31 October 2014: HK\$20,390,000) including bank balances and cash of approximately HK\$12,819,000 (31 October 2014: HK\$15,567,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 as at 31 October 2015 (31 October 2014: 1.4). As at 31 October 2015, the Group's inventory turnover was about 102 days (31 October 2014: 78 days) and the Group's accounts receivable turnover was about 78 days (31 October 2014: 70 days).

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 (define as the total borrowing over total equity, including minority interests) was approximately 16% as at 31 October 2015 (31 October 2014: 16%).

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, Japanese Yen, Euro and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. 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 2015, the Group had pledged its bank deposits of approximately HK\$9,020,000 (31 October 2014: HK\$9,020,000) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2015 (2014: Nil).

INFORMATION ON EMPLOYEES

As at 31 October 2015, the Group had 65 employees (2014: 67) working in Hong Kong 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) in the continuing and discontinued operations for the year ended 31 October 2015 amounted to approximately HK\$13,461,000 (2014: HK\$12,427,000). The dedication and hard work of the Group's staff during the year ended 31 October 2015 are generally appreciated and recognized.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 October 2015, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to safeguard the interest of the Company's shareholders and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the shareholders. Throughout the year ended 31 October 2015, 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 shareholders. Professor Ni Jun, the independent non-executive directors was unable to attend the annual general meeting the Company held on 23 April 2015 as Professor Ni Jun was out of town.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

Composition

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

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

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

Corporate Governance Report

BOARD DIVERSITY POLICY

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

Summary of Board Diversity Policy

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

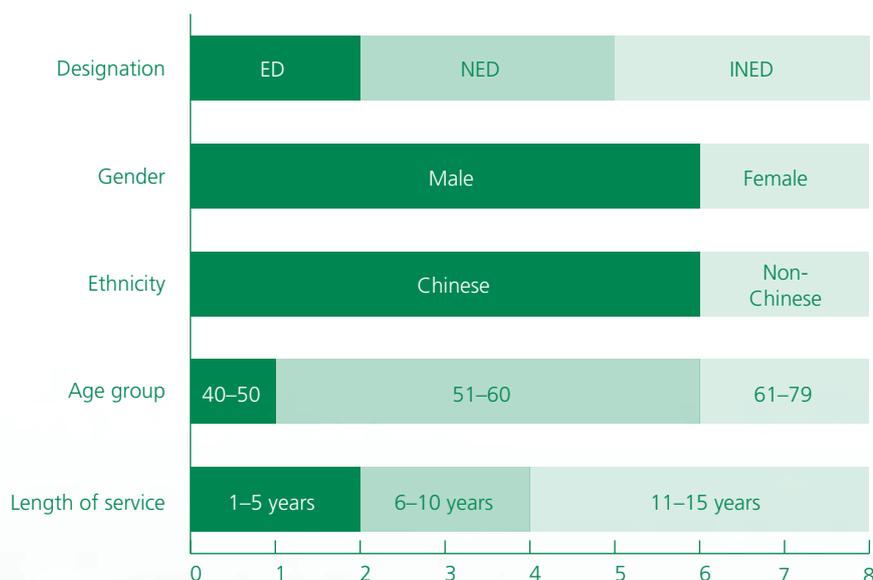
Measurable objectives

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

Implementation and Monitoring

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

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



INED: Independent Non-executive Director

NED: Non-Executive Director

ED: 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

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 Chief Executive Officer 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. Ms. HUI Wai Man, Shirley was the Chairman of the board throughout the year. The position of chief executive officer of the Company remains vacant since 6 October 2014. 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 2015 is as follows:

| Directors | Trainings |
|--|--------------------------|
| Executive Directors | Type of trainings |
| Mr. KWOK Tsun Kee | A |
| Mr. LEUNG Wai Lun* | A |
| Non-executive Directors | |
| Ms. HUI Wai Man | A |
| Dr. LUI Sun Wing | A,B |
| Mr. Wu Cheng-wei# | A |
| Independent Non-executive Directors | |
| Mr. CHAU Kam Wing Donald | A,B |
| Ms. CHAN Siu Ping | A,B |
| Professor NI Jun | A |

* Mr. LEUNG Wai Lun was appointed on 10 September 2015

Mr. Wu Cheng-wei was appointed on 21 December 2015

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 2015, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under the GEM Listing Rules 5.15. He will continue to comply with the GEM Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

The primary duties of the audit committee are mainly to review the financial information and reporting system, risk management and internal control 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 INED) is an INED who possesses appropriate professional qualifications or accounting related financial management expertise.

The audit committee held four meetings during the year. The Group's unaudited quarterly results for the 3 months ended 31 January 2015, 9 months ended 31 July 2015 and unaudited interim results for the 6 months ended 30 April 2015 as well as audited annual results for the year ended 31 October 2015 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Corporate Governance Report

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at board meetings, audit committee meetings, remuneration committee meeting, nomination committee meetings and general meeting during the year ended 31 October 2015 is set out in the following table:

| Directors | Board Meeting | Audit Committee Meeting | Nomination Committee Meeting | Remuneration Committee Meeting | General Meeting |
|--|--|-------------------------|------------------------------|--------------------------------|-----------------|
| Number of meetings held | 4 | 4 | 2 | 1 | 1 |
| | Number of meetings attended/Number of meetings held | | | | |
| Executive Director | | | | | |
| Mr. KWOK Tsun Kee | 2/4 | – | – | – | 1/1 |
| Mr. LEUNG Wai Lun* | 1/4 | – | – | – | – |
| Non-executive Directors | | | | | |
| Ms. HUI Wai Man | 3/4 | – | – | – | 1/1 |
| Dr. LUI Sun Wing | 4/4 | – | – | – | 1/1 |
| Mr. Wu Cheng-wei # | – | – | – | – | – |
| Independent non-executive Directors | | | | | |
| Mr. CHAU Kam Wing Donald | 3/4 | 4/4 | 2/2 | 2/2 | 1/1 |
| Ms. CHAN Siu Ping Rosa | 4/4 | 4/4 | 2/2 | 2/2 | 1/1 |
| Professor NI Jun | 2/4 | 2/4 | 1/2 | 1/2 | 0/1 |

* Mr. LEUNG Wai Lun was appointed on 10 September 2015

Mr. Wu Cheng-wei was appointed on 21 December 2015

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 judgment 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 2015 amounted approximately HK\$650,000 (2014: HK\$620,000). No other significant fee was incurred for non-audit services during the year (2014: Nil).

INTERNAL CONTROLS AND RISK ASSESSMENT

The board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. In addition to internal controls reviews carried by internal staff of the Group, a review of internal controls systems of different operations was conducted by an independent external risk advisory firm (the "Firm") annually since November 2008 to ensure the effective and adequate internal controls system. The annual reports from the Firm was presented to the board and reviewed by the audit committee.

The board considered the internal controls system of the Group to be adequate and effective for the year ended 31 October 2015. The board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 October 2015.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

During the year ended 31 October 2015, there is no significant change in the Company’s memorandum and articles of association.

SHAREHOLDERS’ RIGHT

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

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

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

Directors' Report

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Eco-Tek Holdings Limited (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 October 2015.

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 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 October 2015 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 October 2015 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 74. The directors do not recommend the payment of a final dividend for the year ended 31 October 2015.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 21st April 2016 (the "2016 AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 19th April 2016 to Thursday, 21st April 2016, 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, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 18th April 2016.

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 75 to 76 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 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

Details of the Company's share capital and share option schemes are set out in notes 28 and 15 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 29 to the 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 TRANSACTION

Details of the significant related party transactions entered into by the Group during the year ended 31 October 2015 are set out in note 35 to the 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 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$21,237,000. This includes the Company's share premium in the amount of approximately HK\$30,537,000 at 31 October 2015, 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 41% (2014: 33%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 10% (2014: 11%).

Purchases from the Group's five largest suppliers accounted for approximately 77% (2014: 86%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 33% (2014: 41%).

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.

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. KWOK Tsun Kee

Mr. LEUNG Wai Lun (appointed on 10 September 2015)

Non-executive directors

Ms. HUI Wai Man Shirley (*Chairman*)

Dr. LUI Sun Wing

Mr. Wu Cheng-wei (appointed on 21 December 2015)

Independent non-executive directors

Mr. CHAU Kam Wing Donald

Ms. CHAN Siu Ping Rosa

Professor NI Jun

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

DIRECTORS' SERVICE CONTRACTS

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

Directors' Report

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 7 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 13 and 14 to the financial statements, respectively.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions and connected transactions disclosed in note 35 to the 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 2015, 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' 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 15 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 October 2015, 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

| Name of Director | Capacity | Total Number of ordinary shares held as at 31 October 2015 | Percentage of the Company's issued share capital as at 31 October 2015 |
|--|------------------|--|--|
| Non-executive Director and Chairman | | | |
| Ms. HUI Wai Man Shirley | Beneficial owner | 3,000,000 | 0.46 |

Directors' Report

Save as disclosed above, as at 31 October 2015, 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.

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 2015, 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 2015 | Percentage to the Company's issued share capital as at 31 October 2015 |
|--|---|--|--|
| Cititrust (Cayman) Limited (<i>Note 1</i>) | Through a unit trust and controlled corporation | 344,621,200 | 53.06 |
| Wide Sky Management (PTC) Limited (<i>Note 1</i>) | Through a controlled corporation | 344,621,200 | 53.06 |
| Team Drive Limited (<i>Note 1</i>) | Directly beneficially owned | 344,621,200 | 53.06 |
| BOS Trust Company (Jersey) Limited (<i>Note 2</i>) | Through a controlled corporation | 44,224,000 | 6.81 |
| Crayne Company Limited (<i>Note 2</i>) | Directly beneficially owned | 44,224,000 | 6.81 |
| Mr. Lee Wai Man | Directly beneficially owned | 35,620,000 | 5.48 |

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management (PTC) Limited, being the trustee of a unit trust of which the entire issued units are held by Cititrust (Cayman) Limited. By virtue of the SFO, Wide Sky Management (PTC) Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.
2. The shares are held by Crayne Company Limited, a company wholly-owned by BOS Trust Company (Jersey) Limited as trustee of the Crayne Trust, which is a discretionary trust founded by Dr. Pau Kwok Ping.

Directors' Report

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 2015. The Company had not redeemed any of its listed securities during the year ended 31 October 2015.

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 2015.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 17 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The financial statements since the financial year ended 31 October 2004 were audited by Grant Thornton Hong Kong. Pursuant to the merger of the practice of Grant Thornton Hong Kong with that of BDO Limited, Grant Thornton Hong Kong resigned and BDO Limited was appointed as auditor of the Company on 24 November 2010. The financial statements of the Company for the year ended 31 October 2015 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

Ms. HUI Wai Man, Shirley
Chairman

Hong Kong, 21 January 2016

Independent Auditor's Report



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TO THE SHAREHOLDERS OF ECO-TEK HOLDINGS LIMITED 環康集團有限公司 *(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 25 to 74, which comprise the consolidated and company statements of financial position as at 31 October 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lam Hung Yun, Andrew

Practising Certificate Number P04092

Hong Kong, 21 January 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2015

| | Notes | 2015 HK\$'000 | 2014 HK\$'000 |
|--|-------|------------------|------------------|
| CONTINUING OPERATIONS: | | | |
| Revenue | 5 | 84,324 | 96,073 |
| Cost of Sales | | (53,725) | (70,080) |
| Gross Profit | | 30,599 | 25,993 |
| Other income | | 621 | 798 |
| Selling expenses | | (2,184) | (2,250) |
| Administrative expenses | | (23,529) | (21,810) |
| Other operating expenses | | (415) | (7,455) |
| Profit/(Loss) from continuing operations | 6 | 5,092 | (4,724) |
| Finance costs | 7 | (500) | (373) |
| Share of profit of a joint venture | | 270 | 129 |
| Profit/(Loss) before taxation | | 4,862 | (4,968) |
| Taxation | 8 | (854) | (9,541) |
| Profit/(Loss) for the year from continuing operations | | 4,008 | (14,509) |
| DISCONTINUED OPERATIONS: | | | |
| Loss for the year from discontinued operations | 9 | – | (1,652) |
| Profit/(Loss) for the year | | 4,008 | (16,161) |
| Other comprehensive income for the year | | | |
| — Items that may subsequently reclassified to profit and loss: | | | |
| Exchange loss on translation of financial statements of foreign operations | | (3,226) | (87) |
| Share of other comprehensive income of a joint venture | | (130) | (16) |
| | | (3,356) | (103) |
| Total comprehensive income for the year | | 652 | (16,264) |

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 HK\$'000 |
|--|--------------|-------------------------|------------------|
| Profit/(Loss) for the year attributable to: | | | |
| Owners of the Company | 12 | 3,980 | (16,315) |
| Non-controlling interests | 30 | 28 | 154 |
| | | 4,008 | (16,161) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 1,060 | (16,410) |
| Non-controlling interests | | (408) | 146 |
| | | 652 | (16,264) |
| Earnings/(Loss) per share from continuing and discontinued operations | | | |
| | 11 | | |
| — Basic | | HK0.61 cent | (HK2.51) cents |
| — Diluted | | N/A | N/A |
| From continuing operations | | | |
| — Basic | | HK0.61 cent | (HK2.26) cents |
| — Diluted | | N/A | N/A |
| From discontinued operations | | | |
| — Basic | | N/A | (HK0.25) cent |
| — Diluted | | N/A | N/A |

Consolidated Statement of Financial Position

As at 31 October 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 HK\$'000 |
|---|--------------|--------------------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 16 | 94,697 | 104,225 |
| Interest in leasehold land | 17 | 5,105 | 5,422 |
| Interest in a joint venture | 19 | 3,527 | 3,387 |
| Deferred tax assets | 20 | 868 | 894 |
| Pledged bank deposits | 24 | 9,020 | 9,020 |
| | | 113,217 | 122,948 |
| Current assets | | | |
| Inventories | 21 | 15,022 | 14,913 |
| Accounts receivable | 22 | 18,134 | 18,528 |
| Deposits, prepayments and other receivables | | 5,436 | 5,818 |
| Tax recoverable | | 16,454 | 16,454 |
| Cash and cash equivalents | 24 | 12,819 | 15,567 |
| | | 67,865 | 71,280 |
| Current liabilities | | | |
| Accounts and bills payable | 25 | 9,579 | 20,748 |
| Accrued liabilities, receipts in advance and other payables | 26 | 26,007 | 26,841 |
| Provision for tax | | 1,506 | 3,301 |
| | | 37,092 | 50,890 |
| Net current assets | | 30,773 | 20,390 |
| Total assets less current liabilities | | 143,990 | 143,338 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 20 | 7,570 | 7,570 |
| Loan from a shareholder | 27 | 9,500 | 9,500 |
| Loan from a minority shareholder | 27 | 9,526 | 9,526 |
| | | 26,596 | 26,596 |
| Net assets | | 117,394 | 116,742 |

Consolidated Statement of Financial Position

As at 31 October 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 HK\$'000 |
|---|--------------|-------------------------|------------------|
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 28 | 6,495 | 6,495 |
| Share premium | 29(a) | 19,586 | 19,586 |
| Capital reserve | 29(a) | 95 | 95 |
| Exchange translation reserve | 29(a) | 17,036 | 19,956 |
| Capital contribution reserve | 29(a) | 7,971 | 7,971 |
| Retained profits | | 58,423 | 54,443 |
| | | 109,606 | 108,546 |
| Non-controlling interests | 30 | 7,788 | 8,196 |
| Total equity | | 117,394 | 116,742 |

On behalf of the Board

Mr. KWOK Tsun Kee
Director

Ms. HUI Wai Man Shirley
Director

Statement of Financial Position

As at 31 October 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 HK\$'000 |
|---|--------------|--------------------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 18 | 10,957 | 10,957 |
| Current assets | | | |
| Prepayments and other receivables | | 84 | 39 |
| Amounts due from subsidiaries | 23 | 43,590 | 43,664 |
| Cash and cash equivalents | 24 | 121 | 109 |
| | | 43,795 | 43,812 |
| Current liabilities | | | |
| Accrued liabilities and other payables | 26 | 337 | 355 |
| Amounts due to subsidiaries | 23 | 26,683 | 25,032 |
| | | 27,020 | 25,387 |
| Net current assets | | 16,775 | 18,425 |
| Net assets | | 27,732 | 29,382 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 28 | 6,495 | 6,495 |
| Share premium | 29(b) | 30,537 | 30,537 |
| Accumulated losses | 29(b) | (9,300) | (7,650) |
| Total equity | | 27,732 | 29,382 |

On behalf of the Board

Mr. KWOK Tsun Kee
Director

Ms. HUI Wai Man Shirley
Director

Consolidated Statement of Cash Flows

For the year ended 31 October 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 HK\$'000 |
|---|--------------|--------------------------------|------------------|
| Cash flows from operating activities of continuing and discontinued operations | | | |
| Profit/(loss) before income tax from continuing operations | | 4,862 | (4,968) |
| Loss before income tax from discontinued operations | 9 | – | (1,652) |
| | | 4,862 | (6,620) |
| Adjustments for: | | | |
| Interest income | 6 | (24) | (21) |
| Interest expense | 7 | 500 | 373 |
| Share of profit of a joint venture | | (270) | (129) |
| Depreciation of property, plant and equipment | 6 | 7,627 | 7,623 |
| (Gain)/loss on disposal of property, plant and equipment | | (16) | 594 |
| Amortisation of interest in leasehold land | 6 | 131 | 131 |
| Write-down of inventories | 9 | – | 78 |
| Provision for slow-moving inventories | 6 | 105 | 2,866 |
| Bad debts written off | 9 | – | 567 |
| Impairment loss on accounts receivable | 6 | 100 | – |
| Impairment loss on trade deposits | 6 | 44 | – |
| Exchange gains, net | 6 | (1,162) | (758) |
| Operating profit before working capital changes | | 11,897 | 4,704 |
| (Increase)/decrease in inventories | | (214) | 1,303 |
| Decrease in accounts receivable | | 294 | 5,531 |
| Decrease/(increase) in deposits, prepayments and other receivables | | 338 | (1,268) |
| Decrease in accounts and bills payable | | (11,169) | (8,239) |
| (Decrease)/increase in accrued liabilities, receipts in advance and other payables | | (834) | 7,020 |
| Cash generated from operations | | 312 | 9,051 |
| Tax paid | | (2,649) | (16,133) |
| <i>Net cash used in operating activities</i> | | (2,337) | (7,082) |
| Cash flows from investing activities of continuing and discontinued operations | | | |
| Purchases of property, plant and equipment | | (1,450) | (2,834) |
| Proceeds from disposal of property, plant and equipment | | 35 | 1,972 |
| Interest received | | 24 | 21 |
| <i>Net cash used in investing activities</i> | | (1,391) | (841) |
| Cash flows from financing activities of continuing and discontinued operations | | | |
| Repayment of loan from third party | | – | (1,759) |
| Interest paid | | (500) | (373) |
| Advance from a shareholder | | – | 9,500 |
| <i>Net cash (used in)/generated from financing activities</i> | | (500) | 7,368 |
| Decrease in cash and cash equivalents | | (4,228) | (555) |
| Effect of foreign exchange rate changes | | 1,480 | 766 |
| Cash and cash equivalents at beginning of the year | | 15,567 | 15,356 |
| Cash and cash equivalents at end of the year | 24 | 12,819 | 15,567 |

Consolidated Statement of Changes in Equity

For the year ended 31 October 2015

| | Equity attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity |
|---|--|--------------------------|--------------------------|------------------------------|------------------------------|------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Capital reserve | Exchange translation reserve | Capital contribution reserve | Retained profits | Total | | |
| | HK\$'000 (Note 28) | HK\$'000 (Note 29(a)) | HK\$'000 (Note 29(a)) | HK\$'000 (Note 29(a)) | HK\$'000 (Note 29(a)) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 November 2013 | 6,495 | 19,586 | 95 | 20,051 | 7,971 | 70,758 | 124,956 | 8,050 | 133,006 |
| (Loss)/profit for the year | - | - | - | - | - | (16,315) | (16,315) | 154 | (16,161) |
| Other comprehensive income | - | - | - | (95) | - | - | (95) | (8) | (103) |
| Total comprehensive income for the year | - | - | - | (95) | - | (16,315) | (16,410) | 146 | (16,264) |
| At 31 October 2014 and 1 November 2014 | 6,495 | 19,586 | 95 | 19,956 | 7,971 | 54,443 | 108,546 | 8,196 | 116,742 |
| Profit for the year | - | - | - | - | - | 3,980 | 3,980 | 28 | 4,008 |
| Other comprehensive income | - | - | - | (2,920) | - | - | (2,920) | (436) | (3,356) |
| Total comprehensive income for the year | - | - | - | (2,920) | - | 3,980 | 1,060 | (408) | 652 |
| At 31 October 2015 | 6,495 | 19,586 | 95 | 17,036 | 7,971 | 58,423 | 109,606 | 7,788 | 117,394 |

Notes to the Financial Statements

For the year ended 31 October 2015

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 GT, Grand Cayman KY1-1111, Cayman Islands and, its principal place of business is Unit 5, 11/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Company's shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The directors consider the ultimate holding company to be Cititrust (Cayman) Limited, a company incorporated in the Cayman Islands.

The financial statements on pages 25 to 74 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 financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 October 2015 were approved and authorised for issue by the board of directors on 21 January 2016.

2. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new/revISED to 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 2014:

| | |
|---|--|
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment entities |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC)-Int 21 | Levies |
| HKFRSs (Amendments) | Annual Improvements 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements 2011–2013 Cycle |

The adoption of these new/revISED standards and amendments has no significant impact on the Group's financial statements.

Notes to the Financial Statements

For the year ended 31 October 2015

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis.

Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC)-Int 21 — Levies

HK (IFRIC)-Int 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively. The adoption of HK (IFRIC)-Int 21 has no impact on these financial statements as the interpretation is consistent with the Group’s previous application of its accounting policies on provisions.

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 October 2015

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New/amended 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.

| | |
|---------------------------------------|---|
| Amendments to HKAS 1 | Disclosure Initiative ¹ |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ¹ |
| HKFRS 9 (2014) | Financial Instruments ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ² |

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirement for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments — fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

Notes to the Financial Statements

For the year ended 31 October 2015

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Certain other new/ revised HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

(c) Amended GEM Listing Rules relating to the presentation and disclosures in financial statements

The amended GEM Listing Rules in relation to the presentation and disclosure in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622, will first apply to the Company in its financial year ending 31 October 2016.

The directors consider that there will be no impact on the Group's financial position or performance. However the Amended GEM Board Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are consistently applied to all 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 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 financial statements are disclosed in note 4.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Business combination and basis of consolidation

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

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

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

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.

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.

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

Notes to the Financial Statements

For the year ended 31 October 2015

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, interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends 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 associates' net assets except that losses in excess of the Group's interest in the associate 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 fair value of the Group's share 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 joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to customer. This is usually taken at the time when the goods are delivered and the customer has accepted the goods;
- (ii) Interest income is recognised on a time-proportion basis using the effective interest rate applicable; and
- (iii) Revenue arising from water supply is recognised based on water supplied as recorded by meters read.

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.

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 Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

(ii) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|-----------------------------|--|
| Motor vehicles | 20% |
| Office equipment | 20% |
| Plant, moulds and machinery | 5% to 20% |
| Furniture and fixtures | 20% |
| Leasehold improvements | The shorter of the lease terms and 20% |
| Buildings and structure | The shorter of the lease terms and 3.33% |

The assets' estimated useful lives, estimated residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.7 Impairment of non-financial assets

Property, plant and equipment, interest in leasehold land, 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 to sell, 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 to sell, or value in use, if determinable.

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

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Leases

(i) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

The Group as lessee

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

(ii) Interest in leasehold land

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

3.9 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.

(iii) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rule of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC except Macau and Hong Kong are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Employee benefits (Continued)

(iv) 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 carried at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses and the estimated costs necessary to make the sale.

3.11 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and interest in a joint venture are set out below.

The Group's and Company's financial assets include accounts receivable, deposits and other receivables, amounts due from subsidiaries and cash and cash equivalents. The Group's financial assets are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised initially, at fair value, plus, directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to determine whether there is objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets other than accounts receivable and other receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of accounts receivable and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of accounts receivable and other receivables is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial liabilities

The Group's and Company's financial liabilities include accounts and bills payable, accrued liabilities, other payables, amounts due to subsidiaries and loans from a minority shareholder and a shareholder.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

Financial liabilities, other than loan from a minority shareholder, are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost, using the effective interest method.

Loan from a minority shareholder is recognised initially at fair value. The difference between the nominal loan amount and the fair value represents deemed contribution from a minority shareholder and is recorded as a component of equity in the Group's financial statements. Subsequently, loan from a minority shareholder is measured at amortised cost, using the effective interest method.

Loans from a minority shareholder and a shareholder are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3.13 Provisions and contingent liabilities

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

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

3.14 Income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amounts and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Income tax (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in equity if they relate to items that are charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 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).

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 Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Foreign currencies

The 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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

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

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

3.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Notes to the Financial Statements

For the year ended 31 October 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 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 financial statements prepared under HKFRSs, except that:

- share of profit or loss of joint venture accounted for using the equity method
- finance costs
- taxation
- 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 but interest in a joint venture and tax recoverable. 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 but deferred tax liabilities, loans from a shareholder and a minority shareholder. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

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

Depreciation

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

Notes to the Financial Statements

For the year ended 31 October 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 to 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 marking 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 determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the reporting date.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and 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 competitor actions in response to severe industry cycles. Management will reassess the estimates at the reporting date.

Estimate of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision and the payment of taxation and any related surcharges in accordance with the tax laws of the respective jurisdictions. Where the final tax outcome might be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

For the years ended 31 October 2015 and up to the date of these financial statements, the Inland Revenue Department ("IRD") of Hong Kong is in the process of reviewing the tax affairs of certain subsidiaries of the Group and has issued additional estimated assessments on these subsidiaries up to the year of assessments 2012/13. The Group currently has paid cash and purchased tax reserve certificates with the total of HK\$24,852,000 (2014: HK\$24,852,000) to settle those additional estimated assessments. The directors of the Company have considered the latest communications between the IRD and the Group, and also taken into account the view of the tax advisor of the Group. HK\$16,454,000 (2014: HK\$16,454,000) has been recognised as tax recoverable in the financial statements as at 31 October 2015.

After taking into account the up-to-date development of the IRD's review, the directors of the Company are of the opinion that the Group's taxation charges and related provisions as at 31 October 2015 are adequate and fairly presented. If the final outcome of the IRD's review is different from the directors' expectation, further provision for tax and any related surcharges may be required. The directors have been closely monitoring the status of the IRD's review and will revise their expectation if deemed necessary and appropriate.

Notes to the Financial Statements

For the year ended 31 October 2015

5. REVENUE AND SEGMENT REPORTING

Revenue, which is also the Group's turnover, recognised during the year comprised the followings:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------|------------------|------------------|
| Continuing operations | | |
| Sales of goods | 63,593 | 75,082 |
| Supply of water | 20,731 | 20,991 |
| | 84,324 | 96,073 |

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

| | | |
|--|---|---|
| General environmental protection related products and services | : | Sale of particulate removal devices and related ancillary services in the PRC |
| Industrial environmental products | : | Sale of hydraulic components and other related accessories in the PRC |
| 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.

As disclosed in note 9, the Board had decided to discontinue the operation of production of machines on 23 December 2013. In accordance with HKFRS 5, the segment of production of machines for the year ended 31 October 2014 was classified as discontinued operations in the Group's financial statements. Further details regarding the result of the discontinued operations are set out in note 9.

| | General environmental protection related products and services | | Industrial environmental products | | Water supply plant | | Total | |
|--|--|------------------|-----------------------------------|------------------|--------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Revenue from external customers | 1,111 | 1,042 | 62,482 | 74,040 | 20,731 | 20,991 | 84,324 | 96,073 |
| Reportable segment revenue | 1,111 | 1,042 | 62,482 | 74,040 | 20,731 | 20,991 | 84,324 | 96,073 |
| Reporting segment (loss)/profit | (292) | 163 | 23,244 | 18,809 | 5,462 | 4,771 | 28,414 | 23,743 |
| Other segment information | | | | | | | | |
| Interest income | 1 | 1 | 5 | 5 | 18 | 15 | 24 | 21 |
| Depreciation and amortisation | (123) | (120) | (244) | (234) | (7,391) | (7,400) | (7,758) | (7,754) |
| Provision for slow-moving inventories | - | - | (105) | (2,866) | - | - | (105) | (2,866) |
| Impairment loss on accounts receivable | (100) | - | - | - | - | - | (100) | - |
| Impairment loss on trade deposits | (44) | - | - | - | - | - | (44) | - |
| Additions to non-current assets | 6 | 133 | 117 | 518 | 1,327 | 2,183 | 1,450 | 2,834 |
| Reportable segment assets | 12,091 | 9,839 | 34,782 | 41,624 | 113,081 | 121,755 | 159,954 | 173,218 |
| Reportable segment liabilities | 1,176 | 870 | 19,682 | 32,394 | 9,243 | 8,848 | 30,101 | 42,112 |

Notes to the Financial Statements

For the year ended 31 October 2015

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 financial statements as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------------|------------------|------------------|
| Reportable segment revenue | 84,324 | 96,073 |
| Group revenue | 84,324 | 96,073 |
| Reportable segment profit | 28,414 | 23,743 |
| Other corporate expenses | (23,322) | (28,467) |
| Finance costs | (500) | (373) |
| Share of profit of a joint venture | 270 | 129 |
| Profit/(loss) before taxation | 4,862 | (4,968) |
| Reportable segment assets | 159,954 | 173,218 |
| Interest in a joint venture | 3,527 | 3,387 |
| Tax recoverable | 16,454 | 16,454 |
| Other corporate assets | 1,147 | 1,169 |
| Group assets | 181,082 | 194,228 |
| Reportable segment liabilities | 30,101 | 42,112 |
| Deferred tax liabilities | 7,570 | 7,570 |
| Loan from a shareholder | 9,500 | 9,500 |
| Loan from a minority shareholder | 9,526 | 9,526 |
| Other corporate liabilities | 6,991 | 8,778 |
| Group liabilities | 63,688 | 77,486 |

Other corporate expenses mainly included staff cost, directors' emoluments and office rental expenses for administration purpose.

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

| | Revenue from external customers (including continuing and discontinued operations) | | Non-current assets | |
|----------------------|---|------------------|--------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Hong Kong (domicile) | 11,401 | 16,665 | 2,968 | 3,237 |
| PRC | 71,941 | 74,802 | 95,729 | 105,298 |
| Other | 982 | 4,606 | 4,632 | 4,499 |
| | 84,324 | 96,073 | 103,329 | 113,034 |

Notes to the Financial Statements

For the year ended 31 October 2015

5. REVENUE AND SEGMENT REPORTING (Continued)

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 non-current assets is based on the physical location of the assets.

The largest customer of the Group's industrial environmental products segment amounted to approximately HK\$8,830,000 or 10% (2014: HK\$10,892,000 or 11%) of the Group's revenue (including continuing and discontinued operations) for the year ended 31 October 2015.

6. PROFIT/(LOSS) FROM CONTINUING OPERATIONS

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Continuing operations | | |
| Auditor's remuneration | | |
| — Provision for the year | 650 | 620 |
| Amortisation of interest in leasehold land | 131 | 131 |
| Cost of inventories recognised as expense*, including | 53,725 | 70,080 |
| — Provision for slow-moving inventories | 105 | 2,866 |
| Depreciation of property, plant and equipment | 7,627 | 7,623 |
| Exchange gains, net | (1,162) | (758) |
| Gain on disposal of property, plant and equipment | (16) | (82) |
| Operating lease charges in respect of land and buildings | 1,900 | 1,988 |
| Impairment loss on accounts receivable | 100 | — |
| Impairment loss on trade deposits | 44 | — |
| Staff costs (including directors' remuneration) (note 13)) | | |
| — Wages and salaries | 13,260 | 11,942 |
| — Pension scheme contributions | 201 | 179 |
| | 13,461 | 12,121 |
| Interest income | (24) | (21) |

* Cost of inventories includes a total amount of approximately HK\$4,923,000 (2014: HK\$8,743,000), relating to depreciation, provision for slow-moving inventories and exchange gains for which are also included in the respective amounts disclosed separately above.

7. FINANCE COSTS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------|------------------|------------------|
| Continuing operations | | |
| Interest charges on other loans | 500 | 373 |

Notes to the Financial Statements

For the year ended 31 October 2015

8. TAXATION

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Continuing operations | | |
| Under/(over)-provision in respect of prior years | | |
| — Hong Kong | — | 9,393 |
| — PRC | 854 | (64) |
| | 854 | 9,329 |
| Deferred tax (note 20) | — | 212 |
| | 854 | 9,541 |

No income tax expense regarding the discontinued operations has been incurred as there is no assessable profit for the year ended 31 October 2014.

Hong Kong profits tax has been provided for at 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

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% (2014: 25%) on the estimated assessable profits arising in the PRC for the year.

Under the current general provision of the PRC enterprise income tax law and published tax circulars, a subsidiary of the Group would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including interest income.

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the year ended 31 October 2015 and 2014 according to the relevant laws and regulation in Macau.

Notes to the Financial Statements

For the year ended 31 October 2015

8. TAXATION (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before taxation 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:

| | 2015 | | 2014 | |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Continuing operations HK\$'000 | Discontinued operations HK\$'000 | Continuing operations HK\$'000 | Discontinued operations HK\$'000 |
| Profit/(loss) before taxation | 4,862 | – | (4,968) | (1,652) |
| Tax at the domestic rates applicable to profit/(loss) in the jurisdictions concerned | 834 | – | (1,241) | (413) |
| Tax effect of non-taxable revenue for tax purpose | (3,452) | – | (1,536) | – |
| Tax effect of non-deductible expenses for tax purpose | 2,523 | – | 2,104 | 157 |
| Utilisation of unrecognised tax losses | (390) | – | (209) | – |
| Tax effect of tax losses not recognised | 485 | – | 1,094 | 256 |
| Under-provision in respect of prior years | 854 | – | 9,329 | – |
| Income tax expense | 854 | – | 9,541 | – |

9. DISCONTINUED OPERATIONS

On 23 December 2013, the Board decided to discontinue the operation of the production of machines. The operation of machines has been terminated on 26 October 2014. An analysis of the Group's results of the discontinued production of machines business for the year ended 31 October 2014 is as follows:

| | 2014 HK\$'000 |
|--------------------------|------------------|
| Other income | 14 |
| Administrative expenses | (960) |
| Other operating expenses | (706) |
| Loss before taxation | (1,652) |
| Taxation | – |
| Loss for the year | (1,652) |

Notes to the Financial Statements

For the year ended 31 October 2015

9. DISCONTINUED OPERATIONS (Continued)

An analysis of the Group's cash flows of the discontinued operations for the year ended 31 October 2014 is as follows:

| | 2014 HK\$'000 |
|--|------------------|
| Net cash used in operating activities | (431) |
| Net cash generated from investing activities | 1,890 |
| Net cash inflows | 1,459 |

Staff costs of the discontinued operations for the year ended 31 October 2014 of HK\$306,000, which were wages and salaries.

Administrative expenses mainly include loss on disposal of property, plant and equipment of HK\$678,000.

Other operating expenses mainly include write-down of inventories of HK\$78,000 and bad debts of HK\$567,000.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2015 (2014: Nil).

11. EARNINGS/(LOSS) PER SHARE

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share | | |
| — Continuing operations | 3,980 | (14,663) |
| — Discontinued operations | — | (1,652) |
| Total profit/(loss) from continuing and discontinued operations | 3,980 | (16,315) |

| | Number of shares | |
|---|------------------|--------------|
| | 2015 '000 | 2014 '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | 649,540 | 649,540 |

No diluted earnings/(loss) per share is calculated for the year ended 31 October 2015 and 2014 as there was no potential dilutive ordinary share in existence.

Notes to the Financial Statements

For the year ended 31 October 2015

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of approximately HK\$3,980,000 (2014: a loss of HK\$16,315,000), a loss of approximately HK\$1,650,000 (2014: HK\$1,459,000) has been dealt with in the financial statements of the Company.

13. 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 |
|---|------------------|----------------------|--|-------------------|
| 2015 | | | | |
| <i>Executive directors:</i> | | | | |
| Mr. KWOK Tsun Kee | 100 | – | – | 100 |
| Mr. LEUNG Wai Lun [^] | 17 | – | – | 17 |
| <i>Non-executive directors:</i> | | | | |
| Dr. LUI Sun Wing | 100 | – | – | 100 |
| Ms. HUI Wai Man Shirley | 200 | – | – | 200 |
| <i>Independent non-executive directors:</i> | | | | |
| Ms. CHAN Siu Ping Rosa | 50 | – | – | 50 |
| Professor NI Jun | 50 | – | – | 50 |
| Mr. CHAU Kam Wing Donald | 100 | – | – | 100 |
| | 617 | – | – | 617 |

[^] Appointed on 10 September 2015

Notes to the Financial Statements

For the year ended 31 October 2015

13. DIRECTORS' EMOLUMENTS (Continued)

| | Fees HK\$'000 | Salaries HK\$'000 | Pension scheme contributions HK\$'000 | Total HK\$'000 |
|---|------------------|----------------------|--|-------------------|
| 2014 | | | | |
| <i>Executive directors:</i> | | | | |
| Mr. NG Chi Fai * | – | 457 | 15 | 472 |
| Mr. KWOK Tsun Kee | 100 | – | – | 100 |
| <i>Non-executive directors:</i> | | | | |
| Dr. LUI Sun Wing | 100 | – | – | 100 |
| Ms. HUI Wai Man Shirley | 200 | – | – | 200 |
| <i>Independent non-executive directors:</i> | | | | |
| Ms. CHAN Siu Ping Rosa | 50 | – | – | 50 |
| Professor NI Jun | 50 | – | – | 50 |
| Mr. CHAU Kam Wing Donald | 100 | – | – | 100 |
| | 600 | 457 | 15 | 1,072 |

* Resigned on 6 October 2014

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 (2014: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2014: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

No director (2014: one director) 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 13 above. Details of the remuneration of the remaining five (2014: four) non-director, highest paid individuals of the Group for the year are as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 3,655 | 2,980 |
| Pension scheme contributions | 89 | 62 |
| | 3,744 | 3,042 |

The emoluments of two non-director highest paid individuals fell within the band of nil to HK\$500,000 (2014: one); The emoluments of two non-director highest paid individuals fell within the band of HK\$500,001 to HK\$1,000,000 (2014: two). The emolument of one non-director highest paid individual fell within the band of HK\$1,000,001 to HK\$1,500,000 (2014: 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 (2014: Nil).

The emoluments of one non-director senior management fell within the band of HK\$500,001 to HK\$1,000,000 (2014: one).

Notes to the Financial Statements

For the year ended 31 October 2015

15. SHARE OPTION SCHEME

The 2011 Share Option Scheme (the "2011 Scheme")

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

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

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

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

The Company did not grant any share options of the 2011 Scheme for the year ended 31 October 2015 (2014: Nil).

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For the year ended 31 October 2015

16. PROPERTY, PLANT AND EQUIPMENT — THE GROUP

| | Motor vehicles HK\$'000 | Office equipment HK\$'000 | Plant, moulds and machinery HK\$'000 | Furniture and fixtures HK\$'000 | Leasehold improvements HK\$'000 | Buildings and structure HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|-----------------------------------|-------------------------------|---------------------------------|---|--|---------------------------------------|---|---|-------------------|
| At 1 November 2013 | | | | | | | | |
| Cost | 2,353 | 1,688 | 43,623 | 840 | 628 | 109,591 | 1,141 | 159,864 |
| Accumulated depreciation | (1,235) | (1,391) | (24,595) | (822) | (628) | (19,523) | - | (48,194) |
| Net book amount | 1,118 | 297 | 19,028 | 18 | - | 90,068 | 1,141 | 111,670 |
| Year ended 31 October 2014 | | | | | | | | |
| Opening net book amount | 1,118 | 297 | 19,028 | 18 | - | 90,068 | 1,141 | 111,670 |
| Additions | 476 | 91 | 163 | 5 | - | 54 | 2,045 | 2,834 |
| Disposal | - | (22) | (2,546) | - | - | - | - | (2,568) |
| Transfer | - | - | - | - | - | 2,945 | (2,945) | - |
| Depreciation | (411) | (115) | (3,571) | (11) | - | (3,515) | - | (7,623) |
| Translation differences | - | - | (23) | - | - | (70) | 5 | (88) |
| Closing net book amount | 1,183 | 251 | 13,051 | 12 | - | 89,482 | 246 | 104,225 |
| At 31 October 2014 | | | | | | | | |
| Cost | 2,401 | 1,486 | 38,081 | 845 | - | 112,528 | 246 | 155,587 |
| Accumulated depreciation | (1,218) | (1,235) | (25,030) | (833) | - | (23,046) | - | (51,362) |
| Net book amount | 1,183 | 251 | 13,051 | 12 | - | 89,482 | 246 | 104,225 |
| Year ended 31 October 2015 | | | | | | | | |
| Opening net book amount | 1,183 | 251 | 13,051 | 12 | - | 89,482 | 246 | 104,225 |
| Additions | 222 | 24 | 56 | 10 | - | - | 1,138 | 1,450 |
| Disposal | (19) | - | - | - | - | - | - | (19) |
| Transfer | - | - | - | - | - | 791 | (791) | - |
| Depreciation | (441) | (93) | (3,568) | (7) | - | (3,518) | - | (7,627) |
| Translation differences | (15) | (6) | (317) | - | - | (2,947) | (47) | (3,332) |
| Closing net book amount | 930 | 176 | 9,222 | 15 | - | 83,808 | 546 | 94,697 |
| At 31 October 2015 | | | | | | | | |
| Cost | 2,383 | 1,503 | 37,721 | 855 | - | 110,274 | 546 | 153,282 |
| Accumulated depreciation | (1,453) | (1,327) | (28,499) | (840) | - | (26,466) | - | (58,585) |
| Net book amount | 930 | 176 | 9,222 | 15 | - | 83,808 | 546 | 94,697 |

Notes to the Financial Statements

For the year ended 31 October 2015

17. INTEREST IN LEASEHOLD LAND — THE GROUP

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Net carrying amount at the beginning of the year | 5,422 | 5,557 |
| Amortisation charge for the year | (131) | (131) |
| Translation differences | (186) | (4) |
| Net carrying amount at the end of the year | 5,105 | 5,422 |

The leasehold land is situated outside Hong Kong with medium lease terms expiring in 2056.

18. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

| | 2015 HK\$'000 | 2014 HK\$'000 |
|-------------------------------|------------------|------------------|
| Unlisted investments, at cost | 10,957 | 10,957 |

Particulars of the subsidiaries of the Company as at 31 October 2015 are as follows:

| Company name | Place of incorporation/ establishment and kind of legal entity | Issued/paid-up capital | Percentage of equity attributable to the Group | Principal activities and place of operation |
|---|--|--------------------------------------|---|---|
| Directly held | | | | |
| Eco-Tek (BVI) Investment Holdings Limited | British Virgin Islands ("BVI"), limited liability company | 30,000 ordinary shares of US\$1 each | 100% | Investment holding in Hong Kong |
| Indirectly held | | | | |
| Asian Way International Limited | Hong Kong, limited liability company | HK\$10,000 | 80% | Investment holding in Hong Kong |
| Eco-Tek Company Limited | Hong Kong, limited liability company | HK\$100,000 | 100% | Marketing, sale, servicing, research and development of environmental protection related products and services in Hong Kong |
| Eco-Tek Technology Limited | BVI, limited liability company | 101 ordinary shares of US\$1 each | 100% | Holding of intellectual properties in Hong Kong |
| East Miles International Limited | BVI, limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding in Hong Kong |

Notes to the Financial Statements

For the year ended 31 October 2015

18. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

| Company name | Place of incorporation/ establishment and kind of legal entity | Issued/paid-up capital | Percentage of equity attributable to the Group | Principal activities and place of operation |
|--|--|---------------------------|---|---|
| Indirectly held | | | | |
| <i>(Continued)</i> | | | | |
| Elegant Well Investment Limited | Hong Kong, limited liability company | HK\$2 | 100% | Investment holding in Hong Kong |
| Ningbo Tokawa Precision Hydraulic Equipment Co. Ltd [#] | PRC, limited liability company | US\$100,000 | 100% | Marketing and sales of industrial environmental products in the PRC |
| Tianjin Asian Way Estate Development Co., Ltd [#] ("Tianjin Asian Way") | PRC, limited liability company | US\$7,000,000 | 80% | Operation of a water supply plant in the PRC |
| Tokawa Precision (Overseas) Co. Limited | BVI, limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |
| Tokawa Precision Co. Limited | Hong Kong, limited liability company | HK\$10,000 | 100% | Marketing and sales of industrial environmental products in Hong Kong |
| Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore | Macau, limited liability company | MOP100,000 | 100% | Marketing and sales of environmental protection related products in Macau |
| Well Spread Investment Limited | Hong Kong, limited liability company | HK\$2 | 100% | Investment holding in Hong Kong |
| Dongguan MegaTek Machinery Company Limited ^{#^} (東莞英達朗機械有限公司) | PRC, limited liability company | HK\$4,820,000 | 100% | Marketing and sales of industrial environmental products in the PRC |

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

[^] English translation only

Notes to the Financial Statements

For the year ended 31 October 2015

19. INTEREST IN A JOINT VENTURE — THE GROUP

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------------|------------------|------------------|
| Unlisted investment, at cost | 2,385 | 2,385 |
| Share of post-acquisition reserves | 1,142 | 1,002 |
| | 3,527 | 3,387 |

As at 31 October 2015, the Group has interest in the following joint venture:

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

English translation only

Summarised financial information in relation to the joint venture is presented below:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Current assets | 15,835 | 14,554 |
| Non-current assets | 30 | 14 |
| Current liabilities | (8,810) | (7,794) |
| Net assets | 7,055 | 6,774 |
| Reconciliation to the Group's interest in a joint venture: | | |
| Proportion of the Group's ownership | 50% | 50% |
| The Group's share of net assets of Jiangsu Kangyuan | 3,527 | 3,387 |
| <i>Included in the above amounts are:</i> | | |
| Cash and cash equivalents | 28 | 1,334 |
| Current financial liabilities (excluding trade and other payable) | 5,982 | 3,830 |

Notes to the Financial Statements

For the year ended 31 October 2015

19. INTEREST IN A JOINT VENTURE — THE GROUP (Continued)

| | Year ended 31 October | |
|--|-----------------------|----------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Revenues | 10,902 | 13,972 |
| Profit for the year | 540 | 258 |
| Other comprehensive income for the year | (259) | (32) |
| Total comprehensive income for the year | 281 | 226 |
| <i>Included in the above amounts is:</i> | | |
| Taxation | (106) | (19) |

20. DEFERRED TAXATION — THE GROUP

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

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

| | Provision for slow-moving inventories HK\$'000 | Accelerated tax depreciation HK\$'000 | Tax losses HK\$'000 | Capital contribution from a minority shareholder HK\$'000 | Total HK\$'000 |
|---|---|--|------------------------|--|-------------------|
| At 1 November 2013 | 886 | – | 74 | (7,423) | (6,463) |
| Debited to the consolidated statement of comprehensive income (<i>note 8</i>) | (65) | (147) | – | – | (212) |
| Translation differences | (1) | – | – | – | (1) |
| At 31 October and 1 November 2014 | 820 | (147) | 74 | (7,423) | (6,676) |
| Translation differences | (26) | – | – | – | (26) |
| At 31 October 2015 | 794 | (147) | 74 | (7,423) | (6,702) |

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 2015, the Group has tax losses arising in Hong Kong of approximately HK\$10,007,000 (2014: HK\$10,557,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2015, the tax losses arising in the PRC was amounted to HK\$7,956,000 (2014: HK\$7,213,000) which are available for offsetting against future taxable profits of the companies and will expire from 2016 to 2020 (2014: from 2015 to 2019). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 October 2015, deferred tax liabilities of approximately HK\$7,423,000 (2014: HK\$7,423,000) have been established for the taxation that would be payable in relation to the capital contribution made by a minority shareholder in previous year.

Notes to the Financial Statements

For the year ended 31 October 2015

20. DEFERRED TAXATION — THE GROUP (Continued)

As at 31 October 2015 and 2014, 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 RMB9,455,000 and RMB10,182,000 respectively. No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets | 868 | 894 |
| Deferred tax liabilities | (7,570) | (7,570) |
| | (6,702) | (6,676) |

21. INVENTORIES — THE GROUP

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Merchandise | 26,364 | 26,150 |
| Provision for slow-moving inventories | (11,342) | (11,237) |
| | 15,022 | 14,913 |

22. ACCOUNTS RECEIVABLE — THE GROUP

| | 2015 HK\$'000 | 2014 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Accounts receivable | 18,234 | 18,528 |
| Less: Provision for impairment loss | (100) | — |
| | 18,134 | 18,528 |

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

Notes to the Financial Statements

For the year ended 31 October 2015

22. ACCOUNTS RECEIVABLE — THE GROUP (Continued)

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------|------------------|------------------|
| Outstanding balances with ages: | | |
| Within 90 days | 11,470 | 15,046 |
| 91–180 days | 4,268 | 914 |
| 181–365 days | 1,668 | 1,419 |
| Over 365 days | 828 | 1,149 |
| | 18,234 | 18,528 |

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly. Based on this assessment, no bad debt (2014: HK\$567,000) was written off against accounts receivable directly during the year. At 31 October 2015, the Group has determined that accounts receivable of HK\$100,000 (2014: Nil) were individually impaired. The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The movements in the impairment for accounts receivable during the year are as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------|------------------|------------------|
| At the beginning of year | – | – |
| Impairment loss for the year | 100 | – |
| At the end of year | 100 | – |

The ageing analysis of the Group's accounts receivable as at the reporting date but not impaired, based on due date, is as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------------------|------------------|------------------|
| Not more than 90 days past due | 6,257 | 5,081 |
| 91 to 180 days past due | 1,181 | 528 |
| 181 to 365 days past due | 1,598 | 1,784 |
| Over 365 days past due | 728 | 405 |
| | 9,764 | 7,798 |
| Neither past due nor impaired | 8,370 | 10,730 |
| | 18,134 | 18,528 |

Accounts receivable that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of accounts receivable past due but not impaired.

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For the year ended 31 October 2015

23. AMOUNTS DUE FROM/(TO) SUBSIDIARIES — THE COMPANY

The amounts due from/(to) subsidiaries were unsecured, interest-free and repayable on demand.

24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Cash at bank and in hand | 21,839 | 24,587 | 121 | 109 |
| Less: pledged bank deposits for banking facilities (<i>note 31</i>) | (9,020) | (9,020) | – | – |
| Cash and cash equivalents | 12,819 | 15,567 | 121 | 109 |
| Pledged bank deposits analysed for reporting purposes as non-current | 9,020 | 9,020 | – | – |

The Group had cash and bank balances denominated in RMB of approximately RMB7,742,000 (2014: RMB7,489,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government. The Company did not have cash and bank balances denominated in RMB as at 31 October 2015 (2014: Nil).

The effective interest rate of pledged bank deposits was 0.01% (2014: 0.01%) per annum as at 31 October 2015. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (*note 31(a)*). The pledge will not be released within twelve months from the reporting date.

25. ACCOUNTS AND BILLS PAYABLE — THE GROUP

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------|------------------|------------------|
| Outstanding balances with ages: | | |
| Within 90 days | 8,262 | 18,765 |
| 91–180 days | 1,034 | 1,601 |
| 181–365 days | – | 7 |
| Over 365 days | 283 | 375 |
| | 9,579 | 20,748 |

Notes to the Financial Statements

For the year ended 31 October 2015

26. ACCRUED LIABILITIES, RECEIPTS IN ADVANCE AND OTHER PAYABLES

| | Group | | Company | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Accrued liabilities | 5,928 | 4,544 | 220 | 223 |
| Receipts in advance | 3,828 | 4,532 | – | – |
| Other payables | 16,251 | 17,765 | 117 | 132 |
| | 26,007 | 26,841 | 337 | 355 |

27. LOANS FROM A SHAREHOLDER AND A MINORITY SHAREHOLDER — THE GROUP

The loans were unsecured and interest-free except for loan from a shareholder of HK\$9,500,000 which was interest bearing at 5.25% per annum (2014: 5.25% per annum). They were not repayable within twelve months from the reporting date as at 31 October 2014 and 2015.

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

28. SHARE CAPITAL

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Authorised: 5,000,000,000 (2014: 5,000,000,000) ordinary shares of HK\$0.01 each | 50,000 | 50,000 |
| Issued and fully paid: 649,540,000 (2014: 649,540,000) ordinary shares of HK\$0.01 each | 6,495 | 6,495 |

29. RESERVES

(a) Group

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 October 2015

29. RESERVES (Continued)

(b) Company

| | Share premium HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|---------------------------|--------------------------------|-------------------|
| At 1 November 2013 | 30,537 | (6,191) | 24,346 |
| Loss for the year | – | (1,459) | (1,459) |
| At 31 October 2014 and 1 November 2014 | 30,537 | (7,650) | 22,887 |
| Loss for the year | – | (1,650) | (1,650) |
| At 31 October 2015 | 30,537 | (9,300) | 21,237 |

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

30. NON-CONTROLLING INTERESTS

Tianjian Asian Way, an 80% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------------------------|------------------|------------------|
| For the year ended 31 October | | |
| Revenue | 20,731 | 20,991 |
| Profit for the year | 705 | 796 |
| Total comprehensive income | (1,477) | 758 |
| Profit allocated to NCI | 141 | 159 |

Notes to the Financial Statements

For the year ended 31 October 2015

30. NON-CONTROLLING INTERESTS (Continued)

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| For the year ended 31 October | | |
| Net cash (used in)/generated from operating activities | (155) | 6,964 |
| Net cash used in investing activities | (1,298) | (2,168) |
| Net cash (outflows)/inflows | (1,453) | 4,796 |
| As at 31 October | | |
| Non-current assets | 95,461 | 105,035 |
| Current assets | 14,136 | 13,236 |
| Current liabilities | (49,293) | (56,490) |
| Net assets | 60,304 | 61,781 |
| Accumulated non-controlling interests | 7,827 | 8,122 |

31. BANKING FACILITIES — THE GROUP

Certain of the Group's banking facilities were secured by the following:

- (a) bank deposits of the Group amounting to approximately HK\$9,020,000 (2014: HK\$9,020,000) (note 24); and
- (b) corporate guarantees executed by the Company (note 32).

32. FINANCIAL GUARANTEE CONTRACTS — THE COMPANY

The Company had financial guarantee contracts with certain banks as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Total guarantees for banking facilities provided to subsidiaries | 10,000 | 32,000 |

At 31 October 2015 and 2014, the Company has executed guarantees to financial institutions in respect of bank facilities granted to its subsidiaries. Under the guarantees, the Company would be liable to pay the holders of these guarantees in the event of any default. No provision for the Company's obligation under the guarantee contracts has been made as the directors considered that it was not probable that the repayment would be in default.

Notes to the Financial Statements

For the year ended 31 October 2015

33. OPERATING LEASE COMMITMENTS

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Within one year | 1,442 | 1,617 |
| In the second to fifth years, inclusive | 416 | 1,167 |
| | 1,858 | 2,784 |

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2014: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

34. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Contracted, but not provided for, in respect of: | | |
| — construction of sedimentation tank and related facilities | 424 | — |
| — security system and related facilities | — | 558 |
| | 424 | 558 |

35. RELATED PARTY TRANSACTIONS

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|-------------------|------------------|------------------|
| Interest expenses | 500 | 373 |

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

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 3,620 | 4,013 |
| Pension scheme contributions | 54 | 75 |
| | 3,674 | 4,088 |

Notes to the Financial Statements

For the year ended 31 October 2015

36. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

All the Group's cash and bank balances are deposited with major banks located in Hong Kong, Macau and the PRC.

In order to minimise the credit risk, management of the Group has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debt on a collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has certain concentration of credit risk as 23% (2014: 15%) and 59% (2014: 47%) of the total accounts receivable were due from the Group's largest customer and the five largest customers respectively.

(b) Foreign currency risk

The Group's purchases are mainly denominated in Sterling Pounds, Japanese Yen, Euro and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The management monitors foreign exchange exposure and will hedge significant foreign currency exposure should the need arises.

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

| | Assets | | Liabilities | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Japanese Yen ("JPY") | 404 | 323 | 5,366 | 15,867 |
| Euro ("EUR") | 2,012 | 30 | – | – |
| Sterling Pounds ("GBP") | 1,057 | 1,471 | 1,526 | 1,055 |
| US Dollars ("USD") | 4,622 | 4,405 | 1,765 | 2,076 |

Notes to the Financial Statements

For the year ended 31 October 2015

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% increase in foreign currency rates. A number below indicates an increase/(a decrease) in profit for the year and an increase/(a decrease) in retained profits (2014: (a decrease)/an increase in loss for the year and an increase/(a decrease) in 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 an equal and direct impact on the profit for the year and retained profits (2014: loss 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.

| | 2015 HK\$'000 | | | 2014 HK\$'000 | | |
|--------------------------------------|------------------|-------|------|------------------|-------|------|
| | EUR | JPY | GBP | EUR | JPY | GBP |
| Increase in foreign exchange rate | 5% | 5% | 5% | 5% | 5% | 5% |
| Effect on profit/(loss) for the year | 84 | (207) | (20) | (1) | 648 | (17) |
| Effect on retained profits | 84 | (207) | (20) | 1 | (648) | 17 |

(d) Interest rate risk

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

Notes to the Financial Statements

For the year ended 31 October 2015

36. 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 and the Company's financial liabilities, which are based on contractual undiscounted cash flows.

| | Less than 3 months or demand HK\$'000 | Over 1 year HK\$'000 | Total contractual undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
|--|--|-------------------------|---|-----------------------------|
| Group | | | | |
| As at 31 October 2015 | | | | |
| Accounts and bills payable | 9,579 | – | 9,579 | 9,579 |
| Accrued liabilities and other payables | 22,179 | – | 22,179 | 22,179 |
| Loan from a shareholder | – | 9,500 | 9,500 | 9,500 |
| Loan from a minority shareholder | – | 9,526 | 9,526 | 9,526 |
| | 31,758 | 19,026 | 50,784 | 50,784 |
| As at 31 October 2014 | | | | |
| Accounts and bills payable | 20,748 | – | 20,748 | 20,748 |
| Accrued liabilities and other payables | 22,309 | – | 22,309 | 22,309 |
| Loan from a shareholder | – | 9,500 | 9,500 | 9,500 |
| Loan from a minority shareholder | – | 9,526 | 9,526 | 9,526 |
| | 43,057 | 19,026 | 62,083 | 62,083 |

Notes to the Financial Statements

For the year ended 31 October 2015

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

| | Less than 3 months or demand HK\$'000 | Over 1 year HK\$'000 | Total contractual undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
|---|--|-------------------------|---|-----------------------------|
| Company | | | | |
| As at 31 October 2015 | | | | |
| Accrued liabilities and other payables | 337 | – | 337 | 337 |
| Amounts due to subsidiaries | 26,683 | – | 26,683 | 26,683 |
| | 27,020 | – | 27,020 | 27,020 |
| Financial guarantees issued — Maximum amount guaranteed | 6,729 | – | 6,729 | – |
| As at 31 October 2014 | | | | |
| Accrued liabilities and other payables | 355 | – | 355 | 355 |
| Amounts due to subsidiaries | 25,032 | – | 25,032 | 25,032 |
| | 25,387 | – | 25,387 | 25,387 |
| Financial guarantees issued — Maximum amount guaranteed | 11,828 | – | 11,828 | – |

(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 2015 and 2014 may be categorised as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Group | | |
| Financial assets | | |
| Loans and receivables (including bank balances and cash) at amortised cost | 45,173 | 48,700 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 50,784 | 62,083 |
| Company | | |
| Financial assets | | |
| Loans and receivables (including bank balances and cash) at amortised cost | 43,795 | 43,812 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 27,020 | 25,387 |

Notes to the Financial Statements

For the year ended 31 October 2015

37. 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 shareholders 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.

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|-------------------|------------------|
| Capital | | |
| — Total equity | 117,394 | 116,742 |
| Overall financing | | |
| — Loan from a shareholder | 9,500 | 9,500 |
| — Loan from a minority shareholder | 9,526 | 9,526 |
| | 19,026 | 19,026 |
| Capital-to-overall financing ratio | 6.17 times | 6.14 times |

Summary of Financial Information

31 October 2015

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 | | | | |
|--|-----------------------|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2011 HK\$'000 |
| Revenue | 84,324 | 96,073 | 110,835 | 114,212 | 172,056 |
| Cost of sales | (53,725) | (70,080) | (79,853) | (86,709) | (135,611) |
| Gross profit | 30,599 | 25,993 | 30,982 | 27,503 | 36,445 |
| Other income | 621 | 798 | 1,893 | 810 | 2,774 |
| Selling expenses | (2,184) | (2,250) | (2,864) | (2,944) | (2,097) |
| Administrative expenses | (23,529) | (21,810) | (19,695) | (20,614) | (20,490) |
| Other operating expenses | (415) | (7,455) | (4,834) | (571) | (861) |
| Profit/(loss) from operations | 5,092 | (4,724) | 5,482 | 4,184 | 15,771 |
| Finance costs | (500) | (373) | (174) | (89) | (90) |
| Share of profit/(loss) of a joint venture | 270 | 129 | 182 | 208 | (692) |
| Profit/(loss) before taxation | 4,862 | (4,968) | 5,490 | 4,303 | 14,989 |
| Taxation | (854) | (9,541) | (451) | (851) | (2,344) |
| Profit/(loss) after income tax from continuing operations | 4,008 | (14,509) | 5,039 | 3,452 | 12,645 |
| Loss for the year from discontinued operations | – | (1,652) | (31,468) | (12,343) | (6,424) |
| Profit/(loss) for the year | 4,008 | (16,161) | (26,429) | (8,891) | 6,221 |

Summary of Financial Information

31 October 2015

| | Year ended 31 October | | | | |
|-------------------------------|-----------------------|------------------|------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2011 HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets | 113,217 | 122,948 | 130,481 | 145,288 | 154,505 |
| Current assets | 67,865 | 71,280 | 71,666 | 86,363 | 105,280 |
| Current liabilities | 37,092 | 50,890 | 52,192 | 54,211 | 61,014 |
| Net current assets | 30,773 | 20,390 | 19,474 | 32,152 | 44,266 |
| Non-current liabilities | 26,596 | 26,596 | 16,949 | 18,708 | 31,728 |
| Net assets | 117,394 | 116,742 | 133,006 | 158,732 | 167,043 |

Notes:

1. The consolidated results of the Group for the years ended 31 October 2011, 2012 and 2013 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 2014 and 2015 are as set out on pages 25 to 26 of the audited consolidated financial statements.
2. The consolidated statement of financial position as at 31 October 2011, 2012 and 2013 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2014 and 2015 are as set out on pages 27 to 28 of the audited consolidated financial statements.