Eco-Tek
環康科技

Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

Healthy Environment Quality Life

ANNUAL REPORT 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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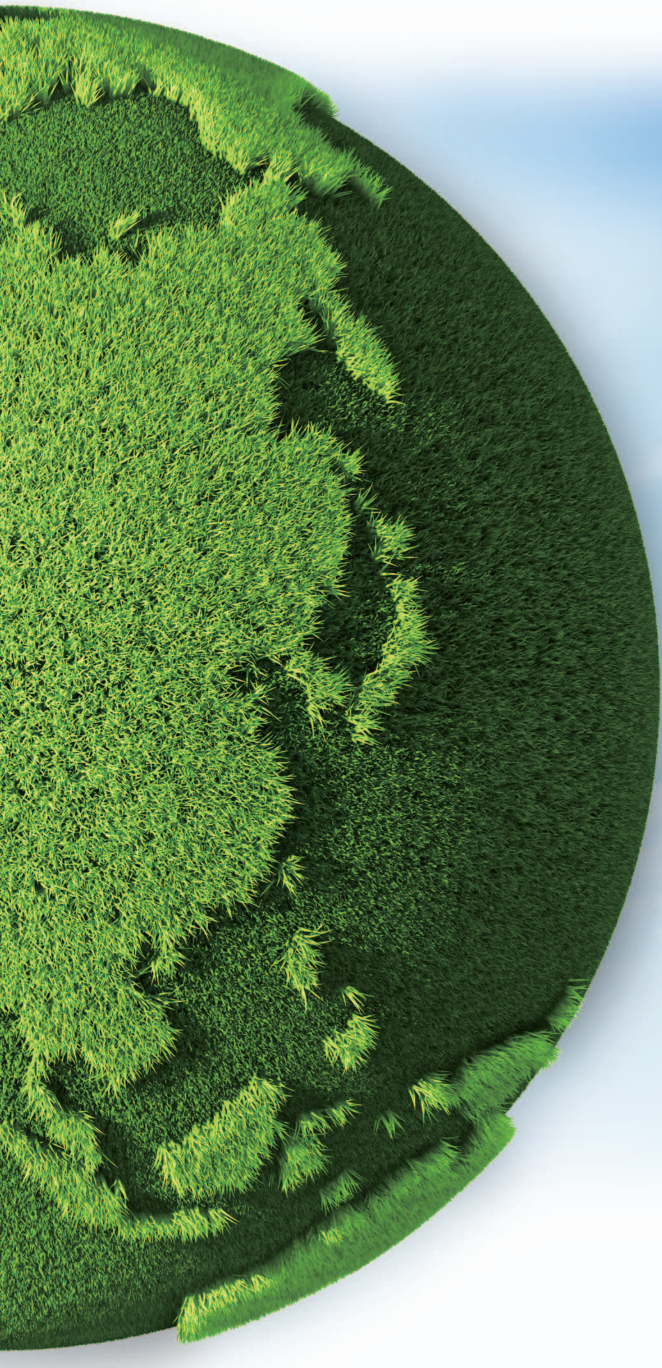
This report, for which the directors (the "Directors") of Eco-Tek Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules")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



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BOARD OF DIRECTORS

Executive Directors
NG Chi Fai *(Chief Executive Officer)*
KWOK Tsun Kee

Non-Executive Directors
HUI Wai Man Shirley *(Chairman)*
LUI Sun Wing

Independent Non-Executive Directors
CHAU Kam Wing Donald
CHAN Siu Ping Rosa
NI Jun

COMPLIANCE OFFICER
NG Chi Fai

COMPANY SECRETARY
YIM Wai Man

AUTHORISED REPRESENTATIVES
NG Chi Fai
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
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKERS
Standard Chartered Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (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 2012.

FINANCIAL HIGHLIGHTS

During the year under review, the Group's turnover was approximately HK$120.9 million, a 33.6% decrease as compared to last year HK$182.0 million. It was mainly due to our customers in manufacturing sector reduced their orders significantly as global and domestic economic climate clouded with various uncertainties. The Group recorded a loss attributable to owners of the Company amounted to approximately HK$9.1 million for the year ended 31 October 2012 while it recorded a profit attributable to owners of the Company amounted to approximately HK$5.8 million for the year ended 31 October 2011.

BUSINESS REVIEW

During this financial year, the worldwide economy was full of uncertainties. The export sector of China diminished further due to escalating sovereign debt crisis in Europe, sluggishness in United State economic recovery and facing potential "fiscal cliff". Under decreasing export demands and cooling down domestic consumption, China's economy deteriorated further in this financial year. As results, our customers in the manufacturing sector reduced their orders significantly which lead to decrease in our Group's turnover.

Although the gross profit margin of the Group was maintained to be stable, the Group's gross profit decreased from last year HK$34.2 million to this year HK$24.6 million because of the drop in the Group's turnover mentioned before. As the gross profit of the Group was insufficient to cover all the expense, a loss attributable to owners of the Company amounted to approximately HK$9.1 million was record in this financial year. To address the situation, the Group has started to reduce its operation costs, speed up market penetration through our retail shops network as well as source supply of new industrial environment products from Europe. However, it takes time for those mentioned activates to generate positive impacts to the Group's financial results.

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 Jin-Jin New City. As development in such area continues, the Group has confidence that the contribution from our water supply plant in Tianjin will increase in future.

Chairman's Statement

PROSPECTS

Recently, there was sign of improvement in China's economy. China's manufacturing purchasing manager index was back to 50.2% and 50.6% in October and November 2012. However, sustainability of such rebound in future was questioned. The Group remains prudent in planning its future strategies as global economic climate clouded with various uncertainties. Enhancing value added services to existing industrial environmental products and exploring opportunities in new industrial products market remain the strategies of the Group, although we will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable conditions.

Under China's 12th Five-Year Plan, an area of 15 square kilometers inside Jing-Jin New City and within our water supply plant's coverage area was strategically planned to be Tianjin Financial Valley 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 that this will be positive for our water supply plant's future development.

APPRECIATION

Uncertainties and changes during the year not only provided valuable experiences to us, uniting the board, management and employees together, but also enable us to face and survive new challenges to come.

On behalf of the board, I would like to acknowledge the commitment 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 2013

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 45, is the Chairman and non-executive Director. She has over 23 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 and New Media Group Holdings Limited, both of which are listed public companies in Hong Kong.

CHIEF EXECUTIVE OFFICER

Mr. NG Chi Fai, aged 39, is the chief executive officer and the executive Director. Mr. Ng graduated from the Hong Kong Polytechnic University with a Bachelor of Arts degree in accountancy in 1995. He has over 15 years of experience in auditing, accounting and finance fields. Mr. Ng is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Before joining the Group, he worked for several private companies as accounting manager. Mr. Ng was appointed as an executive Director of the Company on 24 March 2006.

EXECUTIVE DIRECTORS

Mr. NG Chi Fai — Please refer to the paragraph under "CHIEF EXECUTIVE OFFICER" above for his profile.

Mr. KWOK Tsun Kee, aged 75, 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 42 years of extensive experience with academic and technology fields. Mr. Kwok joined the Company in November 2009.

NON-EXECUTIVE DIRECTORS

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

Dr. LUI Sun Wing, aged 62, 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 also sits as an independent and non-executive director of Shanghai Electric Group Company Limited and executive director of Leeport (Holdings) Limited. Both companies are listed public companies in Hong Kong. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001.

Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 51, is an independent non-executive Director. He has over 20 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, an independent non-executive director of Zhejiang Shibao Company Limited, China Water Affairs Group Limited and Carpenter Tan Holdings Limited, which are listed on the Main Board of the Stock Exchange. He joined the Company in March 2008. He is also the Chairman of the audit committee and nomination committee of the Company, and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 52, is an independent non-executive Director. She has over 24 years of experience in management, production and marketing in manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts degree majoring in business administration from the Simon Fraser University in Canada. She joined the Company in August 2002. 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 51, 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, the U.S.. 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 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit making 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 42, 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 18 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

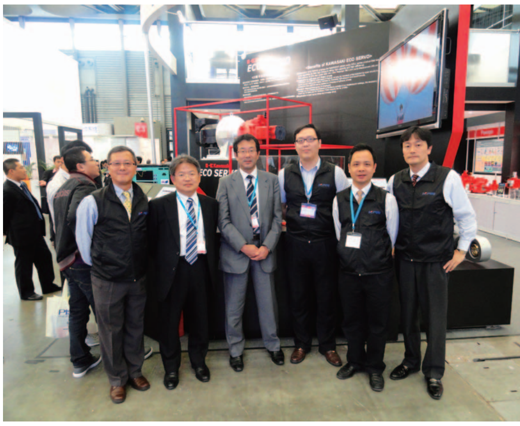
BUSINESS REVIEW

The Group is continuously engaged in the marketing, sales, servicing, research and development of environmental protection and quality health related products and services.

During this financial year, the worldwide economy was full of uncertainties, the sovereign debt crisis of European countries like Greece, Spain and Italy was not yet solved. The economy of the United State, though in slow recovery, faced its own "fiscal cliff". All those were proved to be another disaster to an already-weakened Chinese export sector. Under decreasing export demands and cooling down domestic consumption, China's economy deteriorated in this financial year. According to data released by National Bureau of Statistics of China, the profits of state-owned and state-holding industrial enterprises above designated size decreased 9.2% from January to October 2012. Meanwhile, China's manufacturing purchasing manager index ("PMI") kept on falling below the threshold to 49.2% and 49.8% in August and September 2012, indicating the industrial market was retracting. Although PMI was back to 50.2% in October 2012, sustainability of such rebound was questioned.

As global and domestic economic climate clouded with various uncertainties, our customers in the manufacturing sector reduced their orders significantly and resulted in decrease in the turnover of the Group. To address the situation, we have started lowering our operation costs, speeding up market penetration through our retail shops network as well as sourcing supply of new industrial environment products from Europe. However, it takes time for those mentioned activates to generate positive impacts to the Group's financial results. Enhancing value added services to existing industrial environmental products and exploring opportunities in new industrial products market remain the strategies of the Group, although we will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable conditions.

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. Under China's 12th Five-Year Plan, an area of 15 square kilometers inside Jing-Jin New City and within our water supply plant's coverage area was strategically planned to be Tianjin Financial Valley 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 that this will be positive for our water supply plant's future development.



FINANCIAL REVIEW

The Group's turnover for the year ended 31 October 2012 was HK$120.9 million, a decrease of 33.6% as compared with the last corresponding year (2011: HK$182.0 million). It was mainly due to our customers in manufacturing sector reduced their orders significantly as global and domestic economic climate clouded with various uncertainties.

The Group recorded a loss attributable to owners of the Company amounted to approximately HK$9.1 million for the year ended 31 October 2012 while it recorded a profit attributable to owners of the Company amounted to approximately HK$5.8 million for the year ended 31 October 2011.

Gross Margin

Gross profit for the year ended 31 October 2012 was amounted to approximately HK$24.6 million, representing a decrease of 28.1% as compared with the last corresponding year (2011: HK$34.2 million). The gross profit margin of the Group for the year ended 31 October 2012 was amounted to approximately 20.3% (2011: 18.8%).

Management Discussion and Analysis

Expenses
The Group's administrative expenses for the year ended 31 October 2012 was amounted to approximately HK$22.5 million, representing an increase of 2.3% compared with the last corresponding year (2011: HK$22.0 million). The Group's selling expenses for the year ended 31 October 2012 was amounted to approximately HK$4.2 million, representing a decrease of 10.6% compared with the last corresponding year (2011: HK$4.7 million). The Group's other operating expense for the year ended 31 October 2012 was amounted to approximately HK$7.3 million (2011: HK$1.1 million) which included impairment loss HK$3.4 million on fixed assets and written-down of HK$3.0 million on inventories for production of machines segments.

Liquidity and Finance Resources
During the year under the review, the Group financed its operations by internally generated cash flow and banking facilities provided by banks. As at 31 October 2012, the Group had net current assets of approximately HK$32.2 million (31 October 2011: HK$44.3 million) including cash and bank balances of approximately HK$8.0 million (31 October 2011: HK$11.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 as at 31 October 2012 (31 October 2011: 1.7). The Group's inventory turnover was about 145 days (31 October 2011: 121 days). The Group's accounts receivable turnover was about 80 days (31 October 2011: 70 days). The increase in both inventory turnover and accounts receivable turnover were due to slow down of customer orders under deteriorated worldwide and domestic economies.

Capital Structure
The Shares of the Company were listed on the GEM board of the Stock Exchange on 5 December 2001. Except for the share options under the pre-IPO share option scheme were exercised at the exercise price of HK$0.01 per share, resulting in the issue of 96,740,000 ordinary shares of HK$0.01 each for a total consideration of HK$967,000 in November 2005, there has been no material change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

Gearing Ratio
The gearing ratio (define as the total borrowing over total equity, including minority interests) fell from 14.6% as at 31 October 2011 to 12.6% as at 31 October 2012. The decrease was resulted from partial repayment of loan from a third party during the year.

Treasury Policies
The Group adopts a conservative approach towards it 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 2012, the Group had pledged its bank deposits of approximately HK$9 million (31 October 2011: HK$9 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2012.

Information on Employees and Remuneration Policy
As at 31 October 2012, the Group had 93 employees (2011: 95) 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) for the year ended 31 October 2012 amounted to approximately HK$13.5 million (2011: 13.1 million). The dedication and hard work of the Group's staff during the year ended 31 October 2012 are generally appreciated and recognized.

Contingent Liabilities
The Group had no material contingent liabilities at 31 October 2012 (2011: Nil).

Material Acquisitions, Disposal of Subsidiaries and Affiliated Companies
During the year ended 31 October 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Corporate Governance Report

INTRODUCTION

Throughout the year ended 31 October 2012, the Company has complied with the code provisions in former Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 15 of the GEM Listing Rules and the Corporate Governance Code (the "Code") which came into effect on 1 April 2012 save and except for non-executive directors were not appointed for a specific term before 16 October 2012. The Company and its all non-executive directors have entered into service agreements with specific terms on 16 October 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Group 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. Upon the Company's specific enquiry, each director had confirmed that during the year ended 31 October 2012, they had fully complied with the required standard of dealings and there was no event of non-compliance. Other employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

THE BOARD OF DIRECTORS

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure 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 has delegated the responsibility for day-to-day operations and management of the Group's business to the management of the Group.

Composition

As at the date of this report, the Board of directors comprises two executive directors namely Mr. NG Chi Fai and Mr. KWOK Tsun Kee, two non-executive directors, namely Ms. HUI Wai Man, Shirley (Chairman) and Dr. LUI Sun Wing, 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. The independent non-executive directors are identified in all corporate communications of the Company. All directors give sufficient time and attention to the affairs of the Group.

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.

BOARD MEETINGS

During regular meetings of the Board, 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. Execution of daily operational matters is delegated to the management of the Group.

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 discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive directors with no conflict of interest will be present 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.

Corporate Governance Report

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. The Chairman of the Company is primarily responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, whereas the Chief Executive Officer is primarily responsible for the running of the Group's business and implementation of the Group's strategies in achieving the overall commercial objectives.

The Chairman also encourages all directors, including the independent non-executive directors, to actively participate in all board and committee meetings.

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. Each newly appointed Director would receive an induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 October 2012, two in-house briefing sessions for reviewing the Code and associated Listing Rules were organized for the Directors. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. The Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Directors	Type of trainings
Executive Director	
Mr. NG Chi Fai	A
Mr. KWOK Tsun Kee	A
Non-executive Directors	
Ms. HUI Wai Man	A,B,C
Dr. LUI Sun Wing	A
Independent non-executive Directors	
Mr. CHAU Kam Wing Donald	A,B,C
Ms. CHAN Siu Ping Rosa	A
Professor NI Jun	A
Mr. TAKEUCHI Yutaka*	A

* Mr. TAKEUCHI Yutake resigned on 26 October 2012

A: attending internal briefing session in relation to corporate governance
B: attending seminars/courses/conference to develop professional skills and knowledge
C: reading materials in relation to regulatory update

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

The board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committees, 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.

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 include Mr. CHAU Kam Wing Donald and Professor NI Jun, all are independent non-executive Directors. The written terms of reference of the Remuneration committee which have been revised effective on 13 March 2012 to comply with the new requirements set out in the revised code provisions 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 appropriated policy and structures for all aspects of all 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 considered and reviewed the remuneration packages and emoluments of Directors and senior management and consider that are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee was established in February 2006. The chairman of the committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all are independent non-executive Directors. The written terms of reference of the nomination committee which have been revised effective on 13 March 2012 to comply with the new requirements set out in the revised code provisions are posted on the GEM website and the Company's website.

The 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 and the Company's articles of association in selecting and recommending candidates of directorship. The nomination committee discussed and reviewed the retirement and 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 and other members include 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 which have been revised effective on 13 March 2012 to comply with the new requirement set out in the revised code provision are posted on the GEM website and the Company's website.

The primary duties of the audit committee are mainly to review the financial information and reporting process, internal control procedures and risk management 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 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 2012, 9 months ended 31 July 2012 and interim results for the 6 months ended 30 April 2012 as well as audited annual results for the year ended 31 October 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and General meetings during the year ended 31 October 2012 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	6	4	2	1	1
Number of meetings attended/Number of meetings held					
Executive Director					
Mr. NG Chi Fai	6/6	–	–	–	1/1
Mr. KWOK Tsun Kee	5/6	–	–	–	1/1
Non-executive Directors					
Ms. HUI Wai Man	6/6	–	–	–	1/1
Dr. LUI Sun Wing	6/6	–	–	–	0/1
Independent non-executive Directors					
Mr. CHAU Kam Wing Donald	5/6	4/4	2/2	1/1	1/1
Ms. CHAN Siu Ping Rosa	4/6	4/4	2/2	1/1	0/1
Professor NI Jun	2/6	2/4	2/2	1/1	0/1
Mr. TAKEUCHI Yutaka*	1/6	1/4	1/2	0/1	0/1

* Mr. TAKEUCHI Yutaka resigned on 26 October 2012

DIRECTORS' AND INDEPENDENT AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principle generally accepted in Hong Kong. The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report in this annual report.

INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of audit services provided by the independent auditor to the Group for the year ended 31 October 2012 amounted approximately HK$540,000 (2011: HK$520,000). No other significant fee was incurred for non-audit services during the year (2011: Nil).

INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal controls. In addition to perform internal controls review annually by Finance Department on different operations of the Group, the Company has also conducted an annual review of its system of internal controls by an independent external risk advisory firm (the "Firm") since November 2008 to ensure the effective and adequate internal control system. Relevant reports from the Firm was presented to the Board and reviewed by the Audit Committee.

The Board considered the internal control systems of the Group to be adequate and effective for the year ended 31 October 2012. 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 2012.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted Shareholders Communication Policy with objective of ensuing 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 a number of channels to communicate with the Shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in 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. Enquiries 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 2012, there is no significant change in the Company's memorandum and articles of association.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholder's 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 at 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

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 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 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)/profit from operations by principal activities and geographical area of operations for the year ended 31 October 2012 is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 October 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 65. The directors do not recommend any payment of a final dividend for the year ended 31 October 2012 (2011: HK0.2 cent per share).

CLOSURE OF THE REGISTER OF MEMBERS

The 2013 AGM is scheduled to be held on Friday, 26 April 2013. For determining the entitlement to attend and vote at 2013 AGM, the register of members of the Company will be closed from Wednesday, 24 April 2013 to Friday, 26 April 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2013 AGM, unregistered holders of shares of the Company should ensure that all the 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, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 23 April 2013.

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 page 66 in the annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share option schemes are set out in notes 27 and 14 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 28 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 would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

DISTRIBUTABLE RESERVES

At 31 October 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$32,328,000. This includes the Company's share premium in the amount of approximately HK$30,537,000 at 31 October 2012, 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

In the year under review, sales to the Group's five largest customers accounted for approximately 39.7% (2011: 36.5%) in aggregate for the Group's total turnover for the year. The largest customer of the Group accounted for approximately 9.9% (2011: 13.2%) of the Group's total turnover.

Purchases from the Group's five largest suppliers accounted for approximately 95.6% (2011: 94.7%) in aggregate for the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 49.3% (2011: 48.2%) of the Group's total purchases.

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. NG Chi Fai *(Chief Executive Officer)*
Mr. KWOK Tsun Kee

Non-executive Directors

Ms. HUI Wai Man Shirley *(Chairman)*
Dr. LUI Sun Wing

Independent non-executive Directors

Mr. CHAU Kam Wing Donald
Ms. CHAN Siu Ping Rosa
Professor NI Jun
Mr. TAKEUCHI Yutaka (resigned on 26 October 2012)

Mr. Takeuchi Yutaka has resigned as an Independent Non-Executive Director of the Company with effect from 26 October 2012 due to his heavy workload. Mr. TAKEUCHI Yutaka has confirmed that he has no disagreement with the Board and he is not aware of any matter regarding his resignation that needs to be brought to the attention of the shareholders of the Company. The Board would like to express its sincere gratitude to Mr. TAKEUCHI Yutaka for his valuable contributions to the Company during his tenure of office.

In accordance with the Company's articles of association, Mr. NG Chi Fair, Mr. KWOK Tsun Kee and Professor Ni Jun will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa and Professor NI Jun and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 5 to 6 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' INTEREST IN CONTRACTS

Save as the related party transactions and connected transactions disclosed in note 33 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 2012, 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' RIGHTS TO ACQUIRE SHARES

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

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

As at 31 October 2012, 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 2012	Percentage of the Company's issued share capital as at 31 October 2012
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 2012, 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 2012, 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 2012	Percentage of the Company's issued share capital as at 31 October 2012
Cititrust (Cayman) Limited *(Note 1)*	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited *(Note 1)*	Through a controlled corporation	344,621,200	53.06
Team Drive Limited *(Note 1)*	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited *(Note 2)*	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited *(Note 2)*	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.

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 2012. The Company and its subsidiaries did not redeem any of its listed securities during the year ended 31 October 2012.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during year ended 31 October 2012.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on page 9 to 14 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.

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 2012 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 2013

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 22 to 65, which comprise the consolidated and company statements of financial position as at 31 October 2012, 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.

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 2012 and of the Group's loss 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

Li Wing Yin
Practising Certificate Number P05035

Hong Kong, 21 January 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Revenue	*5*	**120,929**	181,959
Cost of sales		**(96,282)**	(147,757)
Gross profit		**24,647**	34,202
Other income		**1,214**	2,915
Selling expenses		**(4,228)**	(4,685)
Administrative expenses		**(22,530)**	(21,956)
Other operating expenses		**(7,262)**	(1,124)
(Loss)/profit from operations	*6*	**(8,159)**	9,352
Finance costs	*7*	**(89)**	(95)
Share of profit/(loss) of a jointly controlled entity		**208**	(692)
(Loss)/profit before taxation		**(8,040)**	8,565
Taxation	*8*	**(851)**	(2,344)
(Loss)/profit for the year		**(8,891)**	6,221
Other comprehensive income for the year			
Exchange gain on translation of financial statements of foreign operations		**1,278**	8,209
Share of other comprehensive income of a jointly controlled entity		**601**	–
		1,879	8,209
Total comprehensive income for the year		**(7,012)**	14,430
(Loss)/profit for the year attributable to:			
Owners of the Company	*11*	**(9,095)**	5,802
Non-controlling interests		**204**	419
		(8,891)	6,221
Total comprehensive income for the year attributable to:			
Owners of the Company		**(7,468)**	13,055
Non-controlling interests		**456**	1,375
		(7,012)	14,430
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the year	*10*		
— Basic		**(HK1.40) cents**	HK0.89 cent
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 October 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	126,421	136,214
Interest in leasehold land	16	5,570	5,618
Interest in a jointly controlled entity	18	3,027	2,218
Deferred tax assets	19	1,250	1,435
Pledged bank deposits	23	9,020	9,020
		145,288	154,505
Current assets			
Inventories	20	38,288	49,028
Accounts receivable	21	26,414	34,842
Deposits, prepayments and other receivables		10,435	8,013
Tax recoverable		3,270	1,755
Cash and bank balances	23	7,956	11,642
		86,363	105,280
Current liabilities			
Accounts and bills payable	24	27,425	42,259
Accrued liabilities and other payables		16,289	14,861
Loan from a third party	26	7,440	–
Bank overdraft	25	1,287	–
Provision for tax		1,770	3,894
		54,211	61,014
Net current assets		32,152	44,266
Total assets less current liabilities		177,440	198,771
Non-current liabilities			
Deferred tax liabilities	19	7,423	7,423
Loan from a third party	26	1,759	14,779
Loan from a minority shareholder	26	9,526	9,526
		18,708	31,728
Net assets		158,732	167,043

Consolidated Statement of Financial Position

As at 31 October 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*27*	**6,495**	6,495
Share premium	*28(a)*	**19,586**	19,586
Capital reserve	*28(a)*	**95**	95
Exchange translation reserve	*28(a)*	**19,705**	18,078
Capital contribution reserve	*28(a)*	**7,971**	7,971
Retained profits		**97,691**	106,786
Proposed final dividend	*9*	**–**	1,299
		151,543	160,310
Non-controlling interests		**7,189**	6,733
Total equity		**158,732**	167,043

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. KWOK Tsun Kee
Director

Statement of Financial Position

As at 31 October 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**10,957**	10,957
Deferred tax assets	19	**169**	169
		11,126	11,126
Current assets			
Deposits, prepayments and other receivables		**23**	25
Amounts due from subsidiaries	22	**49,558**	49,426
Cash and bank balances	23	**27**	124
		49,608	49,575
Current liabilities			
Accrued liabilities and other payables		**179**	501
Amount due to a subsidiary	22	**21,732**	18,504
		21,911	19,005
Net current assets		**27,697**	30,570
Net assets		**38,823**	41,696
EQUITY			
Equity attributable to the owners of the Company			
Share capital	27	**6,495**	6,495
Share premium	28(b)	**30,537**	30,537
Retained profits	28(b)	**1,791**	3,365
Proposed final dividend	9	**–**	1,299
Total equity		**38,823**	41,696

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. KWOK Tsun Kee
Director

Consolidated Statement of Cash Flows

For the year ended 31 October 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(8,040)**	8,565
Adjustments for:			
Interest income	6	**(68)**	(56)
Interest expense	7	**89**	95
Share of (profit)/loss of a jointly controlled entity		**(208)**	692
Depreciation of property, plant and equipment	6	**9,063**	8,535
Gain on disposal of property, plant and equipment	6	**(40)**	(50)
Amortisation of interest in leasehold land	6	**130**	124
Impairment loss on property, plant and equipment	6	**3,429**	–
Write-down of inventories	6	**2,960**	–
Provision for/(write back of) slow-moving inventories	6	**386**	(16)
(Reversal of)/provision for impairment of accounts receivable	6	**(265)**	256
Bad debts written off	6	**258**	251
Exchange losses, net	6	**167**	764
Operating profit before working capital changes		**7,861**	19,160
Decrease/(increase) in inventories		**8,135**	(3,828)
Decrease in accounts receivable		**8,887**	8,536
Increase in deposits, prepayments and other receivables		**(2,356)**	(153)
Decrease in accounts and bills payable		**(15,778)**	(16,211)
Increase/(decrease) in accrued liabilities and other payables		**1,428**	(3,484)
Cash generated from operations		**8,177**	4,020
Tax paid		**(4,290)**	(1,119)
Net cash generated from operating activities		**3,887**	2,901
Cash flows from investing activities			
Purchases of property, plant and equipment		**(782)**	(5,084)
Proceeds from disposal of property, plant and equipment		**48**	89
Interest received		**68**	56
Net cash used in investing activities		**(666)**	(4,939)
Cash flows from financing activities			
Repayment of bank loans		**–**	(8,514)
Repayment of loan from third party		**(5,580)**	–
Interest paid		**(89)**	(95)
Dividend paid		**(1,299)**	(3,897)
Net cash used in financing activities		**(6,968)**	(12,506)
Decrease in cash and cash equivalents		**(3,747)**	(14,544)
Effect of foreign exchange rate changes		**(1,226)**	(1,417)
Cash and cash equivalents at beginning of the year		**11,642**	27,603
Cash and cash equivalents at end of the year	23	**6,669**	11,642

Consolidated Statement of Changes in Equity

For the year ended 31 October 2012

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital HK$'000 *(Note 27)*	**Share premium** HK$'000 *(Note 28(a))*	**Capital reserve** HK$'000 *(Note 28(a))*	**Exchange translation reserve** HK$'000 *(Note 28(a))*	**Capital contribution reserve** HK$'000 *(Note 28(a))*	**Retained profits** HK$'000	**Proposed final dividend** HK$'000	**Total** HK$'000	HK$'000	HK$'000
At 1 November 2010	6,495	19,586	95	10,825	7,971	102,283	3,897	151,152	5,358	156,510
Other comprehensive income	–	–	–	7,253	–	–	–	7,253	956	8,209
Profit for the year	–	–	–	–	–	5,802	–	5,802	419	6,221
Total comprehensive income for the year	–	–	–	7,253	–	5,802	–	13,055	1,375	14,430
2010 final dividend declared	–	–	–	–	–	–	(3,897)	(3,897)	–	(3,897)
2011 proposed final dividend	–	–	–	–	–	(1,299)	1,299	–	–	–
At 31 October 2011 and 1 November 2011	6,495	19,586	95	18,078	7,971	106,786	1,299	160,310	6,733	167,043
Other comprehensive income	–	–	–	1,627	–	–	–	1,627	252	1,879
(Loss)/profit for the year	–	–	–	–	–	(9,095)	–	(9,095)	204	(8,891)
Total comprehensive income for the year	–	–	–	1,627	–	(9,095)	–	(7,468)	456	(7,012)
2011 final dividend declared	–	–	–	–	–	–	(1,299)	(1,299)	–	(1,299)
At 31 October 2012	**6,495**	**19,586**	**95**	**19,705**	**7,971**	**97,691**	**–**	**151,543**	**7,189**	**158,732**

Notes to the Financial Statements

31 October 2012

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, George Town, Grand Cayman, British West Indies 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, the 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 22 to 65 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 2012 were approved for issue by the board of directors on 21 January 2013.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 1	First-time adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HK(IFRIC) -Interpretation 14	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosures
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets

The adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

New or Amended HKFRSs That have been Issued but are not yet Effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKAS 1	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1]
Amendments to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entitles[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefit[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[2]
Amendments to HKAS 32	Financial Instruments — Presentation — Offsetting Financial Assets and Financial Liabilities[3]
Annual improvements 2009–2011 Cycle	Amendments to a number of HKFRSs contained in 2009 and 2011 Cycle issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

Notes to the Financial Statements

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2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

New or Amended HKFRSs That have been Issued but are not yet Effective (Continued)

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. The measurement basis is fully described in the accounting policies below.

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.

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 October each year.

(b) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries (Continued)

Non-controlling interests (previously known as minority interest) represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separate from the equity attributable to owners of the Company. Profit or loss attributable to the non-controlling interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Total comprehensive income and expense of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

(c) Jointly Controlled Entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, interest in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

(d) Borrowing Costs

Borrowing costs incurred for construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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 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.

(f) Property, Plant and Equipment

(i) 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%

(ii) Measurement bases

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and 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.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(g) Impairment of Non-Financial Assets

Property, plant and equipment, interest in leasehold land, investments in subsidiaries and interest in a jointly controlled entity 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of Non-Financial Assets (Continued)

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 valued 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.

(h) 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. Where the Group has the right to use of assets held under operating leases, rentals payable under the operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

(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.

(i) Employee Benefits

(i) 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.

(ii) 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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee Benefits (Continued)

(iii) 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.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

(k) Financial Assets

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

The Group's and Company's financial assets include accounts and other receivables, amount due from a subsidiary and cash and bank balances. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets (Continued)

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;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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.

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.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost 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 that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of accounts receivable 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Liabilities

The Group's and Company's financial liabilities include accounts and bills payable, accrued liabilities, other payables and bank overdraft, amount due to a subsidiary and loans from a minority shareholder and a third party.

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

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings 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.

(m) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

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 jointly controlled entity, 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.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term bank deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flow presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(p) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related Parties

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign Currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company. The functional currency of subsidiaries incorporated in the PRC is Renminbi (RMB).

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.

(s) Financial Guarantees Issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

(t) 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.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment Reporting (Continued)

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 jointly controlled entity accounted for using the equity method
- finance costs
- income tax
- 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 jointly controlled entity. 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 exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include borrowings attributable to the Group's headquarters.

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 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.

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 sell. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 will reassess 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 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 of taxation and the timing of payment of the related taxation. Where the final tax outcome is 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.

During the years ended 31 October 2011 and 2012 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 for the years of assessment 2004/05 and 2005/06, additional provisions for tax had been made for the years ended 31 October 2011 and 2012. 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 provision for tax as at 31 October 2012 is adequate and fairly presented. Where the final outcome of the IRD's review is different from the directors' expectation, further provision for tax may be required. The directors have been closely monitoring the status of the IRD's review and will revise their expectation if deem necessary and appropriate.

5. REVENUE AND SEGMENT REPORTING

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

	2012 **HK$'000**	2011 HK$'000
Sales of goods	**100,337**	161,464
Supply of water	**20,592**	20,495
	120,929	181,959

The executive directors have identified the Group's four 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
Production of machines	:	Manufacturing and sale of plastic injection moulding machine and other related accessories 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

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	General environmental protection related products and services		Production of machines		Industrial environmental products		Water supply plant		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue from external customers	**1,197**	1,208	**6,717**	9,903	**92,423**	150,353	**20,592**	20,495	**120,929**	181,959
Reportable segment revenue	**1,197**	1,208	**6,717**	9,903	**92,423**	150,353	**20,592**	20,495	**120,929**	181,959
Reporting segment profit/(loss)	**214**	216	**(4,141)**	(4,832)	**19,732**	28,835	**4,613**	5,298	**20,418**	29,517
Interest income	**1**	2	**–**	–	**58**	45	**9**	9	**68**	56
Depreciation and amortisation	**(145)**	(168)	**(1,704)**	(1,498)	**(220)**	(212)	**(7,124)**	(6,781)	**(9,193)**	(8,659)
Impairment loss on property, plant and equipment	**–**	–	**(3,429)**	–	**–**	–	**–**	–	**(3,429)**	–
Write-down of inventories	**–**	–	**(2,960)**	–	**–**	–	**–**	–	**(2,960)**	–
(Provision for)/Write back of slow-moving inventories	**–**	1	**43**	(514)	**(429)**	529	**–**	–	**(386)**	16
Reportable segment assets	**9,809**	9,599	**37,385**	45,503	**50,743**	71,091	**125,807**	128,020	**223,744**	254,213
Additions to non-current segment assets	**420**	22	**80**	3,259	**29**	257	**253**	1,546	**782**	5,084
Reportable segment liabilities	**404**	535	**838**	995	**33,880**	48,995	**9,201**	6,094	**44,323**	56,619

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:

	2012 HK$'000	2011 HK$'000
Reportable segment revenue	**120,929**	181,959
Group revenue	**120,929**	181,959
Reportable segment profit	**20,418**	29,517
Other corporate expenses	**(28,577)**	(20,165)
Finance costs	**(89)**	(95)
Share of profit/(loss) of a jointly controlled entity	**208**	(692)
(Loss)/profit before taxation	**(8,040)**	8,565
Reportable segment assets	**223,744**	254,213
Interest in a jointly controlled entity	**3,027**	2,218
Other corporate assets	**4,880**	3,354
Group assets	**231,651**	259,785
Reportable segment liabilities	**44,323**	56,619
Other corporate liabilities	**28,596**	36,123
Group liabilities	**72,919**	92,742

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	Revenue from external customers		Non-current assets	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong (domicile)	**29,092**	16,073	**2,969**	445
PRC	**84,211**	165,886	**128,509**	143,587
Other	**7,626**	–	**3,540**	18
	120,929	181,959	**135,018**	144,050

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 customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the years ended 2011 and 2012.

6. (LOSS)/PROFIT FROM OPERATIONS

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

	2012 HK$'000	2011 HK$'000
Auditor's remuneration		
— Provision for the year	**540**	520
— Under-provision in prior year	**–**	134
Amortisation of interest in leasehold land	**130**	124
Bad debts written off	**258**	251
Cost of inventories sold*	**72,745**	124,645
Depreciation of property, plant and equipment	**9,063**	8,535
Exchange losses, net	**167**	764
Gain on disposal of property, plant and equipment	**(40)**	(50)
Impairment loss on property, plant and equipment**	**3,429**	–
Write-down of inventories**	**2,960**	–
Operating lease charges in respect of land and buildings	**1,911**	1,719
Provision for/(write back of) slow-moving inventories	**386**	(16)
(Reversal of)/provision for impairment of accounts receivable	**(265)**	256
Staff costs (including directors' remuneration (note 12))		
— Wages and salaries	**13,272**	12,908
— Pension scheme contributions	**178**	177
	13,450	13,085
Interest income	**(68)**	(56)

* The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK$9,173,000 (2011: HK$11,074,000), relating to direct staff costs, depreciation, provision for slow-moving inventories and exchange losses, which are also included in the respective amounts disclosed separately above for each of these types of expenses for the year.

** Impairment loss on property, plant and equipment and write-down of inventories are included in other operating expenses for the year.

7. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest charges on:		
Bank loans wholly repayable within five years	–	95
Bank overdraft repayable on demand	89	–
	89	95

8. TAXATION

	2012 HK$'000	2011 HK$'000
Current tax		
— Hong Kong		
Current tax for the year	–	799
Under provision in respect of prior years	–	384
	–	1,183
— The PRC		
Current tax for the year	651	690
	651	1,873
Deferred tax *(note 19)*	200	471
Total income tax	851	2,344

Hong Kong profits tax has been provided for at 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 25% (2011: 25%) on operating expenses 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% on the estimated assessable profits arising in the PRC for the year (2011: 25%).

Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore, a subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the years ended 31 October 2011 and 2012 according to the relevant laws and regulations in Macau.

8. TAXATION (Continued)

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

	2012 HK$'000	2011 HK$'000
(Loss)/profit before taxation	(8,040)	8,565
Tax at the domestic rates applicable to (loss)/profits in the jurisdictions concerned	(1,807)	1,003
Tax effect of non-taxable revenue	(861)	(3,581)
Tax effect of non-deductible expenses	1,233	3,782
Tax effect of temporary difference not recognised	275	–
Tax losses not recognised	2,011	737
Under provision in prior years	–	384
Others	–	19
Income tax expense	851	2,344

9. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividend paid of HK0.20 cent (2011: HK0.60 cent) per ordinary share	1,299	3,897
Proposed final dividend of Nil (2011: HK0.20 cent) per ordinary share	–	1,299

The directors do not recommend a final dividend for the year ended 31 October 2012.

10. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share for the year is calculated based on the consolidated loss attributable to owners of the Company for the year of HK$9,095,000 (2011: profit of HK$5,802,000) and the weighted average of 649,540,000 (2011: 649,540,000) ordinary shares in issue during the year.

No diluted (loss)/earnings per share is calculated for the year ended 31 October 2012 and 31 October 2011 as there were no potential dilutive shares outstanding in existence.

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

Of the consolidated loss attributable to owners of the Company of approximately HK$9,095,000 (2011: profit of HK$5,802,000), a loss of approximately HK$1,574,000 (2011: profit of HK$3,187,000) has been dealt with in the financial statements of the Company.

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12. DIRECTORS' EMOLUMENTS

The remunerations of each director for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees HK$'000	Salaries HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Mr. NG Chi Fai	**–**	**827**	**35**	**13**	**875**
Mr. KWOK Tsun Kee	**100**	**–**	**–**	**–**	**100**
Non-executive directors:					
Dr. LUI Sun Wing	**100**	**–**	**–**	**–**	**100**
Ms. HUI Wai Man Shirley	**200**	**–**	**–**	**–**	**200**
Independent non-executive directors:					
Ms. CHAN Siu Ping Rosa	**50**	**–**	**–**	**–**	**50**
Mr. TAKEUCHI Yutaka*	**50**	**–**	**–**	**–**	**50**
Professor NI Jun	**50**	**–**	**–**	**–**	**50**
Mr. CHAU Kam Wing Donald	**100**	**–**	**–**	**–**	**100**
	650	**827**	**35**	**13**	**1,525**

* Resigned on 26/10/2012

	Fees HK$'000	Salaries HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2011					
Executive directors:					
Mr. NG Chi Fai	–	840	–	12	852
Mr. KWOK Tsun Kee	100	–	–	–	100
Non-executive directors:					
Dr. LUI Sun Wing	100	–	–	–	100
Ms. HUI Wai Man Shirley	200	–	–	–	200
Independent non-executive directors:					
Ms. CHAN Siu Ping Rosa	50	–	–	–	50
Mr. TAKEUCHI Yutaka	50	–	–	–	50
Professor NI Jun	50	–	–	–	50
Mr. CHAU Kam Wing Donald	100	–	–	–	100
	650	840	–	12	1,502

12. DIRECTORS' EMOLUMENTS (Continued)

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 (2011: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2011: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one (2011: one) director, details of whose remuneration are set out in note 12 above. Details of the remuneration of the remaining four (2011: four) non-director, highest paid employees of the Group for the year are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowances and benefits in kind	**2,824**	2,697
Pension scheme contributions	**52**	46
	2,876	2,743

The emoluments of three of the remaining non-director, highest paid individuals fell within the band of nil to HK$1,000,000, and one fell within the band of HK$1,000,001 to HK$1,500,000 (2011: three highest paid individuals fell within the band of nil to HK$1,000,000, and one fell within the band of HK$1,000,001 to HK$1,500,000).

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 (2011: Nil).

14. SHARE OPTION SCHEME

The 2001 Share Option Scheme (the "2001 Scheme")

On 21 November 2001, the 2001 Scheme was approved pursuant to a written resolution of all shareholders of the Company. The purpose of the 2001 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 their discretion, grant options to any full time employee and any director 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 2001 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 2001 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.

In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

14. SHARE OPTION SCHEME (Continued)

The 2001 Share Option Scheme (the "2001 Scheme") (Continued)

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 2001 Scheme remained in force for a period of 10 years with effect from 21 November 2001 until 3 March 2011 which had been terminated by shareholders of the Company.

The options were vested according to the terms and conditions determined by the board of directors on a case by case basis and were 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 2001 Scheme during the year ended 31 October 2011.

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

On 3 March 2011, the 2001 Scheme was terminated and 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 during the year ended 31 October 2012 (2011: Nil).

15. 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	Total HK$'000
At 31 October 2010							
Cost	1,721	1,379	55,713	859	628	99,992	160,292
Accumulated depreciation	(1,385)	(927)	(14,183)	(534)	(628)	(9,487)	(27,144)
Net book amount	336	452	41,530	325	–	90,505	133,148
Year ended 31 October 2011							
Opening net book amount	336	452	41,530	325	–	90,505	133,148
Additions	617	152	3,555	10	–	750	5,084
Disposal	(29)	–	–	(10)	–	–	(39)
Depreciation	(183)	(168)	(4,856)	(119)	–	(3,209)	(8,535)
Translation differences	21	13	2,066	–	–	4,456	6,556
Closing net book amount	762	449	42,295	206	–	92,502	136,214
At 31 October 2011							
Cost	1,857	1,546	61,438	840	628	105,266	171,575
Accumulated depreciation	(1,095)	(1,097)	(19,143)	(634)	(628)	(12,764)	(35,361)
Net book amount	762	449	42,295	206	–	92,502	136,214
Year ended 31 October 2012							
Opening net book amount	**762**	**449**	**42,295**	**206**	**–**	**92,502**	**136,214**
Additions	**541**	**88**	**153**	**–**	**–**	**–**	**782**
Disposals	**(8)**	**–**	**–**	**–**	**–**	**–**	**(8)**
Depreciation	**(264)**	**(155)**	**(5,196)**	**(111)**	**–**	**(3,337)**	**(9,063)**
Impairment loss	**–**	**–**	**(3,429)**	**–**	**–**	**–**	**(3,429)**
Translation differences	**10**	**4**	**504**	**–**	**–**	**1,407**	**1,925**
Closing net book amount	**1,041**	**386**	**34,327**	**95**	**–**	**90,572**	**126,421**
At 31 October 2012							
Cost	**2,190**	**1,638**	**57,706**	**840**	**628**	**106,673**	**169,675**
Accumulated depreciation	**(1,149)**	**(1,252)**	**(23,379)**	**(745)**	**(628)**	**(16,101)**	**(43,254)**
Net book amount	**1,041**	**386**	**34,327**	**95**	**–**	**90,572**	**126,421**

During the year, the directors reviewed the recoverable amounts of certain plants, moulds and machinery in the business of production of machines as those plants, moulds and machinery are no longer in use and/or broken down. The recoverable amounts are based on the scrap value of those plants, moulds and machinery. The directors consider that the recoverable amounts are not significant. As a result of such review, an impairment loss of approximately HK$3,429,000 (2011: Nil) against such plants, moulds and machinery was recognised in the consolidated statement of comprehensive income for the year ended 31 October 2012.

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16. 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:

	2012 HK$'000	2011 HK$'000
Carrying amount at the beginning of the year	**5,618**	5,464
Amortisation charge for the year	**(130)**	(124)
Translation differences	**82**	278
Carrying amount at the end of the year	**5,570**	5,618

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

17. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2012 HK$'000	2011 HK$'000
Unlisted investments, at cost	**10,957**	10,957

Particulars of the subsidiaries of the Company as at 31 October 2012 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 ("Asian Way")	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	80%	Investment holding in Hong Kong
Eco-Tek Company Limited	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	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

17. 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 (Continued)				
Elegant Well Investment Limited ("Elegant Well")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Ningbo Tokawa Precision Hydraulic Components Co. Ltd. ("Ningbo Tokawa Precision")^ *(note (a))*	PRC, wholly foreign owned 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")^ *(note (b))*	PRC, wholly foreign owned 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	10,000 ordinary shares of HK$1 each	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 ("Well Spread")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Dongguan Kangli Machinery Company Limited ("Dongguan Kangli")^ *(note (c))*	PRC, wholly foreign owned limited liability company	HK$4,820,000	100%	Production and sales of machinery and related spare parts in the PRC

^ Not audited by BDO International member firms

Notes:

(a) Ningbo Tokawa Precision is a wholly foreign owned enterprise established by Tokawa Precision (Overseas) Co. Limited in the PRC for a period of 20 years commencing from the date of issuance of its business licence on 18 July 2002.

(b) Tianjin Asian Way is a wholly foreign owned enterprise in the PRC for a period of 30 years commencing from the date of issuance of its business licence on 7 August 2002.

(c) Dongguan Kangli is a wholly foreign owned enterprise established by Elegant Well in the PRC for a period of 12 years commencing from the date of issuance of its business licence on 14 September 2004.

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18. INTEREST IN A JOINTLY CONTROLLED ENTITY — THE GROUP

	2012 HK$'000	2011 HK$'000
Unlisted investment, at cost	**2,385**	2,385
Share of post-acquisition reserves	**642**	(167)
	3,027	2,218

As at 31 October 2012, the Group has interest in the following jointly controlled entity:

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

\# English translation only

The aggregate amounts relating to Jiangsu Kangyuan that have been included in the Group's consolidated financial statements are set out below:

	Year ended 31 October	
	2012 HK$'000	2011 HK$'000
Share of jointly-controlled entity's results		
Income	**4,911**	4,118
Expenses	**(4,703)**	(4,810)

	As at 31 October	
	2012 HK$'000	2011 HK$'000
Share of jointly-controlled entity's assets and liabilities		
Non-current assets	**27**	43
Current assets	**6,115**	4,502
Current liabilities	**(3,115)**	(2,327)
	3,027	2,218

19. DEFERRED TAXATION

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

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

	Group				Company
	Provision for slow-moving inventories HK$'000	Tax loss HK$'000	Capital contribution from a minority shareholder HK$'000	Total HK$'000	Tax loss HK$'000
At 1 November 2010	1,596	243	(7,423)	(5,584)	169
Debited to the consolidated statement of comprehensive income	(471)	–	–	(471)	–
Translation differences	67	–	–	67	–
At 31 October and 1 November 2011	1,192	243	(7,423)	(5,988)	169
Debited to the consolidated statement of comprehensive income	(200)	–	–	(200)	–
Translation differences	15	–	–	15	–
At 31 October 2012	**1,007**	**243**	**(7,423)**	**(6,173)**	**169**

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 2012, the Group has tax losses arising in Hong Kong of approximately HK$9,650,000 (2011: HK$3,801,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2012, the tax losses arising in the PRC was amounted to HK$15,609,000 (2011: HK$9,924,000) which are available for offsetting against future taxable profits of the companies will expire from 2013 to 2017 (2011: from 2012 to 2016). 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 2012, deferred tax liabilities of approximately HK$7,423,000 (2011: 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.

As at 31 October 2011 and 2012, the aggregate amount of temporary differences associated with the PRC's subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB10,175,000 and RMB11,759,000 respectively. No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

19. DEFERRED TAXATION (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**1,250**	1,435	**169**	169
Deferred tax liabilities	**(7,423)**	(7,423)	**–**	–
	(6,173)	(5,988)	**169**	169

20. INVENTORIES — THE GROUP

	2012	2011
	HK$'000	HK$'000
Raw materials	**10,386**	10,803
Work in progress	**3,039**	3,151
Finished goods	**31,559**	45,424
	44,984	59,378
Provision for slow-moving inventories	**(6,696)**	(10,350)
	38,288	49,028

21. ACCOUNTS RECEIVABLE — THE GROUP

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

The Group has a policy of allowing an average credit period of 90 to 120 days to its trade customer. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	**21,037**	25,821
91–180 days	**2,231**	6,422
181–365 days	**216**	1,541
Over 365 days	**2,930**	1,319
	26,414	35,103
Provision for impairment	**–**	(261)
	26,414	34,842

21. ACCOUNTS RECEIVABLE — THE GROUP (Continued)

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, bad debt of HK$258,000 (2011: HK$251,000) was written off against accounts receivable directly during the year. At 31 October 2012, the Group has determined that no accounts receivable were individually impaired (2011: HK$261,000). The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments. The movement in the allowance for impairment of accounts receivable is as follows:

	2012 HK$'000	2011 HK$'000
At beginning of the year	**261**	–
(Reversal of)/provision for impairment	**(265)**	256
Translation differences	**4**	5
At end of the year	**–**	261

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

	2012 HK$'000	2011 HK$'000
Not more than 90 days past due	**10,552**	19,363
91 to 180 days past due	**2,056**	4,608
181 to 360 days past due	**2,625**	2,310
Over 360 days past due	**516**	640
	15,749	26,921
Neither past due nor impaired	**10,665**	7,921
	26,414	34,842

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.

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

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

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23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash at bank and in hand	**16,976**	20,662	**27**	124
Less: pledged bank deposits for banking facilities *(note 29)*	**(9,020)**	(9,020)	**–**	–
Cash and bank balances as stated in the consolidated statement of financial position	**7,956**	11,642	**27**	124
Less: bank overdraft *(note 25)*	**(1,287)**	–	**–**	–
Cash and cash equivalent for the purpose of the consolidated statement of cash flows	**6,669**	11,642	**27**	124
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 RMB3,922,000 (2011: RMB3,974,000) 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 2012 (2011: Nil).

The effective interest rate of pledged bank deposits was 0.01% (2011: 0.01%) per annum as at 31 October 2012. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (note 29(a)). The pledge will not be released within twelve months from the reporting date.

24. 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:

	2012 HK$'000	2011 HK$'000
Outstanding balances with ages:		
Within 90 days	**18,516**	22,611
91–180 days	**8,340**	18,992
181–365 days	**87**	192
Over 365 days	**482**	464
	27,425	42,259

25. BANK OVERDRAFT — THE GROUP

	2012 HK$'000	2011 HK$'000
Bank overdraft repayable on demand — secured	**1,287**	–

Note: The Group's bank overdraft was denominated in Hong Kong Dollars and bore interests at the higher of HIBOR or prime rate. The bank overdraft was part of group's banking facilities (note 29).

26. LOANS FROM A MINORITY SHAREHOLDER AND A THIRD PARTY — THE GROUP

The loans were unsecured and interest-free. They were not repayable within twelve months from the reporting date, except for the amount of HK$7,440,000 as at 31 October 2012 (2011: Nil).

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

27. SHARE CAPITAL

	2012 HK$'000	2011 HK$'000
Authorised: 5,000,000,000 (2011: 5,000,000,000) ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid: 649,540,000 (2011: 649,540,000) ordinary shares of HK$0.01 each	**6,495**	6,495

28. 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.

The share premium account 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.

The 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 therefore.

The 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.

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

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28. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 November 2010	30,537	1,477	3,897	35,911
Profit for the year	–	3,187	–	3,187
2010 final dividend declared	–	–	(3,897)	(3,897)
2011 proposed final dividend	–	(1,299)	1,299	–
At 31 October 2011 and 1 November 2011	30,537	3,365	1,299	35,201
Loss for the year	–	(1,574)	–	(1,574)
2011 final dividend declared	–	–	(1,299)	(1,299)
At 31 October 2012	**30,537**	**1,791**	**–**	**32,328**

The share premium account 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, the share premium account 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.

29. 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 (2011: HK$9,020,000) (notes 23 and 31); and

(b) corporate guarantees executed by the Company (note 30).

30. FINANCIAL GUARANTEE CONTRACTS — THE COMPANY

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

	2012 HK$'000	2011 HK$'000
Total guarantees for banking facilities provided to subsidiaries	**32,000**	64,000

At 31 October 2011 and 2012, 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.

31. PERFORMANCE BONDS — THE GROUP

The Group concluded non-exclusive contracts with the Environmental Protection Department of the Government. Pursuant to the terms of the contracts, the Group has procured a bank to provide performance bonds to the Government for the performance of supply and installation of particulate removal devices to reduce particulate from the pre-Euro emission standard diesel vehicles. As at 31 October 2011, the aggregate amount of outstanding performance bonds was approximately HK$2.9 million. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits (note 29(a)) and were terminated during the year ended 31 October 2012.

32. 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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**1,794**	1,617
In the second to fifth years, inclusive	**1,426**	1,160
	3,220	2,777

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2011: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

33. RELATED PARTY TRANSACTIONS

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

	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and benefits in kind	**4,375**	3,707
Bonuses	**158**	538
Pension scheme contributions	**65**	51
	4,598	4,296

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34. 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 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 10% (2011:14%) and 40% (2011: 36%) 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**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Japanese Yen ("JPY")	**1,210**	754	**16,689**	27,895
Sterling Pounds ("GBP")	**914**	3,695	**782**	2,738
US Dollars ("USD")	**5,851**	6,425	**6,587**	7,168
Euro ("EUR")	**865**	21	**1,654**	2,931

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

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 positive (negative) number below indicates an increase (a decrease) in (loss)/profit for the year and retained earnings 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 opposite impact on the profit for the year and retained earnings. There is no impact on other components of equity in response to the general change in foreign exchange rates.

	2012 HK$'000			2011 HK$'000		
	EUR	**JPY**	**GBP**	EUR	JPY	GBP
Increase in foreign exchange rate	**5%**	**5%**	**5%**	5%	5%	5%
Effect on (loss)/profit for the year and retained earnings	**33**	**646**	**(6)**	(123)	(1,261)	37

(d) Interest rate risk

The Group has no significant interest bearing assets except bank balances detailed in note 23. The Group has bank overdraft with the interest rate at the higher of HIBOR or prime rate as at 31 October 2012. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The interest rates and terms of repayment of bank overdraft are disclosed in note 25. 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.

34. 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 HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Group					
As at 31 October 2012					
Accounts and bills payable	**18,516**	**8,909**	**–**	**27,425**	**27,425**
Accrued liabilities and other payables	**10,839**	**–**	**–**	**10,839**	**10,839**
Loan from a third party	**1,860**	**5,580**	**1,759**	**9,199**	**9,199**
Loan from a minority shareholder	**–**	**–**	**9,526**	**9,526**	**9,526**
Bank overdraft	**1,287**	**–**	**–**	**1,287**	**1,287**
	32,502	**14,489**	**11,285**	**58,276**	**58,276**
As at 31 October 2011					
Accounts and bills payable	22,611	19,648	–	42,259	42,259
Accrued liabilities and other payables	8,507	–	–	8,507	8,507
Loan from a third party	–	–	14,779	14,779	14,779
Loan from a minority shareholder	–	–	9,526	9,526	9,526
	31,118	19,648	24,305	75,071	75,071

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

	Less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Company					
As at 31 October 2012					
Accrued liabilities and other payables	**179**	**–**	**–**	**179**	**179**
Amount due to a subsidiary	**21,732**	**–**	**–**	**21,732**	**21,732**
	21,911	**–**	**–**	**21,911**	**21,911**
Financial guarantees issued — Maximum amount guaranteed	**21,525**	**–**	**–**	**21,525**	**21,525**
As at 31 October 2011					
Accrued liabilities and other payables	501	–	–	501	501
Amount due to a subsidiary	18,504	–	–	18,504	18,504
	19,005	–	–	19,005	19,005
Financial guarantees issued — Maximum amount guaranteed	40,062	–	–	40,062	40,062

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

	2012 HK$'000	2011 HK$'000
Group		
Financial assets		
Loans and receivable:		
— Accounts receivable	26,414	34,842
— Deposits and other receivables	8,018	6,203
Pledged bank deposits	9,020	9,020
Cash and bank balances	7,956	11,642
	51,408	61,707
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	27,425	42,259
— Accrued liabilities and other payables	10,839	8,507
— Bank overdraft	1,287	–
— Loan from a third party	9,199	14,779
— Loan from a minority shareholder	9,526	9,526
	58,276	75,071
Company		
Financial assets		
Loans and receivable:		
— Deposits and other receivables	23	25
— Amounts due from subsidiaries	49,558	49,426
Cash and bank balances	27	124
	49,608	49,575
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	179	501
— Amounts due to subsidiaries	21,732	18,504
	21,911	19,005
Financial guarantees issued		
— Maximum amount guaranteed	21,525	40,062

35. 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.

	2012 HK$'000	2011 HK$'000
Capital		
— Total equity	**158,732**	167,043
Overall financing		
— Bank overdraft	**1,287**	–
— Loan from a third party	**9,199**	14,779
— Loan from a minority shareholder	**9,526**	9,526
	20,012	24,305
Capital-to-overall financing ratio	**7.93 times**	6.87 times

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

Summary of Financial Information

31 October 2012

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

	31 October				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Revenue	**120,929**	181,959	182,304	129,236	175,982
Cost of sales	**(96,282)**	(147,757)	(140,770)	(102,873)	(139,221)
Gross profit	**24,647**	34,202	41,534	26,363	36,761
Other income	**1,214**	2,915	925	5,092	6,672
Selling expenses	**(4,228)**	(4,685)	(2,890)	(2,291)	(2,943)
Administrative expenses	**(22,530)**	(21,956)	(21,756)	(19,008)	(19,249)
Other operating (expenses)/income	**(7,262)**	(1,124)	204	809	1,441
(Loss)/profit from operations	**(8,159)**	9,352	18,017	10,965	22,682
Finance costs	**(89)**	(95)	(1,144)	(1,294)	(1,813)
Share of profit/(loss) of a jointly controlled entity	**208**	(692)	318	972	(147)
(Loss)/profit before taxation	**(8,040)**	8,565	17,191	10,643	20,722
Taxation	**(851)**	(2,344)	(3,610)	(1,936)	(3,336)
(Loss)/profit for the year	**(8,891)**	6,221	13,581	8,707	17,386
ASSETS AND LIABILITIES					
Non-current assets	**145,288**	154,505	152,381	151,578	150,743
Current assets	**86,363**	105,280	122,660	87,400	144,866
Current liabilities	**54,211**	61,014	86,803	64,742	119,734
Net current assets	**32,152**	44,266	35,857	22,658	25,132
Non-current liabilities	**18,708**	31,728	31,728	31,168	27,471
Net assets	**158,732**	167,043	156,510	143,068	148,404

Notes:

1. The consolidated results of the Group for the years ended 31 October 2008, 2009 and 2010 are as set out in the annual reports of the Company for those years. The consolidated statement of comprehensive income of the Group for the years ended 31 October 2011 and 2012 are as set out on page 22 of the audited consolidated financial statements.

2. The consolidated statement of financial position as at 31 October 2008, 2009 and 2010 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2011 and 2012 are as set out on pages 23 to 24 of the audited consolidated financial statements.