Eco-Tek
環康科技

Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

Annual Report 2013

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

Contents

Corporate Information

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 2013.

FINANCIAL HIGHLIGHTS

During the year under review, the Group's turnover was approximately HK$111,801,000, a 8% decrease as compared to last year HK$120,929,000. 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 HK$26,933,000 for the year ended 31 October 2013 (2012 loss: HK$9,095,000).

BUSINESS REVIEW

During this financial year, the PRC domestic and worldwide economies were full of uncertainties. The China Central Bank limited the supply of cash to cut off funding to the unregulated "Shadow Banking" market which resulted in cash crunch recently. The export sector of China diminished further due to weak economy and fear of possible financial crisis may be caused by United State Federal Reserve probably reducing its debt purchase. Under decreasing export demands and cooling down domestic consumption, China's economy deteriorated further in this financial year. The expectation of weak economy suppressed capital investments and affected the confidence of our customers in manufacturing sectors who became hesitate to place their purchase order to us. As results, our customers in the manufacturing sector reduced their orders significantly which lead to decrease in our Group's turnover by 8% to HK$111,801,000 for the year ended 31 October 2013 when compared with the Group's turnover for the year ended 31 October 2012 HK$120,929,000. To address the situations, we have started lowering our operation costs, speeding up market penetration and sourcing supply of new industrial environment products from Europe. We hope the mentioned measures would generate positive impacts to the Group's financial results in near futures.

Under weak economy and increasing competitions, the operation of our production of machines segment (the "PM Segment") was further deteriorated. It continued to incur losses in recent years because of the thin gross profit margin of its products. To focus on higher return segment, the Company decided to discontinue the PM Segment after the financial year ended 31 October 2013. Significant other operating expense which represented impairment loss and written down value of asset under the PM Segment were provided and included in the other operating expense in this financial year. We believe that the Group's resources could be more effectively allocated to profitable segments of the Group after discontinuation of the PM Segment.

Gross profit for the year ended 31 October 2013 was HK$26,657,000, representing an increase of 8% as compared with last year (2012: HK$24,647,000). The gross profit margin of the Group for the year ended 31 October 2013 was 24% (2012: 20%). The increase was due to depreciation of Japanese Yen which is the Group's major purchasing currency. Since the foreign currency risk, especially Japanese Yen, affects the Group's gross profit margin, we will continuously monitor foreign exchange exposure and will hedge significant foreign exposure should the need arises.

The Group's administrative expenses for the year ended 31 October 2013 was amounted to HK$20,686,000, representing a decrease of 8% compared with the last year (2012: HK$22,530,000). The Group's selling expenses for the year ended 31 October 2013 was amounted to HK$3,815,000, representing a decrease of 10% compared with the last year (2012: HK$4,228,000). The Group's other operating expense for the year ended 31 October 2013 was amounted to HK$30,035,000 (2012: HK$7,262,000) which mainly represented the impairment loss and written down on value of assets under the PM Segment. A loss attributable to owners of the Company amounted to HK$26,933,000 was record in this financial year (2012: loss HK$9,095,000).

Chairman's Statement

PROSPECTS

Many uncertainties in the overall operating environment, especially various tightening policies launched in the PRC and the expectation of weak economy suppressed capital investments, it will bring great challenges to the future development of the Chinese industrial environmental products sectors. In view of this, the Group will dedicate further efforts to enhance value added services to existing industrial environmental products and explore opportunities in new products or services through implementation of flexible market strategies, capturing opportunities arising from continuous growth in China, so as to promote the long-term stable development of the Group's overall business.

"Energy Conservation and Emission Reduction" is one of the national strategies under China's the 12th Five-Year Plan. Leverage on the Group's past experiences in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

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 under China's 12th Five-Year Plan. The Group has confidence that this will be positive for our water supply plant's future development.

APPRECIATION

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

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

Hui Wai Man, Shirley
Chairman

Hong Kong, 21 January 2014

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 46, is the Chairman and non-executive Director. She has over 24 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 40, 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 16 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 76, 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 43 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 63, is the non-executive Director. He is a former Vice-President of The Hong Kong Polytechnic University responsible for partnership development. Dr. Lui was also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the Hong Kong Enterprise Limited. Prior to joining The Hong Kong Polytechnic University, Dr. Lui was the Branch Director of the Hong Kong Productivity Council in charge of the Materials and Process Branch which provides R & D, consultancy and training services in new materials, advanced manufacturing and environmental technologies to the industry. Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK. He is the Founding Chairman of the Society of Automotive Engineers — HK, Former President of the Hong Kong Association for the Advancement of Science and Technology as well as Honorary Presidents and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001. Dr. Lui also sits as an independent and non-executive director of Shanghai Electric Group Company Limited and non-executive director of Leeport (Holdings) Limited. Both companies are listed public companies in Hong Kong.

Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 52, is an independent non-executive Director. He has over 21 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 Public 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 53, is an independent non-executive Director. She has over 25 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 52, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, USA. Professor Ni graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor Ni joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit research centres such as the S.M. Wu Manufacturing Research Centre. He joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

SENIOR MANAGEMENT

Mr. YIM Wai Man, aged 43, 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 19 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.

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 PRC domestic and worldwide economies were full of uncertainties. The China Central Bank limited the supply of cash to cut off funding to the unregulated "Shadow Banking" market which resulted in cash crunch recently. The export sector of China diminished further due to weak economy and fear of possible financial crisis may be caused by United State Federal Reserve probably reducing its debt purchase. Under decreasing export demands and cooling down domestic consumption, China's economy deteriorated further in this financial year. The expectation of weak economy suppressed capital investments and affected the confidence of our customers in manufacturing sectors who became hesitate to place their purchase order to us. As results, our customers in the manufacturing sector reduced their orders significantly which lead to decrease in our Group's turnover by 8% to HK$111,801,000 for the year ended 31 October 2013 when compared with the Group's turnover for the year ended 31 October 2012 HK$120,929,000. To address the situations, we have started lowering our operation costs, speeding up market penetration and sourcing supply of new industrial environment products from Europe. We hope the mentioned measures would generate positive impacts to the Group's financial results in near futures.

Under weak economy and increasing competitions, the operation of our production of machines segment (the "PM Segment") was further deteriorated. It continued to incur losses in recent years because of the thin gross profit margin of its products. To focus on higher return segment, the Company decided to discontinue the PM Segment after the financial year ended 31 October 2013. Significant impairment loss and written down value of assets under the PM Segment were provided and included in the other operating expenses in this financial year. We believe that the Group's resources could be more effectively allocated to and utilized by other profitable business segments of the Group after the discontinuation of the PM Segment.

Financial Review

The Group's revenue for the year ended 31 October 2013 was HK$111,801,000, a decrease of 8% as compared with the corresponding period (2012: HK$120,929,000). 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 HK$26,933,000 (2012: loss HK$9,095,000).

Gross profit for the year ended 31 October 2013 was HK$26,657,000, representing an increase of 8% as compared with the last year (2012: HK$24,647,000). The gross profit margin of the Group for the year ended 31 October 2013 was 24% (2012: 20%). The increase was due to depreciation of Japanese Yen which is the Group's major purchasing currency. Since the foreign currency risk, especially Japanese Yen, affects the Group's gross profit margin, we will continuously monitor foreign exchange exposure and will hedge significant foreign exposure should the need arises.

The Group's administrative expenses for the year ended 31 October 2013 was amounted to HK$20,686,000, representing a decrease of 8% compared with the last year (2012: HK$22,530,000). The Group's selling expenses for the year ended 31 October 2013 was amounted to HK$3,815,000, representing a decrease of 10% compared with the last year (2012: HK$4,228,000). The Group's other operating expense for the year ended 31 October 2013 was amounted to HK$30,035,000 (2012: HK$7,262,000) which mainly represented the impairment loss and written down on value of assets under the PM Segment.

A loss attributable to owners of the Company amounted to HK$26,933,000 (2012: loss HK$9,095,000) was recorded in this financial year.

Prospects

Many uncertainties in the overall operating environment, especially various tightening policies launched in the PRC and the expectation of weak economy suppressed capital investments, it will bring great challenges to the future development of the Chinese industrial environmental products sectors. In view of this, the Group will dedicate further efforts to enhance value added services to existing industrial environmental products and exploring opportunities in new products or services through implementation of flexible market strategies, capturing opportunities arising from continuous growth in China, so as to promote the long-term stable development of the Group's overall business.

"Energy Conservation and Emission Reduction" is one of the national strategies under China's 12th Five Year Plan. Leverage on the Group's past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

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.

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 2013, the Group had net current assets of approximately HK$19,474,000 (31 October 2012: HK$32,152,000) including bank balances and cash of approximately HK$15,356,000 (31 October 2012: HK$7,956,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 as at 31 October 2013 (31 October 2012: 1.6). As at 31 October 2013, the Group's inventory turnover was about 82 days (31 October 2012: 145 days) and the Group's accounts receivable turnover was about 80 days (31 October 2012: 80 days).

Capital Structure

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

Gearing ratio

The gearing ratio (define as the total borrowing over total equity, including minority interests) fell from 12.6% as at 31 October 2012 to 8.5% as at 31 October 2013. 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 2013, the Group had pledged its bank deposits of approximately HK$9 million (31 October 2012: 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 2013 (2012: Nil).

Information on Employees

As at 31 October 2013, the Group had 71 employees (2012: 95) working in Hong Kong, PRC and Macau. 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 2013 amounted to approximately HK$11,005,000 (2012: HK$13,450,000). The dedication and hard work of the Group's staff during the year ended 31 October 2013 are generally appreciated and recognized.

Material Acquisitions, Disposal of subsidiaries and affiliated companies

During the year ended 31 October 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

INTRODUCTION

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. Throughout the year ended 31 October 2013, the Company has complied with the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the application of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The 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 2013, 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 DIVERSITY POLICY

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

Summary of the Board Diversity Policy

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

Measurable Objectives

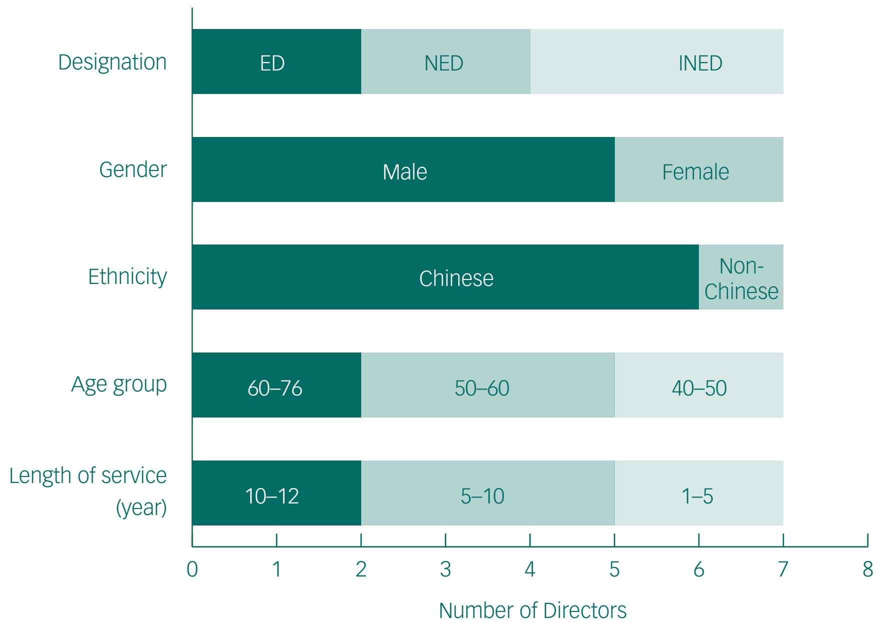
Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the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

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

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

Board Diversity



INED: Independent Non-Executive Director
NED: Non-Executive Director
ED: Executive Director

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy since 28 August 2013.

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 management.

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 presented at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the directors, they may retain independent professional advisors at the Group's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. 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 2013, one in-house session 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

A: attending internal 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 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 considered 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 on 28 August 2013 to adopt the Board Diversity Policy 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, the Board Diversity and the Company's articles of association in selecting and recommending candidates of directorship. The nomination committee discussed and reviewed the re-election of Directors.

AUDIT COMMITTEE

The audit committee was established in December 2001. The chairman of the audit committee is Mr. CHAU Kam Wing Donald 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 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 2013, 9 months ended 31 July 2013 and interim results for the 6 months ended 30 April 2013 as well as audited annual results for the year ended 31 October 2013 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 2013 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	5	4	2	1	1
Number of meetings attended/Number of meetings held					
Executive Director					
Mr. NG Chi Fai	5/5	–	–	–	1/1
Mr. KWOK Tsun Kee	4/5	–	–	–	1/1
Non-executive Directors					
Ms. HUI Wai Man	5/5	–	–	–	1/1
Dr. LUI Sun Wing	5/5	–	–	–	1/1
Independent non-executive Directors					
Mr. CHAU Kam Wing Donald	5/5	4/4	2/2	1/1	1/1
Ms. CHAN Siu Ping Rosa	4/5	3/4	2/2	1/1	1/1
Professor NI Jun	1/5	1/4	0/2	0/1	0/1

DIRECTORS' AND INDEPENDENT AUDITORS' 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 auditors' responsibilities are set out in the Auditors' Report in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 October 2013 amounted approximately HK$580,000 (2012: HK$540,000). No other significant fee was incurred for non-audit services during the year (2012: 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 internal controls system by an independent external risk advisory firm (the "Firm") since November 2008 to ensure the effective and adequate internal controls system. Relevant reports from the Firm was presented to the Board and reviewed by the Audit Committee.

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 October 2013. 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 2013.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted Shareholders Communication Policy with objective of ensuing that the Shareholder and potentials investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

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

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.eco-tek.com.hk";

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and special general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

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

During the year ended 31 October 2013, there is no significant change in the Company's memorandum and articles of association.

SHAREHOLDERS' RIGHT

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

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

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

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 2013.

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.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 October 2013 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 October 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 69.

The directors do not recommend a final dividend for the year ended 31 October 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 24 April 2014 (the "2014 AGM"). For determining the entitlement to attend and vote at 2014 AGM, the register of members of the Company will be closed from Tuesday, 22 April 2014 to Thursday, 24 April 2014, 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 2014 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 Thursday, 17 April 2014.

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 70 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 SCHEMES

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 the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 October 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$24,346,000. This includes the Company's share premium in the amount of approximately HK$30,537,000 at 31 October 2013, which may be distributable to the shareholder of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 44% (2012: 40%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 10% (2012: 6%).

Purchases from the Group's five largest suppliers accounted for approximately 96% (2012: 96%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 59% (2012: 49%).

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

In accordance with the Company's articles of association, Ms. HUI Wai Man, Shirley, Dr. LUI Sun Wing and Mr. CHAU Kam Wing, Donald will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation 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 consider 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 SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 34 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 2013, 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 2013, 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 2013	Percentage of the Company's issued share capital as at 31 October 2013
Non-executive Director and Chairman			
Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46

Save as disclosed above, as at 31 October 2013, 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 2013, 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 2013	Percentage of the Company's issued share capital as at 31 October 2013
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 2013. The Company and its subsidiaries did not redeem any of its listed securities during the year ended 31 October 2013.

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 2013.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 9 to 15 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE OF INDEPENDENT NON EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The financial statements since the financial year ended 31 October 2004 were audited by Grant Thornton Hong Kong. Pursuant to the merger of the practice of Grant Thornton Hong Kong with that of BDO Limited, Grant Thornton Hong Kong resigned and BDO Limited was appointed as auditor of the Company on 24 November 2010. The financial statements of the Company for the year ended 31 October 2013 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 2014

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港
干諾道中111號
永安中心25樓

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 23 to 69, which comprise the consolidated and company statements of financial position as at 31 October 2013, 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 judgment, 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 2013 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

Joanne Y.M.Hung
Practising Certificate Number P05419

Hong Kong, 21 January 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	**111,801**	120,929
Cost of Sales		**(85,144)**	(96,282)
Gross Profit		**26,657**	24,647
Other income		**1,893**	1,214
Selling expenses		**(3,815)**	(4,228)
Administrative expenses		**(20,686)**	(22,530)
Other operating expenses		**(30,035)**	(7,262)
Loss from operation	6	**(25,986)**	(8,159)
Finance costs	7	**(174)**	(89)
Share of profit of a jointly controlled entity		**182**	208
Loss before taxation		**(25,978)**	(8,040)
Taxation	8	**(451)**	(851)
Loss for the year			
Other comprehensive income for the year		**(26,429)**	(8,891)
— Items that may subsequently reclassified to profit and loss			
Exchange gain on translation of financial statements of foreign operation		**638**	1,278
Share of other comprehensive income of a jointly controlled entity		**65**	601
Total comprehensive income for the year		**(25,726)**	(7,012)
Loss for the year attributable to:			
Owners of the Company	11	**(26,933)**	(9,095)
Non-controlling interests		**504**	204
		(26,429)	(8,891)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(26,587)**	(7,468)
Non-controlling interests		**861**	456
		(25,726)	(7,012)
Loss per shares attributable to owners of the Company during the year	10		
— Basic		**HK (4.15) cents**	HK (1.40) cents
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 October 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-Current Assets			
Property, plant and equipment	*15*	**111,670**	126,421
Interest in leasehold land	*16*	**5,557**	5,570
Interest in a jointly controlled entity	*18*	**3,274**	3,027
Deferred tax assets	*19*	**960**	1,250
Pledged bank deposits	*23*	**9,020**	9,020
		130,481	145,288
Current assets			
Inventories	*20*	**19,160**	38,288
Accounts receivable	*21*	**24,626**	26,414
Deposits, prepayments and other receivables		**4,550**	10,435
Tax recoverable		**7,974**	3,270
Cash and bank balances	*23*	**15,356**	7,956
		71,666	86,363
Current liabilities			
Accounts and bills payable	*24*	**28,987**	27,425
Accrued liabilities and other payables		**19,821**	16,289
Loan from a third party	*26*	**1,759**	7,440
Bank overdraft	*25*	**–**	1,287
Provision for tax		**1,625**	1,770
		52,192	54,211
Net current assets		**19,474**	32,152
Total assets less current liabilities		**149,955**	177,440
Non-current liabilities			
Deferred tax liabilities	*19*	**7,423**	7,423
Loan from a third party	*26*	**–**	1,759
Loans from a minority shareholder	*26*	**9,526**	9,526
		16,949	18,708
Net assets		**133,006**	158,732

Consolidated Statement of Financial Position

As at 31 October 2013

	Notes	2013 HK$'000	2012 HK$'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)*	**20,051**	19,705
Capital contribution reserve	*28(a)*	**7,971**	7,971
Retained profits		**70,758**	97,691
		124,956	151,543
Non-controlling interests		**8,050**	7,189
Total equity		**133,006**	158,732

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. KWOK Tsun Kee
Director

Statement of Financial Position

As at 31 October 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*17*	**10,957**	10,957
Deferred tax assets	*19*	**–**	169
		10,957	11,126
Current assets			
Deposits, prepayments and other receivables		**22**	23
Amounts due from subsidiaries	*22*	**43,298**	49,558
Cash and bank balances	*23*	**34**	27
		43,354	49,608
Current liabilities			
Accrued liabilities and other payables		**131**	179
Amount due to a subsidiary	*22*	**23,339**	21,732
		23,470	21,911
Net current assets		**19,884**	27,697
Net assets		**30,841**	38,823
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)*	**(6,191)**	1,791
Total equity		**30,841**	38,823

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 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss before taxation		**(25,978)**	(8,040)
Adjustments for:			
Interest income	6	**(88)**	(68)
Interest expense	7	**174**	89
Share of profit of a jointly controlled entity	18	**(182)**	(208)
Depreciation of property, plant and equipment	6	**11,392**	9,063
Gain on disposal of property, plant and equipment	6	**(48)**	(40)
Amortisation of interest in leasehold land	6	**129**	130
Impairment loss on property, plant and equipment	6	**8,445**	3,429
Impairment loss on trade deposits	6	**4,385**	–
Write-down of inventories	6	**9,231**	2,960
Provision for slow-moving inventories	6	**2,971**	386
Reversal of impairment of accounts receivable	6	**–**	(265)
Bad debts written off	6	**3,804**	258
Exchange (gains)/losses, net	6	**(770)**	167
Operating profit before working capital changes		**13,465**	7,861
Decrease in inventories		**6,926**	8,135
(Increase)/decrease in accounts receivable		**(2,016)**	8,887
Decrease/(increase) in deposits, prepayments and other receivables		**1,500**	(2,356)
Increase/(decrease) in accounts and bills payable		**1,562**	(15,778)
Increase in accrued liabilities and other payables		**3,532**	1,428
Cash generated from operations		**24,969**	8,177
Tax paid		**(4,993)**	(4,290)
Net cash generated from operating activities		**19,976**	3,887
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,763)**	(782)
Proceeds from disposal of property, plant and equipment		**48**	48
Interest received		**88**	68
Net cash used in investing activities		**(2,627)**	(666)
Cash flows from financing activities			
Repayment of loan from third party		**(7,440)**	(5,580)
Interest paid		**(174)**	(89)
Dividend paid		**–**	(1,299)
Net cash used in financing activities		**(7,614)**	(6,968)
Increase/(decrease) in cash and cash equivalents		**9,735**	(3,747)
Effect of foreign exchange rate changes		**(1,048)**	(1,226)
Cash and cash equivalents at beginning of the year		**6,669**	11,642
Cash and cash equivalents at end of the year	23	**15,356**	6,669

Consolidated Statement of Changes in Equity

For the year ended 31 October 2013

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange translation reserve HK$'000	Capital contribution reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	HK$'000	HK$'000
At 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 and 1 November 2012	6,495	19,586	95	19,705	7,971	97,691	–	151,543	7,189	158,732
Other comprehensive income	–	–	–	346	–	–	–	346	357	703
(Loss)/profit for the year	–	–	–	–	–	(26,933)	–	(26,933)	504	(26,429)
Total comprehensive income for the year	–	–	–	346	–	(26,933)	–	(26,587)	861	(25,726)
At 31 October 2013	**6,495**	**19,586**	**95**	**20,051**	**7,971**	**70,758**	**–**	**124,956**	**8,050**	**133,006**

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 23 to 69 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 2013 were approved for issue by the board of directors on 21 January 2014.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs

In the current year, the Group has applied for the first time the following amendment ("the new HKFRSs") issued by the HKICPA which is relevant to and effective for the Group's financial statements for the annual period beginning on 1 November 2012:

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income

The adoption of this amendment has no significant impact on the Group's financial statements.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle [1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets [2]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting [2]
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements [1]
HKFRS 11	Joint Arrangements [1]
HKFRS 12	Disclosure of Interests in Other Entities [1]
HKFRS 13	Fair Value Measurement [1]
HKAS 27 (2011)	Separate Financial Statements [1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle

The improvements made amendments to four standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle *(Continued)*

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

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, classification 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 derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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.

HKFRS 11 — Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/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.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

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 judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee benefits (Continued)

***(iii) Share-based employee compensation** (Continued)*

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, amounts due from subsidiaries 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 JUDGMENTS

Estimates and judgment 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of its non- financial assets. Where an impairment trigger exists, the recoverable amount of the non-financial asset is determined at the higher of value-in-use and fair value less costs to 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 judgments, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market and actual transactions entered into by the Group.

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the reporting date.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated 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 judgment 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 year ended 31 October 2013 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 2006/07 (2012: 2005/06). 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 2013 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:

	2013 HK$'000	2012 HK$'000
Sales of goods	**88,684**	100,337
Supply of water	**23,117**	20,592
	111,801	120,929

5. REVENUE AND SEGMENT REPORTING (Continued)

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

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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,523**	1,197	**966**	6,717	**86,195**	92,423	**23,117**	20,592	**111,801**	120,929
Reportable segment revenue	**1,523**	1,197	**966**	6,717	**86,195**	92,423	**23,117**	20,592	**111,801**	120,929
Reporting segment profit/(loss)	**358**	214	**(6,322)**	(4,141)	**22,347**	19,732	**6,459**	4,613	**22,842**	20,418
Interest income	**1**	1	**–**	–	**79**	58	**8**	9	**88**	68
Depreciation and amortisation	**(115)**	(145)	**(4,010)**	(1,704)	**(199)**	(220)	**(7,197)**	(7,124)	**(11,521)**	(9,193)
Impairment loss on property, plant and equipment	**–**	–	**(8,445)**	(3,429)	**–**	–	**–**	–	**(8,445)**	(3,429)
Impairment loss on trade deposits	**–**	–	**(4,385)**	–	**–**	–	**–**	–	**(4,385)**	–
Write-down of inventories	**–**	–	**(9,231)**	(2,960)	**–**	–	**–**	–	**(9,231)**	(2,960)
Write back of/(Provision for) slow-moving inventories	**–**	–	**–**	43	**(2,971)**	(429)	**–**	–	**(2,971)**	(386)
Reportable segment assets	**10,870**	9,809	**4,656**	37,385	**50,661**	50,743	**123,669**	125,807	**189,856**	223,744
Additions to non-current segment assets	**4**	420	**–**	80	**381**	29	**2,378**	253	**2,763**	782
Reportable segment liabilities	**675**	404	**88**	838	**34,701**	33,880	**9,307**	9,201	**44,771**	44,323

5. REVENUE AND SEGMENT REPORTING (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2013 HK$'000	2012 HK$'000
Reportable segment revenue	111,801	120,929
Group revenue	111,801	120,929
Reportable segment profit	22,842	20,418
Other corporate expenses	(26,767)	(22,188)
Impairment loss on property, plant and equipment	(8,445)	(3,429)
Impairment loss on trade deposits	(4,385)	–
Write-down of inventories	(9,231)	(2,960)
Finance costs	(174)	(89)
Share of profit of a jointly controlled entity	182	208
Loss before taxation	(25,978)	(8,040)
Reportable segment assets	189,856	223,744
Interest in a jointly controlled entity	3,274	3,027
Other corporate assets	9,017	4,880
Group assets	202,147	231,651
Reportable segment liabilities	44,771	44,323
Other corporate liabilities	13,085	9,871
Loan from a third party	1,759	9,199
Loan from a minority shareholder	9,526	9,526
Group liabilities	69,141	72,919

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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong (domicile)	23,713	29,092	3,010	2,969
PRC	85,125	84,211	113,173	128,509
Other	2,963	7,626	4,318	3,540
	111,801	120,929	120,501	135,018

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

5. REVENUE AND SEGMENT REPORTING (Continued)

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 largest customer of the Group's industrial environmental products segment amounted to approximately HK$11,424,000 or 10% (2012: HK$7,258,000 or 6%) of the Group's revenue for the year ended 2013.

6. LOSS FROM OPERATIONS

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

	2013 HK$'000	2012 HK$'000
Auditor's remuneration		
— Provision for the year	**580**	540
Amortisation of interest in leasehold land	**129**	130
Bad debts written off	**3,804**	258
Cost of inventories sold*	**68,414**	69,694
Depreciation of property, plant and equipment	**11,392**	9,063
Exchange (gains)/losses, net	**(770)**	167
Gain on disposal of property, plant and equipment	**(48)**	(40)
Impairment loss on property, plant and equipment**	**8,445**	3,429
Impairment loss on trade deposits**	**4,385**	–
Write-down of inventories**	**9,231**	2,960
Operating lease charges in respect of land and buildings	**1,888**	1,911
Provision for slow-moving inventories	**2,971**	386
Reversal of impairment of accounts receivable	**–**	(265)
Staff costs (including directors' remuneration (note 12))		
— Wages and salaries	**10,846**	13,272
— Pension scheme contributions	**159**	178
	11,005	13,450
Interest income	**(88)**	(68)

* The costs of inventories sold is included in cost of sales which includes a total amount of approximately HK$10,817,000 (2012: HK$9,173,000), relating to direct staff costs, depreciation, provision for slow-moving inventories and exchange gains/losses, which are also included in the respective amounts disclosed separately above for each of these types of expenses.

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

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charges on:		
Bank overdraft repayable on demand	**81**	89
Other loan interest	**93**	–
	174	89

8. TAXATION

	2013 HK$'000	2012 HK$'000
Current tax		
— Hong Kong		
Current tax for the year	**94**	–
— The PRC		
Current tax for the year	**50**	651
	144	651
Deferred tax *(note 19)*	**307**	200
Total income tax expense	**451**	851

Hong Kong profits tax has been provided for at 16.5% (2012: 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% (2012: 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 (2012: 25%).

A subsidiary of the Group established and operating in Macau was exempted from Macau complementary profits tax for the years ended 31 October 2012 and 2013 according to the relevant laws and regulations in Macau.

8. TAXATION (Continued)

A reconciliation of the tax expense applicable to loss before taxation using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2013 **HK$'000**	2012 HK$'000
Loss before taxation	**(25,978)**	(8,040)
Tax at the domestic rates applicable to loss in the jurisdictions concerned	**(6,904)**	(1,807)
Tax effect of non-taxable revenue	**(2,744)**	(861)
Tax effect of non-deductible expenses	**7,876**	1,233
Utilisation of unrecognised tax losses	**(641)**	–
Tax effect of temporary difference not recognised	**–**	275
Tax losses not recognised	**2,864**	2,011
Income tax expense	**451**	851

9. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Dividend paid of Nil (2012: HK0.20 cent) per ordinary share	**–**	1,299

The directors do not recommend a final dividend for the year ended 31 October 2013.

10. LOSS PER SHARE

The basic loss per share for the year is calculated based on the consolidated loss attributable to owners of the Company for the year of approximately HK$26,933,000 (2012: HK$9,095,000) and the weighted average of 649,540,000 (2012: 649,540,000) ordinary shares in issue during the year.

No diluted loss per share is calculated for the years ended 31 October 2013 and 31 October 2012 as there were no potential dilutive shares outstanding.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately HK$26,933,000 (2012: HK$9,095,000), a loss of approximately HK$7,982,000 (2012: HK$1,574,000) has been dealt with in the financial statements of the Company.

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
2013					
Executive directors:					
Mr. NG Chi Fai	–	825	–	15	840
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
Professor NI Jun	50	–	–	–	50
Mr. CHAU Kam Wing Donald	100	–	–	–	100
	600	825	–	15	1,440

	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 October 2012

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 (2012: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2012: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one (2012: one) director, details of whose remuneration are set out in note 12 above. Details of the remuneration of the remaining four (2012: four) non-director, highest paid individuals of the Group for the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, allowances and benefits in kind	**2,463**	2,824
Pension scheme contributions	**53**	52
	2,516	2,876

The emoluments of four non-director highest paid individuals fell within the band of nil to HK$1,000,000 (2012: three 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).

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 (2012: Nil).

The emoluments of one non-director senior management fell within the band of nil to HK$1,000,000 (2012: one non-director senior management fell within the band of nil to HK$1,000,000).

14. SHARE OPTION SCHEME

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

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

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

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

14. SHARE OPTION SCHEME (Continued)

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

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 2013 (2012: 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	Construction in progress HK$'000	Total HK$'000
At 1 November 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
Year ended 31 October 2013								
Opening net book amount	**1,041**	**386**	**34,327**	**95**	**–**	**90,572**	**–**	**126,421**
Additions	**343**	**44**	**200**	**–**	**–**	**1,035**	**1,141**	**2,763**
Depreciation	**(279)**	**(138)**	**(7,526)**	**(77)**	**–**	**(3,372)**	**–**	**(11,392)**
Impairment loss	**–**	**–**	**(8,445)**	**–**	**–**	**–**	**–**	**(8,445)**
Translation differences	**13**	**5**	**472**	**–**	**–**	**1,833**	**–**	**2,323**
Closing net book amount	**1,118**	**297**	**19,028**	**18**	**–**	**90,068**	**1,141**	**111,670**
At 31 October 2013								
Cost	**2,353**	**1,688**	**43,623**	**840**	**628**	**109,591**	**1,141**	**159,864**
Accumulated depreciation	**(1,235)**	**(1,391)**	**(24,595)**	**(822)**	**(628)**	**(19,523)**	**–**	**(48,194)**
Net book amount	**1,118**	**297**	**19,028**	**18**	**–**	**90,068**	**1,141**	**111,670**

15. PROPERTY, PLANT AND EQUIPMENT — THE GROUP (Continued)

As at 31 October 2013, the directors reviewed the recoverable amounts of all plants, moulds and machinery in the business segment of production of machines as the business incurred losses for past several years. The recoverable amounts are based on the fair value less cost to sales of those plants, moulds and machinery by reference to the price offered by the third independent party recently. As a result of such review, an impairment loss of approximately HK$8,445,000 against such plants, moulds and machinery was recognised in the consolidated statement of comprehensive income for the year ended 31 October 2013.

As at 31 October 2012, the directors also reviewed the recoverable amounts of certain plants, moulds and machinery in the business segment 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 against such plants, moulds and machinery was recognised in the consolidated statement of comprehensive income for the year ended 31 October 2012.

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:

	2013 HK$'000	2012 HK$'000
Carrying amount at the beginning of the year	**5,570**	5,618
Amortisation charge for the year	**(129)**	(130)
Translation differences	**116**	82
Carrying amount at the end of the year	**5,557**	5,570

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

17. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**10,957**	10,957

17. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

Particulars of the subsidiaries of the Company as at 31 October 2013 are as follows:

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Directly held				
Eco-Tek (BVI) Investment Holdings Limited^	British Virgin Islands ("BVI"), limited liability company	30,000 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Indirectly held				
Asian Way International Limited	Hong Kong, limited liability company	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
Elegant Well Investment Limited	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. ^	PRC, wholly foreign owned limited liability company	US$100,000	100%	Marketing and sales of industrial environmental products in the PRC

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)				
Tianjin Asian Way Estate Development Co., Ltd. ^	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	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Dongguan MegaTek Machinery Company Limited (Previously known as Dongguan Kangli Machinery Company Limited ("Dongguan MegaTek"))^	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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY — THE GROUP

	2013 HK$'000	2012 HK$'000
Unlisted investment, at cost	**2,385**	2,385
Share of post-acquisition reserves	**889**	642
	3,274	3,027

As at 31 October 2013, 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	
	2013 HK$'000	2012 HK$'000
Share of jointly-controlled entity's results		
Income	**6,628**	4,911
Expenses	**(6,446)**	(4,703)

	As at 31 October	
	2013 HK$'000	2012 HK$'000
Share of jointly-controlled entity's assets and liabilities		
Non-current assets	**15**	27
Current assets	**6,694**	6,115
Current liabilities	**(3,435)**	(3,115)
	3,274	3,027

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 2011	1,192	243	(7,423)	(5,988)	169
Debited to the consolidated statement of comprehensive income *(note 8)*	(200)	–	–	(200)	–
Translation differences	15	–	–	15	–
At 31 October and 1 November 2012	1,007	243	(7,423)	(6,173)	169
Debited to the consolidated statement of comprehensive income *(note 8)*	(138)	(169)	–	(307)	(169)
Translation differences	17	–	–	17	–
At 31 October 2013	**886**	**74**	**(7,423)**	**(6,463)**	**–**

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 2013, the Group has tax losses arising in Hong Kong of approximately HK$9,664,000 (2012: HK$9,650,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2013, the tax losses arising in the PRC was amounted to HK$6,800,000 (2012: HK$15,609,000) which are available for offsetting against future taxable profits of the companies will expire from 2014 to 2018 (2012: from 2013 to 2017). 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 2013, deferred tax liabilities of approximately HK$7,423,000 (2012: 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 2013 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 RMB11,803,000 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**960**	1,250	**–**	169
Deferred tax liabilities	**(7,423)**	(7,423)	**–**	–
	(6,463)	(6,173)	**–**	169

20. INVENTORIES — THE GROUP

	2013	2012
	HK$'000	HK$'000
Raw materials	**2,560**	10,386
Good in transit	**574**	–
Work in progress	**–**	3,039
Finished goods	**25,806**	31,559
	28,940	44,984
Provision for slow-moving inventories	**(9,780)**	(6,696)
	19,160	38,288

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 customers. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	2013	2012
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	**20,026**	21,037
91–180 days	**2,001**	2,231
181–365 days	**2,443**	216
Over 365 days	**156**	2,930
	24,626	26,414

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 approximately HK$3,804,000 (2012: HK$258,000) was written off against accounts receivable directly during the year. At 31 October 2013, the Group has determined that no accounts receivable were individually impaired (2012: Nil). 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:

	2013 HK$'000	2012 HK$'000
At beginning of the year	**–**	261
Reversal of impairment	**–**	(265)
Translation differences	**–**	4
At end of the year	**–**	–

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

	2013 HK$'000	2012 HK$'000
Not more than 90 days past due	**14,817**	10,552
91 to 180 days past due	**2,001**	2,056
181 to 360 days past due	**2,443**	2,625
Over 360 days past due	**156**	516
	19,417	15,749
Neither past due nor impaired	**5,209**	10,665
	24,626	26,414

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.

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash at bank and in hand	**24,376**	16,976	**34**	27
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	**15,356**	7,956	**34**	27
Less: bank overdraft *(note 25)*	**–**	(1,287)	**–**	–
Cash and cash equivalent for the purpose of the consolidated statement of cash flows	**15,356**	6,669	**34**	27
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 RMB4,130,000 (2012: RMB3,155,000) 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 2013 (2012: Nil).

The effective interest rate of pledged bank deposits was 0.01% (2012: 0.01%) per annum as at 31 October 2013. 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:

	2013 HK$'000	2012 HK$'000
Outstanding balances with ages:		
Within 90 days	**24,151**	18,516
91–180 days	**4,404**	8,340
181–365 days	**193**	87
Over 365 days	**239**	482
	28,987	27,425

25. BANK OVERDRAFT — THE GROUP

	2013 HK$'000	2012 HK$'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$1,759,000 as at 31 October 2013 (2012:HK$7,440,000) which was repayable within twelve months from the reporting date.

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

27. SHARE CAPITAL

	2013 HK$'000	2012 HK$'000
Authorised: 5,000,000,000 (2012: 5,000,000,000) ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid: 649,540,000 (2012: 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.

28. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 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 and 1 November 2012	30,537	1,791	–	32,328
Loss for the year	–	(7,982)	–	(7,982)
At 31 October 2013	**30,537**	**(6,191)**	**–**	**24,346**

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 (2012: HK$9,020,000) (note 23); 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:

	2013 HK$'000	2012 HK$'000
Total guarantees for banking facilities provided to subsidiaries	**32,000**	32,000

At 31 October 2012 and 2013, 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. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits and were terminated in 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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**1,433**	1,794
In the second to fifth years, inclusive	**72**	1,426
	1,505	3,220

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2012: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

33. CAPITAL COMMITMENTS

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

	2013 **HK$'000**	2012 HK$'000
Contracted, but not provided for, in respect of construction of sedimentation tank and related facilities	**1,680**	–

34. RELATED PARTY TRANSACTIONS

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

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and benefits in kind	**4,272**	4,375
Bonuses	**–**	158
Pension scheme contributions	**83**	65
	4,355	4,598

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has certain concentration of credit risk as 14% (2012: 10%) and 44% (2012: 40%) 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Japanese Yen ("JPY")	**236**	1,210	**20,281**	16,689
Sterling Pounds ("GBP")	**2,673**	914	**2,602**	782
US Dollars ("USD")	**8,710**	5,851	**4,255**	6,587
Euro ("EUR")	**10**	865	**121**	1,654

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

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

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

	2013 HK$'000			2012 HK$'000		
	EUR	**JPY**	**GBP**	EUR	JPY	GBP
Increase in foreign exchange rate	**5%**	**5%**	**5%**	5%	5%	5%
Effect on loss for the year and retained profits	**5**	**837**	**(3)**	33	646	(6)

(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.

35. 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 2013					
Accounts and bills payable	**28,987**	**–**	**–**	**28,987**	**28,987**
Accrued liabilities and other payables	**11,042**	**–**	**–**	**11,042**	**11,042**
Loan from a third party	**1,759**	**–**	**–**	**1,759**	**1,759**
Loan from a minority shareholder	**–**	**–**	**9,526**	**9,526**	**9,526**
	41,788	**–**	**9,526**	**51,314**	**51,314**
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

	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 2013					
Accrued liabilities and other payables	**131**	**–**	**–**	**131**	**131**
Amount due to a subsidiary	**23,339**	**–**	**–**	**23,339**	**23,339**
	23,470	**–**	**–**	**23,470**	**23,470**
Financial guarantees issued — Maximum amount guaranteed	**15,859**	**–**	**–**	**15,859**	**15,859**
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

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

	2013 HK$'000	2012 HK$'000
Group		
Financial assets		
Loans and receivable:		
— Accounts receivable	**24,626**	26,414
— Deposits and other receivables	**4,304**	8,018
— Pledged bank deposits	**9,020**	9,020
— Cash and bank balances	**15,356**	7,956
	53,306	51,408
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	**28,987**	27,425
— Accrued liabilities and other payables	**11,042**	10,839
— Bank overdraft	**–**	1,287
— Loan from a third party	**1,759**	9,199
— Loan from a minority shareholder	**9,526**	9,526
	51,314	58,276
Company		
Financial assets		
Loans and receivable:		
— Deposits and other receivables	**22**	23
— Amounts due from subsidiaries	**43,298**	49,558
— Cash and bank balances	**34**	27
	43,354	49,608
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	**131**	179
— Amount due to a subsidiary	**23,339**	21,732
	23,470	21,911
Financial guarantees issued		
— Maximum amount guaranteed	**15,859**	21,525

36. 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.

	2013 **HK$'000**	2012 HK$'000
Capital		
— Total equity	**133,006**	158,732
Overall financing		
— Bank overdraft	**–**	1,287
— Loan from a third party	**1,759**	9,199
— Loan from a minority shareholder	**9,526**	9,526
	11,285	20,012
Capital-to-overall financing ratio	**11.79 times**	7.93 times

37. EVENTS AFTER THE REPORTING DATE

On 30 December 2013, the Group signed an agreement with an independent third party to sell all machineries of Dongguan MegaTek, which is included in the non-current asset of production of machines segment, at a consideration of approximately HK$2,276,000 (equivalent to RMB1,800,000). As the marketing process did not begin until after the reporting date, those machineries have not been classified as held for sales in the consolidated statement of financial position.

The following is a summary of the consolidated results and of the assets and liabilities of the Group prepared on the basis set out in notes 1 and 2 below:

RESULTS

	Year ended 31 October				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**111,801**	120,929	181,959	182,304	129,236
Cost of sales	**(85,144)**	(96,282)	(147,757)	(140,770)	(102,873)
Gross profit	**26,657**	24,647	34,202	41,534	26,363
Other income	**1,893**	1,214	2,915	925	5,092
Selling expenses	**(3,815)**	(4,228)	(4,685)	(2,890)	(2,291)
Administrative expenses	**(20,686)**	(22,530)	(21,956)	(21,756)	(19,008)
Other operating (expenses)/income	**(30,035)**	(7,262)	(1,124)	204	809
(Loss)/profit from operations	**(25,986)**	(8,159)	9,352	18,017	10,965
Finance costs	**(174)**	(89)	(95)	(1,144)	(1,294)
Share of profit/(loss) of a jointly controlled entity	**182**	208	(692)	318	972
(Loss)/profit before taxation	**(25,978)**	(8,040)	8,565	17,191	10,643
Taxation	**(451)**	(851)	(2,344)	(3,610)	(1,936)
(Loss)/profit for the year	**(26,429)**	(8,891)	6,221	13,581	8,707
ASSETS AND LIABILITIES					
Non-current assets	**130,481**	145,288	154,505	152,381	151,578
Current assets	**71,666**	86,363	105,280	122,660	87,400
Current liabilities	**52,192**	54,211	61,014	86,803	64,742
Net current assets	**19,474**	32,152	44,266	35,857	22,658
Non-current liabilities	**16,949**	18,708	31,728	31,728	31,168
Net assets	**133,006**	158,732	167,043	156,510	143,068

Notes:

1. The consolidated results of the Group for the years ended 31 October 2009, 2010 and 2011 are as set out in the annual reports of the Company for those years. The consolidated results of the Group for the years ended 31 October 2012 and 2013 are as set out on page 23 of the audited consolidated financial statements.

2. The consolidated statement of financial position as at 31 October 2009, 2010 and 2011 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2012 and 2013 are as set out on pages 24 to 25 of the audited consolidated financial statements.