環康科技

Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169

2019 ANNUAL REPORT

Healthy Environment

QUALITY LIVING

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

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

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This annual report is printed on environmentally friendly paper

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BOARD OF DIRECTOR

Executive Directors
WU Cheng-wei *(Chairman)*
LEUNG Wai Lun

Non-Executive Director
LUI Sun Wing

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

COMPLIANCE OFFICER

LEUNG Wai Lun

COMPANY SECRETARY

YIM Wai Man

AUTHORISED REPRESENTATIVES

LEUNG Wai Lun
YIM Wai Man

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

AUDIT COMMITTEE

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

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
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

PRINCIPAL BANKERS

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

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

Chairman's Statement

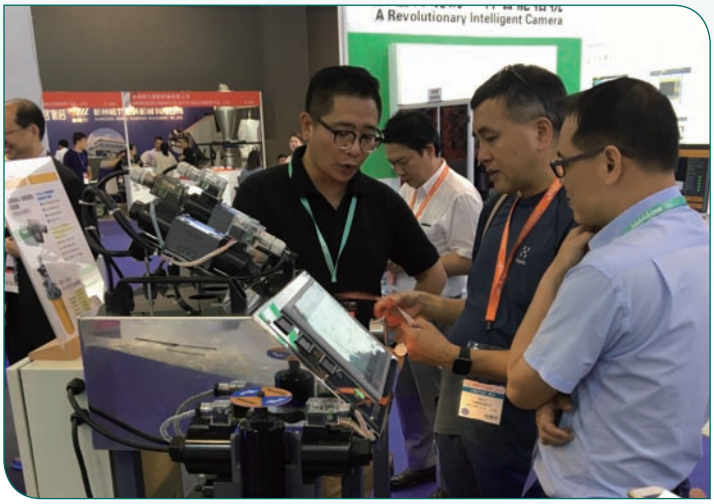
I am pleased to report to our valued shareholders and investors the results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the financial year ended 31 October 2019.

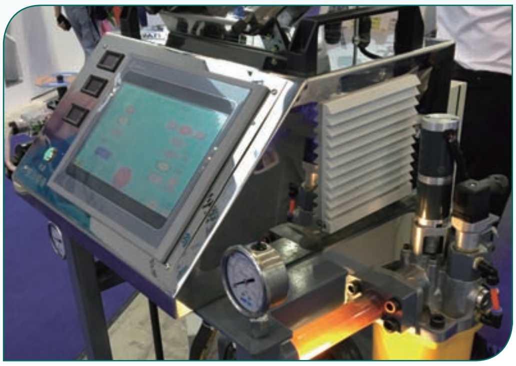
During the year ended 31 October 2019, revenue of our environment-friendly products business and water supply plant business accounted for 73% (2018: 77%) and 27% (2018: 23%) respectively of the Group's total revenue. The revenue of environment-friendly products business for the year ended 31 October 2019 was HK$70,422,000, 11% less than that of last year since China's trade war with United State. The revenue of water supply plant business for the year ended 31 October 2019 was HK$26,055,000, 11% more than that of last year as the water consumption raise with more economic activities in the industrial parks and increased population in the residential areas and schools such as Tianjin University of Finance and Economics and Tianjin College University of Science and Technology Beijing within our existing water supply territory.

The revenue of the Group for the year ended 31 October 2019 decreased by 6% to HK$96,477,000 when compared with that of the last year (2018: HK$102,352,000) as the sales of our environment-friendly products business decreased under poor market sentiment since China's trade war with United State. National Bureau of Statistics of the People's Republic of China (the "Bureau of Statistic of the PRC") recently announced that the China's gross domestic product (the "GDP") growth for the third quarter of year 2019 fell to 6%, its weakest pace in almost three decades and the manufacturing Purchasing Managers' Index (the "PMI") was 50.2 in December 2019. The PMI was struggling around the threshold 50 which indicated the uncertainty in purchasing activities as the bruising U.S. trade war hit factory productions.

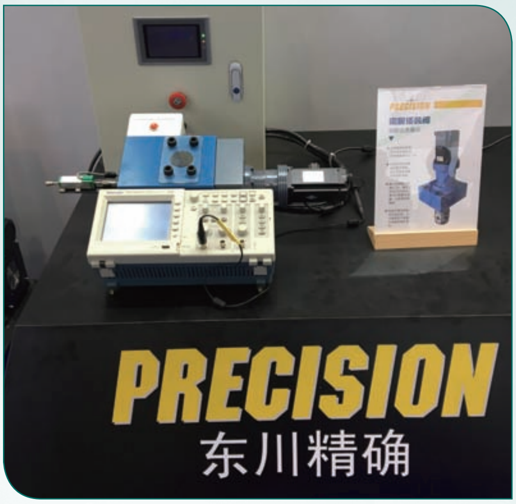
The Group's gross profit for the year ended 31 October 2019 was HK$30,349,000, representing a decrease of 17% as compared with last year (2018: HK$36,741,000) due to decrease in the Group's revenue and the drop in gross profit margin of our environment-friendly products business. Under the unfavorable fluctuation of foreign currencies, especially the depreciation of Renminbi, one of the major currencies for our Group's sales activities and the appreciation of Japanese Yen, one of the major currencies of our Group's purchase activities, the gross profit margin of the Group for year ended 31 October 2019 decreased to 32% (2018: 36%).

The Group recorded a loss attributable to owners of the Company amounted to HK$574,000 while there was a profit attributable to owners of the Company amounted to HK$4,847,000 for the year ended 31 October 2018.





Chairman's Statement



In the process of transforming the China's economy to the "new normal" era with the new growth model emphasizing domestic consumption and quality, there are risks of decline in demand of low-end machinery and equipment but also opportunities under the national strategies of "Energy Conservation and Emission Reduction". Leverage on the Group's experience in this area and deep understanding of the needs of our clients, the Group will source supply of new products or services which fulfil the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

Our 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 the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (together as the "New Intercity Railways"), the construction works of Baodi Station was started. It was believed that the completion of the New Intercity Railways will promote the integrative and cooperative economic development of the Baodi District and Jing-Jin New City which will benefit our Group's water supply plant in Tianjin. On 17 December 2019, the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary Asian Way International Limited which is the holding company of our water supply plant in Tianjin. After completion, Asian Way International Limited has become a wholly owned subsidiary of the Group. This acquisition is in line with the strategic management of the Group to review the markets for the Group's respective businesses with a forward looking perspective and to seek business and investment opportunities with a view to providing growth potential of the Group.

On behalf of the board and our management team, I would like to take this opportunity to express my appreciation to the shareholders, customers and business partners for their supports and cooperation. I hereby express my heartfelt gratitude to all the Directors for their supports and contributions, and committed staff for their diligence and effort, which have contributed to the business development of the Group in the past year.

WU Cheng-wei
Chairman

Hong Kong, 16 January 2020

Biographical Details of the Directors and Senior Management

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

CHAIRMAN

Mr. WU Cheng-wei, aged 60, is the executive Director. He has over 31 years of experience in the engineering field and extensive experience in developing the Taiwan and international markets. From 1997 to 2003 and from 2009 to 2015, Mr. WU was Chairman of the Plastic & Rubber Machinery Committee of the Taiwan Association of Machinery Industry ("TAMI"), and a director of TAMI from 2003 to 2006. Currently, he is Chairman of the Trade Coordination Committee of TAMI, the Chief Editor of the Plastic and Rubber Machinery, Machinery Monthly Magazine, a member of each of the National Standards & Technologies Committee and the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs, R.O.C. the General Manager of an engineering company. Mr. WU holds an Executive Master degree of Business Administration from the National Central University (Taiwan) and a Master degree of Engineering Manufacturing Management from the University of South Australia. He joined the Company in December 2015 as non-executive Director and re-designated as executive Director in September 2016. Mr. WU took up the role as Chairman on 27 April 2017.

CHIEF EXECUTIVE OFFICER

The position of Chief Executive Officer remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors during the year.

EXECUTIVE DIRECTORS

Mr. LEUNG Wai Lun, aged 60, is an executive Director of the Company. He has over 20 years of experience in operations and employee management and development and over 30 years of experience in the engineering field. He is a Senior Fellow of The Professional Validation Centre of Hong Kong Business Sector and a Fellow of the Association of Chartered and Certified Accountants (UK). Mr. LEUNG holds a degree in Master of Business Administration from the Chinese University of Hong Kong and a degree in Bachelor of Science in Engineering from the University of Hong Kong. He is a member of each of The Hong Kong Institution of Engineers, The Institute of Marine Engineering, Science and Technology (UK), The Institution of Engineering & Technology (UK), and Institute of Industrial and Systems Engineers (USA). Mr. LEUNG joined the Company in September 2015.

Mr. WU Cheng-wei — Please refer to the paragraph under "CHAIRMAN" above for his profile.

Biographical Details of the Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Dr. LUI Sun Wing, aged 69, is the non-executive Director. He is a former Vice-President of The Hong Kong Polytechnic University responsible for partnership development. Dr. Lui was also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the Hong Kong Enterprise Limited. Prior to joining the Hong Kong Polytechnic University, Dr. Lui was the Branch Director of the Hong Kong Productivity Council in charge of the Materials and Process Branch which provides R & D, consultancy and training services in new materials, advanced manufacturing and environmental technologies to the industry. Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK. He is the Founding Chairman of the Society of Automotive Engineers — HK, Former President of the Hong Kong Association for the Advancement of Science and Technology as well as Honorary Presidents and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001. Dr. Lui also sits as an independent and non-executive director of Human Health Holdings Limited (Stock code: 1419) which is listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 56, is an independent non-executive Director. He has over 26 years of experience in auditing, taxation and financial management and has been appointed as financial controller of a number of companies listed in Hong Kong. Mr. CHAU obtained a Master Degree in Business Administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of Hong Kong Institute of Certified Chartered Accountants. Mr. CHAU is a finance director of Winox Holdings Limited (Stock Code: 6838), an independent non-executive director of China Water Affairs Group Limited (Stock Code: 855), Carpenter Tan Holdings Limited (Stock Code: 837), Ching Lee Holdings Limited (Stock Code: 3728) and Kangda International Environmental Company Limited (Stock Code: 6136) which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of a GEM listed company, Zhejiang Chang'an Renheng Technology Co., Ltd. (Stock Code: 8139) from May 2014 to May 2019. 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 61, is an independent non-executive Director. She is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company. She has over 31 years of experience in management, production and marketing in the textiles manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts degree majoring in business administration from the Simon Fraser University in Canada. She joined the Company in August 2002.

Professor NI Jun, aged 57, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, USA. Professor NI graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D. in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor NI joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit research centres such as the S.M. Wu Manufacturing Research Centre. Professor NI joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

Biographical Details of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. CHEUNG Yuk, aged 38, is the director of subsidiaries under the Group's water supply plant business, namely Asian Way International Limited and Tianjin Asian Way Estate Development Co Limited. Mr. CHEUNG has studied in the department of public management study of Xiamen University from year 2003 to 2007 and joined the Group in year 2008.

Mr. ZHENG Xiao Bo, aged 49, is the chief sales officer under the Group's environment-friendly products business. He obtained a degree in Bachelor of Electrical Engineering from the Anhui Agricultural University in year 1994. Mr. ZHENG was the engineer of purchase department, sales engineer of hydraulic components of several private PRC companies and multi-national business before he joined the Group in year 2006.

Mr. WU Wen Qing, aged 47, is the sales manager under the Group's environment-friendly products business. He obtained a degree in Bachelor of Applied Computer Study from the Guangdong University of Technology in year 2002. Mr. WU was the researcher, mechanical engineer and manager of logistic department of several private PRC companies before he joined the Group in year 2008.

Mr. ZHOU Zhi Cong, aged 36, is the sales manager under the Group's environment-friendly products business. He obtained a degree in Bachelor of Civil Engineering from the South China University of Technology in year 2011. Mr. ZHOU was the human resources manager and head of engineering department of several private PRC companies before he joined the Group in year 2010.

Mr. YIM Wai Man, aged 49, is the company secretary and the financial controller of the Group since September 2011. He has over 25 years of experience in auditing, taxation and finance fields. Mr. YIM obtained a degree in Master of Business Administration from The Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

During the year ended 31 October 2019, revenue of our environment-friendly products business and water supply plant business accounted for 73% (2018: 77%) and 27% (2018: 23%) respectively of the Group's total revenue. The revenue of environment-friendly products business for the year ended 31 October 2019 was HK$70,422,000, 11% less than that of last year since China's trade war with the United States. The revenue of water supply plant business for the year ended 31 October 2019 was HK$26,055,000, 11% more than that of last year as the water consumption raise with more economic activities in the industrial parks and increased population in the residential areas and schools such as Tianjin University of Finance and Economics and Tianjin College University of Science and Technology Beijing within our existing water supply territory.

The revenue of the Group for the year ended 31 October 2019 decreased by 6% to HK$96,477,000 when compared with that of the last year (2018: HK$102,352,000) as the sales of our environment-friendly products business decreased under poor market sentiment since China's trade war with the United States. National Bureau of Statistics of the People's Republic of China (the "Bureau of Statistic of the PRC") recently announced that the China's gross domestic product (the "GDP") growth for the third quarter of year 2019 fell to 6%, its weakest pace in almost three decades and the manufacturing Purchasing Managers' Index (the "PMI") was 50.2 in December 2019. The PMI was struggling around the threshold 50 which indicated the uncertainty in purchasing activities as the bruising U.S. trade war hit factory productions.

In the process of transforming the China's economy to the "new normal" era with the new growth model emphasizing domestic consumption and quality, there are risks of decline in demand of low-end machinery and equipment but also opportunities under the national strategies of "Energy Conservation and Emission Reduction". Leverage on the Group's experience in this area and deep understanding of the needs of our clients, the Group will source supply of new products or services which fulfil the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

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FINANCIAL REVIEW

The Group's revenue for the year ended 31 October 2019 was HK$96,477,000, decreased by 6% when compared with the last year (2018: HK$102,352,000) as the revenue of our environment-friendly products business decreased under poor market sentiment since China's trade war with US.

The Group's gross profit for the year ended 31 October 2019 was HK$30,349,000, representing a decrease of 17% as compared with last year (2018: HK$36,741,000) due to decrease in the Group's revenue and the drop in gross profit margin of our environment-friendly products business. Under the unfavorable fluctuation of foreign currencies, especially the depreciation of RMB, one of the major currencies for our Group's sales activities and the appreciation of Japanese Yen ("JPY"), one of the major currencies of our Group's purchase activities, the gross profit margin of the Group for year ended 31 October 2019 decreased to 32% (2018: 36%).

Management Discussion and Analysis

The Group's other income for the year ended 31 October 2019 was amounted to HK$1,708,000 an increase of 110% as compared with that of last year (2018: HK$812,000) as the agency services income increased from last year HK$675,000 to this year HK$1,291,000.

The Group's selling expenses for the year ended 31 October 2019 was amounted to HK$3,475,000 which was 26% higher than that of last year (2018: HK$2,755,000) due to increase of marketing expenses and exhibitions expenses. The Group's administrative expenses for the year ended 31 October 2019 was amounted to HK$25,235,000 which was 2% less than that of last year (2018: HK$25,713,000).

The Group is subject to taxation in various jurisdictions and judgement is required in determining the amount of provision and the payment of taxation in accordance with the tax laws of the respective jurisdictions. Where the final tax outcome might be different from the amounts that were initially recorded, such difference will impact the income tax provisions. During this financial year ended 31 October 2019, the Group has made further tax provision of HK$182,000 (2018: HK$278,000) after taking into account the up-to-date development of the Inland Revenue Department's review.

The Group recorded a loss attributable to owners of the Company amounted to HK$574,000 while there was a profit attributable to owners of the Company amounted to HK$4,847,000 for the year ended 31 October 2018.

LIQUIDITY AND FINANCE RESOURCES

During the year under the review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 October 2019, the Group had net current assets of approximately HK$44,881,000 (31 October 2018: HK$41,158,000) including bank balances and cash of approximately HK$75,413,000 (31 October 2018: HK$33,895,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.62 as at 31 October 2019 (31 October 2018: 2.1). As at 31 October 2019, the Group's inventory turnover was about 87 days (31 October 2018: 114 days) and the Group's accounts receivable turnover was about 59 days (31 October 2018: 56 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 (defined as the total borrowing over total equity, including non-controlling interests) was approximately 18% as at 31 October 2019 (31 October 2018: 18%).

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

FOREIGN EXCHANGE EXPOSURE

The Group's purchases are denominated in Sterling Pounds, JPY, Euro and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The Group will review and monitor from time to time the risk relating to foreign exchanges.

Management Discussion and Analysis

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 October 2019, the Group had pledged its bank deposits of approximately HK$9,020,000 (31 October 2018: HK$9,020,000) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2019 (2018: Nil).

INFORMATION ON EMPLOYEES

As at 31 October 2019, the Group had 68 employees (2018: 69) working in Hong Kong, Macau and PRC. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the year ended 31 October 2019 amounted to approximately HK$14,620,000 (2018: HK$14,674,000). The dedication and hard work of the Group's staff during the year ended 31 October 2019 are generally appreciated and recognized.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 October 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies. On 17 December 2019, the Group has acquired the remaining 20% of the issued share capital of a non-wholly owned subsidiary, Asian Way International Limited which is the holding company of our water supply plant in Tianjin. After completion, Asian Way International Limited has become a wholly-owned subsidiary of the Group.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to safeguard the interest of the Company's shareholders and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the shareholders. Throughout the year ended 31 October 2019, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules except the following:

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. The independent non-executive directors, Professor NI Jun, Mr. CHAU Kam Wing Donald and Ms. CHAN Siu Ping Rosa were unable to attend the annual general meeting of the Company held on 11 April 2019 as Professor NI was out of Hong Kong while Mr. CHAU and Ms. CHAN were busy for other business.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

Composition

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

In compliance with Rules 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.

The Group has arranged for appropriate insurance cover in respect of legal actions against directors.

BOARD DIVERSITY POLICY

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

Summary of Board Diversity Policy

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

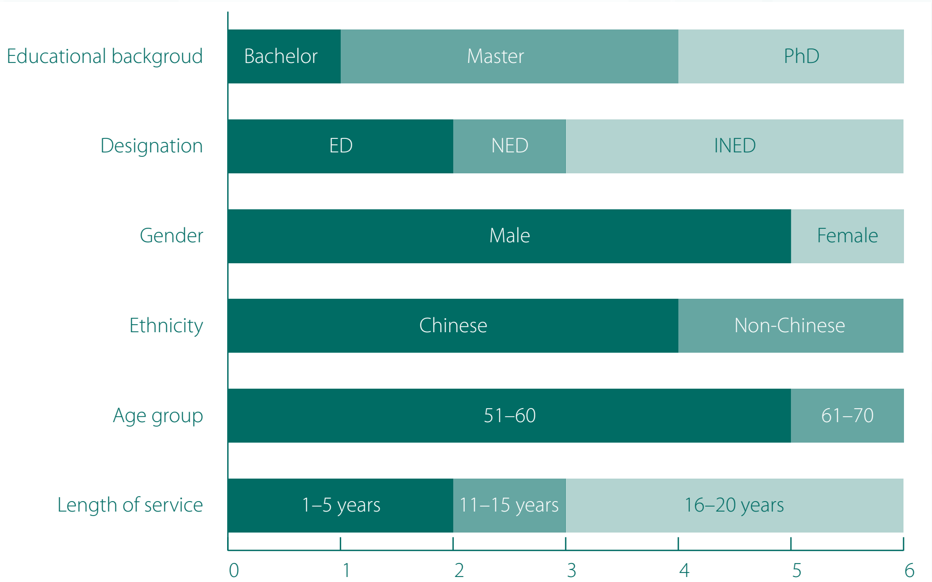
Measurable objectives

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

Implementation and Monitoring

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

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



PhD	:	Doctor of Philosophy
Master	:	Master Degree
Bachelor	:	Bachelor Degree
ED	:	Executive Director
NED	:	Non-Executive Director
INED	:	Independent Non-executive Director

The nomination committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy") on 22 January 2019. A summary of this policy is disclosed as below.

1. Objective

1.1 The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

1.2 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders of the Company (the "Shareholder(s)") for election as Director at general meetings or appoint him/her to fill casual vacancies.

1.3 The Nomination Policy helps the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

2. Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

(1) Reputation for integrity;

(2) Commitment in respect of available time and relevant interest; and

(3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination Procedures

3.1 Appointment of Directors

(1) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy will be subject to re-election by Shareholders at the first general meeting after his/her appointment, and individual(s) appointed by the Board as an addition to the Board will be subject to re-election by Shareholders at the next annual general meeting, in accordance with the Company's articles of association.

(5) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

3.2 *Re-appointment of Directors*

(1) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of each retiring independent non-executive Director.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.

(5) The Shareholders approve the re-election of Directors at the annual general meeting.

3.3 The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of Directors.

4. Review of the Nomination Policy

4.1 The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 22 January 2019. A summary of this policy is disclosed as below.

The dividend policy of the Company is to distribute to its shareholder the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the shareholders of the Company (the "Shareholders"), subject to the criteria as set out below.

In accordance with the article of Association of the Company (the "Article of Association") and subject to the relevant laws under the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholder but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rule, regulations and the Articles of Association, in deciding whether to propose an dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considered relevant.

The Board will review the dividend policy from time to time and reserve its right in its sole and absolute to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

Corporate Governance Report

BOARD MEETING

During regular meetings of the board, either in person or by means of electronic communication, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual and interim and quarterly results, as well as discuss and decide on other significant matters.

The Company Secretary is responsible to the board for providing with board papers and related materials, for ensuring that all board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and the board on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter, will be considered and dealt with the board discussed at a duly convened board meeting. Independent non-executive Directors with no conflict of interest will be presented at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. WU Cheng-wei was the Chairman of the board since 27 April 2017. The position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the existing non-executive Directors were appointed for specific terms not more than three years. All Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. According to the Company's articles of association, Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. The Company will provide a comprehensive induction to each newly appointed Director on his/her first appointment in order to enable he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibility and obligations under the GEM Listing Rules and relevant regulatory requirements.

The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group received by the Directors for the year ended 31 October 2019 is as follows:

Directors	Trainings
Executive Directors	**Type of trainings**
Mr. WU Cheng-wei	A
Mr. LEUNG Wai Lun	A
Non-executive Director	
Dr. LUI Sun Wing	A,B
Independent Non-executive Directors	
Mr. CHAU Kam Wing Donald	A,B
Ms. CHAN Siu Ping	A
Professor NI Jun	A

A: attending training session/briefings/seminars/forums/workshops/conference
B: reading materials in relation to regulatory updates, the duties and responsibility of the Directors and the business of the Group

During the year ended 31 October 2019, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under the GEM Listing Rules 5.15. He will continue to comply with the GEM Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

The primary duties of the audit committee are mainly to review the financial information and reporting system, risk management and internal controls system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control, risk managements or other matters of the Company.

The Company has complied with Rules 5.28 of the GEM Listing Rules in that at least one of the members of the audit committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The audit committee held four meetings during the year. The Group's unaudited quarterly results for the 3 months ended 31 January 2019, 9 months ended 31 July 2019 and unaudited interim results for the 6 months ended 30 April 2019 as well as audited annual results for the year ended 31 October 2019 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at board meetings, audit committee meetings, remuneration committee meeting, nomination committee meetings and general meeting during the year ended 31 October 2019 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	1	1	1
	Number of meetings attended/Number of meetings held				
Executive Directors					
Mr. WU Cheng-wei	5/5	–	–	–	1/1
Mr. LEUNG Wai Lun	5/5	–	–	–	1/1
Non-executive Director					
Dr. LUI Sun Wing	5/5	–	–	–	1/1
Independent non-executive Directors					
Mr. CHAU Kam Wing Donald	4/5	4/4	1/1	1/1	0/1
Ms. CHAN Siu Ping Rosa	4/5	4/4	1/1	1/1	0/1
Professor NI Jun	1/5	1/4	0/1	0/1	0/1

The Directors acknowledge their responsibility for the preparation of consolidated financial statement that give a true and fair view in accordance with Hong Kong Financial Reporting Standard issued by Hong Kong Institute of Certificated Public Accountants and the disclosure requirement of the Hong Kong Company Ordinance and the GEM Listing Rules. The Directors have selected appropriate account policies and applied them consistently; made judgements and estimate that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 October 2019 amounted approximately HK$720,000 (2018: HK$700,000). No other significant fee was incurred for non-audit services during the year ended 31 October 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the audit committee. The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The management assists the board and/or the audit committee in the review of effectiveness of the Group's risk management and internal control on an ongoing basis. The directors are kept regularly apprised of significant risks that may impact the Group's performance.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The system and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

— Determine the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

— Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems; and

— Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

— Assists the Board to perform its responsibilities of risk management and internal control systems;

— Oversees the Group's risk management and internal controls systems on an ongoing basis;

— Reviews the effectiveness of the Group's risk management and internal control systems annually;

— Ensures the adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting, internal control matters and financial reporting functions; and

— Considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

— Designs, implements and maintains appropriate and effective risk management and internal control systems;

— Identifies, evaluate and manages the risks that may potentially impact the major process of the operations;

— Monitors risks and takes measures to mitigate risks in day-to-day operations; and

— Follow up the findings on risk management and internal control materials raised by independent external risk advisory firm review and take prompt remedial action to improve the systems.

Independent external risk advisory firm review

— Review the adequacy and effectiveness of the Group's risk management and internal controls system of different operations; and

— Reports to the Audit Committee the findings of the review and make recommendations to the Board and management to improve the material systems deficiencies or control weakness identified.

The Group did not set up its own internal audit team after taking into account the size and complexity of the operations of the Group and potential costs of setting up an internal audit team. Instead of having its own internal audit team, a review of internal controls systems of different operations was conducted by an independent external risk advisory firm (the "Risk Advisory Firm") annually since November 2008 to ensure the effective and adequate internal controls system. The annual review reports from the Risk Advisory Firm was presented to the Board and reviewed by the Audit Committee.

The Audit Committee and the Board were not aware of any area of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate during the year under review.

DISSEMINATION OF INSIDE INFORMATION

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Group has adopted a Policy on Disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

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

During the year ended 31 October 2019, there is no significant change in the Company's memorandum and articles of association.

SHAREHOLDERS' RIGHT

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

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

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

Directors' Report

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Eco-Tek Holdings Limited (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 October 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Island. The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 October 2019 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 33 to 94. The Directors do not recommend the payment of a final dividend for the year ended 31 October 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 2 April 2020 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 31 March 2020 to Thursday, 2 April 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Monday, 30 March 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 95 to 96 in the annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

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

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 October 2019 are set out in note 34 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

At 31 October 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$14,636,000. This includes the Company's share premium in the amount of approximately HK$30,537,000 at 31 October 2019, 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 24% (2018: 32%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 6% (2018: 8%).

Purchases from the Group's five largest suppliers accounted for approximately 69% (2018: 77%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 48% (2018: 50%).

None of the Directors of the Company, or any of his associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospectus of the Group's business are provided in sections headed "Chairman's Statement" on page 3 to 4 and "Management Discussion and Analysis" on pages 8 to 10 of the annual report and the notes to the consolidated financial statements.

RISK AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risk relating to the Industry

The environment-friendly products Business of the Group depends substantially on the global economic and market conditions. During period of slowing economic growth or recession and trade conflicts, consumer spending may drop as they are less willing to spend money. As one of the Group's key businesses of environment-friendly products are applied in industrial production lines, a drop in customer spending power could lead to a drop in demand for industrial production lines which in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board intends to carefully plan and monitor any expansion of environment-friendly products business in caution. Besides, the Group has invested in water supply plant business which was less affected by the global economic and market conditions. The percentage of water supply plant business's revenue to the Group's total revenue had been increased from year 2007 around 2% to around 27% in year 2019.

Risk relating to concentration of suppliers

The largest and top five suppliers of the Group accounted for approximately 48% and 69% of our total purchase (2018: 50% and 77% respectively). There is no assurance that our business relationship with our supplies will continue in the future. To reduce the risk, the Group has expanded its supplier base for high quality suppliers in which it has achieved an improvement. The Group has also developed its own products which produced through reliable subcontractors to secure sources of products supply.

Risks relating to conducting business in the PRC

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as substantial part of our assets and business operation are located in PRC. The economic political and social conditions, as well as government policies, including taxation policies, could affect our business. To manage the risk, the Board has appointed certain senior management to closely monitor economic, political legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong and Macau.

Risk relating to products' competitiveness

Under the environment-friendly products business, the Group imported environment-friendly products from foreign suppliers to customers in the PRC. Those imported products' competitiveness was affected by local competition, innovation of technology and fluctuation of foreign currency exchange rate which may affect our results, financial condition and prospects. To manage the risks, the Group focused to import high quality environment-friendly products which are relatively difficult to be substituted by local PRC products. Through exhibitions, the latest products trend and technologies were closely monitored. The Group has developed its own products to enhance its products competitiveness. Through expansion in the Group's supplier base in different countries, the Group has diversified its products mix and alleviated the concentration of particular foreign currency during purchase. If necessary, foreign currency exchange rate of purchase transactions may be locked through hedging.

Financial risks

Details of financial risks are set out in note 35 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. It is policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission. The Group achieves this through actively re-designing its activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing operations constantly to ensure that the processes are effective and efficient.

RELATIONSHIPS WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employee. This includes providing the Group's customers with the good quality products, and timely, appropriate pre/after sales services. Similarly, the Group views its suppliers not just vendors but as strategic partners, important links in its supply chain. The Group's procurement policy is to maintain good relationship and communications with suppliers under the principal of mutual trust. The Group considers its employees the key to sustainable business growth. Workplace safety is priority of the Group, and with due awareness of all employees throughout the year, the Group was able to maintain safety workplaces.

Directors' Report

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Macau and Hong Kong, while the Company listed on the GEM of the Stock Exchange. The Group accordingly shall comply with relevant laws and regulations in Mainland China, Macau and Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

DIRECTORS

The Directors of the Company (the "Board") during the year and up to the date of this report were as follows:

Executive Directors
Mr. WU Cheng-wei *(Chairman)*
Mr. LEUNG Wai Lun

Non-executive Director
Dr. LUI Sun Wing

Independent non-executive Directors
Mr. CHAU Kam Wing Donald
Ms. CHAN Siu Ping Rosa
Professor NI Jun

In accordance with the Company's articles of association, Mr. CHAU Kam Wing Donald and Ms. CHAN Siu Ping Rosa will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' 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 7 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions and connected transactions disclosed in note 34 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As at 31 October 2019, 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.

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 2019, 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 2019	Percentage to the Company's issued share capital as at 31 October 2019
Virtue Trustees (Switzerland) AG *(Note 1)*	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management 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
Dr. Pau Kwok Ping *(Note 2)*	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited *(Note 2)*	Directly beneficially owned	44,224,000	6.81

Notes:

1. These shares are held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, being the trustee of a unit trust of which the entire issued units are held by Virtue Trustees (Switzerland) AG. By virtue of the SFO, Wide Sky Management Limited and Virtue Trustees (Switzerland) AG 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 Dr. Pau Kwok Ping.

Directors' Report

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

As at 31 October 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in ordinary shares and underlying shares of the Company

As at 31 October 2019, 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.

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 2019. The Company had not redeemed any of its listed securities during the year ended 31 October 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during year ended 31 October 2019.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 21 of this annual report.

Directors' 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 consolidated financial statements of the Company for the year ended 31 October 2019 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Mr. WU Cheng-wei
Chairman

Hong Kong, 16 January 2020

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 94, which comprise the consolidated statement of financial position as at 31 October 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation in relation to reviewing the tax affairs of certain subsidiaries of the Group
Refer to note 4 to the consolidated financial statements and the accounting policies in note 3.13 to the consolidated financial statements.

For the years ended 31 October 2019 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.

The Group has recorded income tax expenses and the related surcharge based on the management's best estimates in accordance with the latest developments of the IRD's review and also taken into account the view of the Group's tax and legal advisors. Income tax expenses of HK$182,000 has been recognised for the year ended 31 October 2019 in this respect.

It is considered to be a key audit matter because it requires the application of management's significant judgement in estimating the result of such IRD's review, and given that the magnitude of the income tax expense could be significant to the consolidated financial statements.

Our response:
Our procedures in relation to management's estimated result in relation to reviewing the tax affairs of certain subsidiaries of the Group included:

— Obtaining and reviewing all communication, correspondence and other relevant documents between the IRD and the Group;

— Enquiring with the management and their tax advisor to understand the latest development of IRD's review;

— Evaluating the competency, capabilities and objectivity of the management's tax and legal advisors; and

— Evaluating management's estimated based on the aforementioned and other evidence obtained.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of those consolidated financial statements in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lam Tsz Ka
Practising Certificate Number P06838

Hong Kong, 16 January 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**96,477**	102,352
Cost of sales		**(66,128)**	(65,611)
Gross profit		**30,349**	36,741
Other income	6	**1,708**	812
Selling expenses		**(3,475)**	(2,755)
Administrative expenses		**(25,235)**	(25,713)
Other operating expenses		**(33)**	(67)
Profit from operations	7	**3,314**	9,018
Finance costs	8	**(511)**	(500)
Share of profit of a joint venture		**97**	144
Profit before income tax		**2,900**	8,662
Taxation	9	**(2,205)**	(2,430)
Profit for the year		**695**	6,232
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit or loss:			
Exchange losses on translation of financial statements of foreign operations		**(941)**	(5,293)
Share of other comprehensive income of a joint venture		**(84)**	(93)
		(1,025)	(5,386)
Total comprehensive income for the year		**(330)**	846
(Loss)/profit for the year attributable to:			
Owners of the Company		**(574)**	4,847
Non-controlling interests	29	**1,269**	1,385
		695	6,232
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,382)**	218
Non-controlling interests		**1,052**	628
		(330)	846
(Loss)/earnings per share attributable to owners of the Company	11		
— Basic		**HK(0.09) cent**	HK0.75 cent
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 October 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**69,858**	73,958
Interest in leasehold land	16	**4,167**	4,385
Interest in a joint venture	17	**3,435**	3,422
Deferred tax assets	18	**512**	514
Pledged bank deposits	22	**9,020**	9,020
		86,992	91,299
Current assets			
Inventories	19	**15,820**	20,471
Accounts receivable	20	**15,725**	15,638
Deposits, prepayments and other receivables		**4,902**	4,343
Financial assets at fair value through profit or loss	21	**2,270**	–
Tax recoverable		**3,485**	3,667
Cash and cash equivalents	22	**75,413**	33,895
		117,615	78,014
Current liabilities			
Accounts and bills payable	23	**11,513**	10,407
Accrued liabilities, receipts in advance and other payables	24	**55,706**	26,293
Contract liabilities	25	**3,476**	–
Provision for tax		**2,039**	156
		72,734	36,856
Net current assets		**44,881**	41,158
Total assets less current liabilities		**131,873**	132,457
Non-current liabilities			
Deferred tax liabilities	18	**7,568**	7,570
Loan from a shareholder	26	**9,500**	9,500
Loan from a minority shareholder	26	**9,526**	9,526
		26,594	26,596
Net assets		**105,279**	105,861

Consolidated Statement of Financial Position

As at 31 October 2019

	Notes	2019 HK$'000	2018 HK$'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
General reserve	28(a)	**4,405**	–
Exchange translation reserve	28(a)	**10,023**	10,831
Capital contribution reserve	28(a)	**7,971**	7,971
Retained profits		**51,139**	51,965
		99,714	96,943
Non-controlling interests	29	**5,565**	8,918
Total equity		**105,279**	105,861

These consolidated financial statements on pages 33 to 94 were approved and authorised for issue by the board of directors on 16 January 2020 and are signed on its behalf by:

Mr. WU Cheng-wei
Director

Mr. LEUNG Wai Lun
Director

Consolidated Statement of Cash Flows

For the year ended 31 October 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax		**2,900**	8,662
Adjustments for:			
Interest income	*6*	**(306)**	(69)
Interest expense	*8*	**511**	500
Share of profit of a joint venture		**(97)**	(144)
Depreciation of property, plant and equipment	*7*	**3,972**	4,152
Amortisation of interest in leasehold land	*7*	**119**	125
Loss on disposal of property, plant and equipment	*7*	**–**	41
Reversal of expected credit losses on accounts receivable	*7*	**(5)**	–
Reversal of expected credit losses on other receivables	*7*	**(13)**	–
Impairment loss on accounts receivable	*7*	**–**	698
Reversal of provision for slow-moving inventories, net	*7*	**(352)**	(1,279)
Change in fair value of financial assets at fair value through profit or loss	*6*	**(60)**	–
Exchange losses, net		**98**	568
Operating profit before working capital changes		**6,767**	13,254
Decrease/(increase) in inventories		**5,003**	(4,042)
(Increase)/decrease in accounts receivable		**(278)**	12,031
(Increase)/decrease in deposits, prepayments and other receivables		**(602)**	196
Increase in accounts and bills payable		**1,106**	158
Increase in accrued liabilities, receipts in advance and other payables		**29,413**	460
Increase in contract liabilities		**3,476**	–
Cash generated from operations		**44,885**	22,057
Tax paid		**(132)**	(2,003)
Net cash generated from operating activities		**44,753**	20,054
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,459)**	(1,131)
Sales proceeds from disposal of property, plant and equipment		**–**	12
Acquisition of financial assets at fair value through profit or loss		**(2,210)**	–
Interest received		**306**	69
Net cash used in investing activities		**(3,363)**	(1,050)
Cash flows from financing activities			
Interest paid		**(511)**	(500)
Net cash used in financing activities		**(511)**	(500)
Increase in cash and cash equivalents		**40,879**	18,504
Effect of foreign exchange rate changes		**639**	(2,949)
Cash and cash equivalents at beginning of the year		**33,895**	18,340
Cash and cash equivalents at end of the year	*22*	**75,413**	33,895

Consolidated Statement of Changes in Equity

For the year ended 31 October 2019

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	**Share premium**	**Capital reserve**	**General reserve**	**Exchange translation reserve**	**Capital contribution reserve**	**Retained profits**	**Total**		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 27)	*(Note 28(a))*	*(Note 28(a))*	*(Note 28(a))*	*(Note 28(a))*	*(Note 28(a))*				
At 1 November 2017	6,495	19,586	95	–	15,460	7,971	47,118	96,725	8,290	105,015
Profit for the year	–	–	–	–	–	–	4,847	4,847	1,385	6,232
Other comprehensive income for the year	–	–	–	–	(4,629)	–	–	(4,629)	(757)	(5,386)
Total comprehensive income for the year	–	–	–	–	(4,629)	–	4,847	218	628	846
At 31 October 2018 and 1 November 2018, as original presented	6,495	19,586	95	–	10,831	7,971	51,965	96,943	8,918	105,861
Initial application of HKFRS 9	–	–	–	–	–	–	(252)	(252)	–	(252)
At 1 November 2018, as restated	6,495	19,586	95	–	10,831	7,971	51,713	96,691	8,918	105,609
Deemed disposal of equity interests in a subsidiary *(note 31)*	–	–	–	4,405	–	–	–	4,405	(4,405)	–
(Loss)/profit for the year	–	–	–	–	–	–	(574)	(574)	1,269	695
Other comprehensive income for the year	–	–	–	–	(808)	–	–	(808)	(217)	(1,025)
Total comprehensive income for the year	–	–	–	–	(808)	–	(574)	(1,382)	1,052	(330)
At 31 October 2019	**6,495**	**19,586**	**95**	**4,405**	**10,023**	**7,971**	**51,139**	**99,714**	**5,565**	**105,279**

Notes to the Consolidated Financial Statements

For the year ended 31 October 2019

1. GENERAL INFORMATION

Eco-Tek Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Island and its principal place of business is Unit 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 environment-friendly products in certain major cities (including Hong Kong and Macau) of the People's Republic of China (the "PRC") as well as operating a water supply operation in Tianjin, PRC.

The directors consider the immediate holding company and ultimate holding company to be Virtue Trustees (Switzerland) AG, a company incorporated in the Switzerland.

The consolidated financial statements on pages 33 to 94 are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

2. ADOPTION OF NEW/REVISED HKFRSs

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following standards and amendments (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 November 2018.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

Changes in accounting policies

This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. The impacts of the adoption of HKFRS 9 Financial Instruments (see note (A) below) and HKFRS 15 Revenue from Contracts with Customers (see note (B) below) have been summarised below. The other new or amended HKFRSs that are effective from 1 November 2018 did not have any material impact on the Group's accounting policies.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

(A) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECLs") for financial assets and (3) general hedge accounting.

The following tables summarised the impact of transition of HKFRS 9 on the opening balance of retained profits as of 1 November 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits as at 31 October 2018 as original stated	51,965
Additional loss allowance of ECLs upon the implementation of HKFRS 9	(252)
Restated retained profits as at 1 November 2018	51,713

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain accounts receivable (that the accounts receivable do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

(A) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 31 October 2018 and 1 November 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 31 October 2018 under HKAS 39 HK$'000	Effect of adoption of HKFRS 9 HK$'000	Carrying amount as at 1 November 2018 under HKFRS 9 HK$'000
Accounts receivable	Loans and receivables	Amortised cost	15,638	(196)	15,442
Deposits and other receivables	Loans and receivables	Amortised cost	3,176	(56)	3,120
Pledged bank deposits	Loans and receivables	Amortised cost	9,020	–	9,020
Cash and cash equivalents	Loans and receivables	Amortised cost	33,895	–	33,895

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECLs for accounts receivable, deposits and other receivables, pledged bank deposits and cash and cash equivalents earlier than HKAS 39. Pledged bank deposits and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

<u>Measurement of ECLs</u>

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

(A) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for accounts receivable. To measure the ECLs, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

All of the Group's other debt financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month ECLs.

Applying the ECLs model results in total loss allowance of HK$252,000 on 1 November 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 October 2018, but are recognised in the consolidated statement of financial position on 1 November 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 November 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

(B) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 November 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect transition method. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the DIA (that is, 1 November 2018) if any. As a result, the financial information presented for 2018 has not been restated.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed the impacts of adopting HKFRS 15 on its consolidated financial statements and has no significant impact on the Group's revenue recognition.

Revenue from sales of goods is recognised at a point in time as when the control of the goods has been transferred to the customers and there is no unfulfilling performance obligation after the acceptance of the goods.

Revenue from water supply is recognised at a point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and the Group has present right to receive and the collection of the consideration is probable.

Agency service income is recognised at point in time as when the relevant services are provided to the customers and there is no unfulfilling performance obligation after services rendering.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of reporting period. If the Group does not satisfy any performance obligation but the Group has an unconditional right to consideration, the Group should recognise contract liabilities. As at 1 November 2018, receipts in advance of HK$6,056,000 were reclassified to contract liabilities upon the adoption of HKFRS 15.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on the Group's consolidated financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on the Group's consolidated financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on the Group's consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC)–Interpretation 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on the Group's consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual period beginning on or after 1 January 2020
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As per set out in note 32, the total operating lease commitment of the Group in respect of office premises as at 31 October 2019 amounted to HK$2,887,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs in issue but not yet effective (Continued)

HK(IFRIC)-Interpretation 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met — instead of at FVTPL.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments clarify that, in assessing whether an information could reasonably be expected to influence decisions of the primary users, an entity must consider the characteristics of those users as well as its own circumstances.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

(b) New/revised HKFRSs in issue but not yet effective (Continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore be included in the general pool.

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

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

The Group is in the process of making an assessment of the potential impact of these new pronouncements upon application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Business combination and basis of consolidation

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

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

(i)	Joint ventures:	where the Group has rights to only the net assets of the joint arrangement; or
(ii)	Joint operations:	where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

(i) The structure of the joint arrangements;

(ii) The legal form of joint arrangements structured through a separate vehicle;

(iii) The contractual terms of the joint arrangement agreement; and

(iv) Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in a joint venture using the equity method of accounting whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in a joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.5 Revenue recognition (accounting policies applied from 1 November 2018)

(i) *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (accounting policies applied from 1 November 2018) (Continued)

(i) Revenue from contracts with customers (Continued)

Revenue from sales of goods is recognised at a point in time as when the control of the goods has been transferred to the customers and there is no unfulfilling performance obligation after the acceptance of the goods.

Revenue from water supply is recognised at a point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and the Group has present right to receive and the collection of the consideration is probable.

Agency service income is recognised at a point in time as when the relevant services are provided to the customers and there is no unfulfilling performance obligation after services rendering.

Revenue recognition (accounting policies applied until 31 October 2018)

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

(i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to customer. This is usually taken at the time when the goods are delivered and the customer has accepted the goods;

(ii) Revenue arising from water supply is recognised based on water supplied as recorded by meters read; and

(iii) Agency service income is recognised when the services are rendered.

(ii) Revenue from other sources

Interest income is recognised on a time-proportion basis using the effective interest rate applicable.

3.6 Property, plant and equipment

(i) Measurement bases

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

(i) *Measurement bases (Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

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

(ii) *Depreciation*

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates per annum are as follows:

Motor vehicles	20%
Office equipment	20%
Plant and machinery	5% to 20%
Furniture and fixtures	20%
Buildings and structure	The shorter of the lease terms and 3.33%

3.7 Impairment of non-financial assets

Property, plant and equipment, interest in leasehold land, investments in subsidiaries and interest in a joint venture are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Leasing

(i) *Operating leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

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

(ii) *Interest in leasehold land*

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

3.9 Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(iii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iv) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(v) *Share-based employee compensation*

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Employee benefits (Continued)

(v) *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.

3.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.11A Financial instruments (accounting policies applied from 1 November 2018)

(a) *Financial assets*

A financial asset (unless it is an account receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11A Financial instruments (accounting policies applied from 1 November 2018) (Continued)

(a) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(b) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on accounts and other receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

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

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

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

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11A Financial instruments (accounting policies applied from 1 November 2018) (Continued)

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and bills payables, accrued liabilities, other payables, loan from a shareholder and loan from a minority shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3.11B Financial instruments (accounting policies applied until 31 October 2018)

(a) *Financial assets*

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11B Financial instruments (accounting policies applied until 31 October 2018) (Continued)

(a) *Financial assets (Continued)*

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

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11B Financial instruments (accounting policies applied until 31 October 2018) (Continued)

(b) *Financial liabilities*

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

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

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost, using the effective interest method.

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

3.12 Provisions and contingent liabilities

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

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

3.13 Income taxes

Income taxes for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

3.15 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or the group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Related parties (Continued)

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.

3.16 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each of the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

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

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

3.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

- share of profit or loss of a joint venture accounted for using the equity method;
- finance costs; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment.

are not included in arriving at the operating results of the operating segment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Segment reporting (Continued)

Segment assets include all assets except interest in a joint venture, tax recoverable and financial assets at fair value through profit or loss. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities include all liabilities except deferred tax liabilities, loans from a shareholder and a minority shareholder. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Depreciation

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

Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of its non-financial assets. Where an impairment trigger exists, the recoverable amount of the non-financial asset is determined at the higher of value-in-use and fair value less costs of disposal. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about the future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market and actual transactions entered into by the Group.

Impairment of receivables

The Group's management assesses the collectability of receivables by determining future cash flows. This estimate is based on assumptions about risk of default and expected loss rate. A considerable amount of judgement is required in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates. Management will reassess the provision at the reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimates at the reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimate of current tax and deferred tax

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

For the years ended 31 October 2019 and up to the date of these consolidated financial statements, the Inland Revenue Department ("IRD") of Hong Kong is in the process of reviewing the tax affairs of certain subsidiaries of the Group and has issued additional estimated assessments on these subsidiaries up to the year of assessments 2012/13. The Group currently has paid cash for the purchase of tax reserve certificates amounting to HK$24,852,000 (2018: HK$24,852,000) in aggregate in respect of these additional estimated assessments. In determining the amount recoverable in respect of these tax reserve certificates purchased, the directors of the Company have considered the latest communications between IRD and the Group and also taken into account the view of the tax and legal advisors of the Group. In particular, the directors have also taken into account of the new development of the review case as notified by IRD in July 2016. As at 31 October 2019, HK$3,485,000 (2018: HK$3,667,000) has been recognised as tax recoverable in the consolidated financial statements.

After taking into account the up-to-date developments of IRD's review, the directors of the Company are of the opinion that the Group's taxation charges and related tax recoverable and other provisions as at 31 October 2019 are adequate and fairly presented. If the final outcome of IRD's review is different from the directors' expectation, further provision for tax and any related surcharges may be required and the amount recognised as tax recoverable may not be realised. The directors have been closely monitoring the status of IRD's review and will revise their expectations when preparing future financial statements in the future periods if deemed necessary and appropriate.

5. REVENUE AND SEGMENT REPORTING

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

	2019 HK$'000	2018 HK$'000
Sales of goods	**70,422**	78,854
Supply of water	**26,055**	23,498
	96,477	102,352

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

Environment-friendly products	:	Sale of general and industrial environment-friendly products, components and other related accessories
Water supply plant	:	Supply of processed water in the PRC

The segments of general environmental protection related products and services and industrial environmental products have been merged and re-named as environment-friendly products to reflect the current resource allocation and performance assessment by the chief operating decision-maker. Accordingly, the comparative segment information has been represented to conform to the current year's presentation.

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

5. REVENUE AND SEGMENT REPORTING (Continued)

	For the year ended 31 October 2019		
	Environment-friendly products HK$'000	Water supply plant HK$'000	Total HK$'000
Revenue from external customers	70,422	26,055	96,477
Reportable segment revenue	**70,422**	**26,055**	**96,477**
Reportable segment profit	**15,345**	**11,512**	**26,857**
Other segment information			
Interest income	18	288	306
Depreciation and amortisation	(251)	(3,840)	(4,091)
Reversal of provision for slow-moving inventories, net	352	–	352
Reversal of expected credit losses on accounts receivable	5	–	5
Reversal of expected credit losses on other receivables	13	–	13
Additions to non-current assets	57	1,402	1,459
Reportable segment assets	**56,262**	**138,314**	**194,576**
Reportable segment liabilities	**22,213**	**44,774**	**66,987**

5. REVENUE AND SEGMENT REPORTING (Continued)

	For the year ended 31 October 2018		
	Environment-friendly products (Represented) HK$'000	Water supply plant HK$'000	Total HK$'000
Revenue from external customers	78,854	23,498	102,352
Reportable segment revenue	78,854	23,498	102,352
Reportable segment profit	23,222	10,764	33,986
Other segment information			
Interest income	12	57	69
Depreciation and amortisation	(400)	(3,877)	(4,277)
Reversal of provision for slow-moving inventories, net	1,279	–	1,279
Impairment loss on accounts receivable	(698)	–	(698)
Additions to non-current assets	780	351	1,131
Reportable segment assets	58,130	103,270	161,400
Reportable segment liabilities	24,045	7,556	31,601

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	2019 HK$'000	2018 HK$'000
Reportable segment revenue	**96,477**	102,352
Group revenue	**96,477**	102,352
Reportable segment profit	**26,857**	33,986
Other corporate expenses	**(23,543)**	(24,968)
Finance costs	**(511)**	(500)
Share of profit of a joint venture	**97**	144
Profit before income tax	**2,900**	8,662
Reportable segment assets	**194,576**	161,400
Financial assets at fair value through profit or loss	**2,270**	–
Interest in a joint venture	**3,435**	3,422
Tax recoverable	**3,485**	3,667
Other corporate assets	**841**	824
Group assets	**204,607**	169,313
Reportable segment liabilities	**66,987**	31,601
Deferred tax liabilities	**7,568**	7,570
Loan from a shareholder	**9,500**	9,500
Loan from a minority shareholder	**9,526**	9,526
Other corporate liabilities	**5,747**	5,255
Group liabilities	**99,328**	63,452

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

Other corporate liabilities mainly include accrued directors' emoluments, accrued staff costs and accrued auditor's remuneration.

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	Revenue from external customers		Non-current assets	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong (domicile)	**7,694**	3,806	**2,457**	2,448
PRC	**87,598**	93,358	**70,466**	74,791
Other	**1,185**	5,188	**4,537**	4,526
	96,477	102,352	**77,460**	81,765

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

The geographical location of revenue is based on the location of customers. The geographical location of the non-current assets is based on the physical location of the assets.

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the year ended 31 October 2019 and 2018.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**306**	69
Agency service income (note a)	**1,291**	675
Change in fair value of financial assets at fair value through profit or loss	**60**	–
Sundry income	**51**	68
	1,708	812

Note:

(a) Agency service income represented agency fee charged to independent service providers for subcontracting the installation service of water meters for the Group's customers.

7. PROFIT FROM OPERATIONS

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration		
— Provision for the year	**720**	700
Amortisation of interest in leasehold land	**119**	125
Cost of inventories recognised as expense*, including	**66,128**	65,611
— Reversal of provision for slow-moving inventories, net	**(352)**	(1,279)
Depreciation of property, plant and equipment	**3,972**	4,152
Loss on disposal of property, plant and equipment	**-**	41
Reversal of expected credit losses on accounts receivable	**(5)**	–
Reversal of expected credit losses on other receivables	**(13)**	–
Impairment loss on accounts receivable	**-**	698
Exchange losses, net	**98**	559
Operating lease charges in respect of land and buildings	**2,338**	2,266
Staff costs (including directors' emoluments) *(note 13)*		
— Wages, salaries and benefits in kind	**14,465**	14,511
— Pension scheme contributions	**155**	163
	14,620	14,674

* Costs of inventories includes a total amount of approximately HK$3,464,000 (2018: HK$2,108,000), relating to depreciation, reversal of provision for slow-moving inventories and exchange loss for which are also included in the respective total amounts disclosed separately above.

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest charges on loan from a shareholder *(note 26)*	**511**	500

9. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax for the year		
— Hong Kong	**182**	278
— PRC	**2,015**	1,832
	2,197	2,110
Deferred tax for the year	**8**	320
	2,205	2,430

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits arising in the PRC for the year.

A subsidiary of the Group established and operating in Macau was exempted from Macau complementary profits tax for the years ended 31 October 2019 and 2018 according to the relevant laws and regulations in Macau.

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**2,900**	8,662
Tax at the domestic rates applicable to profit in the jurisdictions concerned	**566**	1,979
Tax effect of non-taxable revenue for tax purpose	**(86)**	(542)
Tax effect of non-deductible expenses for tax purpose	**187**	346
Utilisation of unrecognised tax losses	**–**	(574)
Tax effect of tax losses not recognised	**1,538**	1,221
	2,205	2,430

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2019 (2018: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share	**(574)**	4,847

	Number of shares	
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**649,540**	649,540

No diluted earnings per share is calculated for the years ended 31 October 2019 and 2018 as there was no potential ordinary shares in existence.

12. DIRECTORS' EMOLUMENTS

The remunerations of each director for the year are as follows:

	Fees HK$'000	Salaries HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2019				
Executive directors:				
Mr. WU Cheng-wei	**160**	**–**	**–**	**160**
Mr. LEUNG Wai Lun	**120**	**–**	**–**	**120**
Non-executive director:				
Dr. LUI Sun Wing	**100**	**–**	**–**	**100**
Independent non-executive directors:				
Mr. CHAU Kam Wing Donald	**100**	**–**	**–**	**100**
Ms. CHAN Siu Ping Rosa	**100**	**–**	**–**	**100**
Professor NI Jun	**100**	**–**	**–**	**100**
	680	**–**	**–**	**680**

12. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2018				
Executive directors:				
Mr. WU Cheng-wei	160	–	–	160
Mr. LEUNG Wai Lun	120	–	–	120
Non-executive director:				
Dr. LUI Sun Wing	100	–	–	100
Independent non-executive directors:				
Mr. CHAU Kam Wing Donald	100	–	–	100
Ms. CHAN Siu Ping Rosa	52	–	–	52
Professor NI Jun	52	–	–	52
	584	–	–	584

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 (2018: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2018: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

No director (2018: nil) was included in the five highest paid individuals of the Group during the year. The details of the directors' remuneration are set out in note 12 above. Details of the remuneration of the remaining five (2018: five) non-director, highest paid individuals of the Group for the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**3,798**	3,878
Pension scheme contributions	**88**	88
	3,886	3,966

The emoluments of three non-director highest paid individuals fell within the band of HK$1 to HK$500,000 (2018: three); the emolument of one non-director highest paid individual fell within the band of HK$500,001 to HK$1,000,000 (2018: one), and the emolument of one non-director highest paid individual fell within the band of HK$1,500,001 to HK$2,000,000 (2018: one).

During the year, no emolument was paid by the Group to any of the remaining non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

The emolument of four non-director senior management fell within the band of HK$1 to HK$500,000 (2018: four) and the emolument of one non-director senior management fell within the band of HK$500,001 to HK$1,000,000 (2018: one).

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.

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

The Company did not grant any share options of the 2011 Scheme for the year ended 31 October 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Buildings and structure HK$'000	Total HK$'000
At 1 November 2017						
Cost	2,553	1,627	38,138	857	108,064	151,239
Accumulated depreciation	(2,082)	(1,433)	(33,889)	(844)	(33,227)	(71,475)
Net carrying amount	471	194	4,249	13	74,837	79,764
Year ended 31 October 2018						
Opening net carrying amount	471	194	4,249	13	74,837	79,764
Additions	197	805	128	1	–	1,131
Depreciation	(239)	(245)	(184)	(2)	(3,482)	(4,152)
Disposal	–	(15)	(38)	–	–	(53)
Translation differences	(17)	(35)	(155)	–	(2,525)	(2,732)
Closing net carrying amount	412	704	4,000	12	68,830	73,958
At 31 October 2018 and 1 November 2018						
Cost	2,727	2,341	37,722	858	105,360	149,008
Accumulated depreciation	(2,315)	(1,637)	(33,722)	(846)	(36,530)	(75,050)
Net carrying amount	412	704	4,000	12	68,830	73,958
Year ended 31 October 2019						
Opening net carrying amount	**412**	**704**	**4,000**	**12**	**68,830**	**73,958**
Additions	**1,114**	**133**	**212**	**–**	**–**	**1,459**
Depreciation	**(220)**	**(243)**	**(192)**	**(1)**	**(3,316)**	**(3,972)**
Translation differences	**(37)**	**(13)**	**(94)**	**–**	**(1,443)**	**(1,587)**
Closing net carrying amount	**1,269**	**581**	**3,926**	**11**	**64,071**	**69,858**
At 31 October 2019						
Cost	**3,798**	**2,457**	**37,833**	**858**	**103,826**	**148,772**
Accumulated depreciation	**(2,529)**	**(1,876)**	**(33,907)**	**(847)**	**(39,755)**	**(78,914)**
Net carrying amount	**1,269**	**581**	**3,926**	**11**	**64,071**	**69,858**

16. INTEREST IN LEASEHOLD LAND

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

	2019 HK$'000	2018 HK$'000
Net carrying amount at the beginning of the year	**4,385**	4,681
Amortisation charge for the year	**(119)**	(125)
Translation differences	**(99)**	(171)
Net carrying amount at the end of the year	**4,167**	4,385

17. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Unlisted investment, at cost	**2,385**	2,385
Share of post-acquisition reserves	**1,050**	1,037
	3,435	3,422

As at 31 October 2019, the Group has interest in the following joint venture:

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

English translation only

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Jiangsu Kangyuan. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the consolidated financial statements using equity method.

17. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information in relation to the joint venture extracted from its unaudited management accounts for the year ended 31 October 2019 and 2018 is presented below:

	2019 HK$'000	2018 HK$'000
As at 31 October		
Current assets	**15,255**	16,655
Non-current assets	**595**	187
Current liabilities	**(8,980)**	(9,998)
Net assets	**6,870**	6,844
Reconciliation to the Group's interest in Jiangsu Kangyuan:		
Proportion of the Group's ownership interests	**50%**	50%
Carrying amount of the Group's investment in Jiangsu Kangyuan	**3,435**	3,422
Includes in the net assets are:		
Cash and cash equivalents	**639**	499
Current financial liabilities (excluding trade and other payable)	**1,453**	5,453

	2019 HK$'000	2018 HK$'000
Year ended 31 October		
Revenue	**20,503**	24,603
Profit for the year	**194**	288
Other comprehensive income for the year	**(168)**	(186)
Total comprehensive income for the year	**26**	102
Reconciliation to the Group's share of results of Jiangsu Kangyuan:		
Proportion of the Group's share of ownership interest	**50%**	50%
Group's share of profit of the joint venture	**97**	144
Group's share of other comprehensive income for the year	**(84)**	(93)
Share of total comprehensive income of the joint venture	**13**	51

18. DEFERRED TAXATION

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

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

	Provision for slow-moving inventories HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Capital contribution from a minority shareholder HK$'000	Total HK$'000
At 1 November 2017	769	(147)	74	(7,423)	(6,727)
Charged to profit or loss	(320)	–	–	–	(320)
Translation differences	(9)	–	–	–	(9)
At 31 October and 1 November 2018	440	(147)	74	(7,423)	(7,056)
Charged to profit or loss	(10)	2	–	–	(8)
Translation differences	8	–	–	–	8
At 31 October 2019	**438**	**(145)**	**74**	**(7,423)**	**(7,056)**

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 2019, the Group has tax losses arising in Hong Kong of approximately HK$37,392,000 (2018: HK$28,070,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

At 31 October 2019, deferred tax liabilities of approximately HK$7,423,000 (2018: 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 2019 and 2018, the aggregate amount of temporary differences associated with the PRC's subsidiaries' undistributed retained profits for which deferred tax liabilities have not been recognised are approximately RMB29,906,000 and RMB21,144,000 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.

18. DEFERRED TAXATION (Continued)

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**512**	514
Deferred tax liabilities	**(7,568)**	(7,570)
	(7,056)	(7,056)

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Merchandise	**21,338**	26,422
Less: Provision for slow-moving inventories	**(5,518)**	(5,951)
	15,820	20,471

20. ACCOUNTS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Accounts receivable	**16,714**	16,438
Less: Provision for loss allowance	**(989)**	(800)
	15,725	15,638

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

20. ACCOUNTS RECEIVABLE (Continued)

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

	2019 HK$'000	2018 HK$'000
Outstanding balances with ages:		
Within 90 days	**14,430**	13,387
91 to 180 days	**1,015**	2,015
181 to 365 days	**203**	149
Over 365 days	**1,066**	887
	16,714	16,438

The movements in the expected credit losses on accounts receivable for the year ended 31 October 2019 are as follows:

	2019 HK$'000
Balance as at 31 October 2018 under HKAS 39	**800**
Effect on the adoption of HKFRS 9	**196**
Restated balance as at 1 November 2018 under HKFRS 9	**996**
Reversal of expected credit losses for the year	**(5)**
Exchange realignment	**(2)**
Balance as at 31 October 2019	**989**

20. ACCOUNTS RECEIVABLE (Continued)

The movements in the provision for loss allowance on accounts receivable for the year ended 31 October 2018 are as follows:

	2018 HK$'000
Balance as at 1 November 2017	106
Impairment loss for the year	698
Exchange realignment	(4)
Balance as at 31 October 2018	800

Impairment loss 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. At 31 October 2018, the Group has determined that accounts receivable of HK$800,000 were individually impaired. The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The ageing analysis of the Group's accounts receivable as at 31 October 2018 but not impaired, based on due date, is as follows:

	2018 HK$'000
Not more than 90 days past due	2,886
91 to 180 days past due	456
181 to 365 days past due	37
Over 365 days past due	64
	3,443
Neither past due nor impaired	12,195
	15,638

As at 31 October 2018, 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.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Unlisted financial product investment	**2,270**	–

The financial product investment was acquired from a major bank in the PRC during the year. The fair value gain of financial product investment of HK$60,000 has been recognised as other income in the consolidated statement of comprehensive income.

For more detailed information in relation to the fair value measurement, please refer to note 35(f).

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash at bank and in hand	**84,433**	42,915
Less: pledged bank deposits for banking facilities *(note 30(a))*	**(9,020)**	(9,020)
Cash and cash equivalents	**75,413**	33,895
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 HK$71,044,000 (2018: HK$29,463,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

The effective interest rate of pledged bank deposits was 0.01% (2018: 0.01%) per annum as at 31 October 2019. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (note 30(a)). The pledge will not be released within twelve months from the reporting date.

23. ACCOUNTS AND BILLS PAYABLE

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

	2019 HK$'000	2018 HK$'000
Outstanding balances with ages:		
Within 90 days	**9,527**	10,081
91 to 180 days	**1,206**	54
Over 180 days	**780**	272
	11,513	10,407

24. ACCRUED LIABILITIES, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accrued liabilities	**6,371**	6,172
Receipts in advance	**–**	6,056
Other payables	**49,335**	14,065
	55,706	26,293

Other payables mainly included construction costs payable related to property, plant and equipment, other taxes liabilities and payable to the independent service providers regarding the water meter installation on behalf of the Group's customer.

25. CONTRACT LIABILITIES

	31 October 2019 HK$'000	1 November 2018 HK$'000	31 October 2018 HK$'000
Contract liabilities arising from			
— Sales of goods	**2,787**	4,969	–
— Supply of water	**689**	1,087	–
	3,476	6,056	–

Movements in contract liabilities

	HK$'000
Balance as at 1 November 2018	**6,056**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,781)**
Increase in contract liabilities as a result of billing in advance	**3,201**
Balance as at 31 October 2019	**3,476**

The contract liabilities mainly relate to the advance considerations received from customers. As at 31 October 2019, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK$3,476,000. The Group will recognise the expected revenue in future when or as the performance obligation has been satisfied.

26. LOANS FROM A SHAREHOLDER AND A MINORITY SHAREHOLDER

The balances were regarded as amounts due to related parties, of which:

— loan from a shareholder represented amount due to a substantial shareholder of the Company who has control over the Group; and

— loan from a minority shareholder represented amount due to a minority shareholder of a subsidiary who has significant influence over the subsidiary.

The loans were unsecured and interest-free except for loan from a shareholder of HK$9,500,000 which was interest bearing at 5.375% per annum (2018: 5.25% per annum).

They were not repayable within twelve months from the reporting dates as at 31 October 2019 and 2018 respectively.

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

27. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised:		
5,000,000,000 (2018: 5,000,000,000) ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
649,540,000 (2018: 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 consolidated financial statements.

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

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

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

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

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

(b) Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 November 2017	30,537	(12,981)	17,556
Loss for the year	–	(1,341)	(1,341)
At 31 October 2018 and 1 November 2018	30,537	(14,322)	16,215
Loss for the year	–	(1,579)	(1,579)
At 31 October 2019	**30,537**	**(15,901)**	**14,636**

28. RESERVES (Continued)

(b) Company (Continued)

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

29. NON-CONTROLLING INTERESTS

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

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

	2019 **HK$'000**	2018 HK$'000
As at 31 October		
Non-current assets	**79,277**	78,257
Current assets	**67,076**	25,672
Current liabilities	**(97,983)**	(58,679)
Net assets	**48,370**	45,250
Accumulated NCI	**9,674**	9,050

	2019 **HK$'000**	2018 HK$'000
For the year ended 31 October		
Revenue	**26,055**	23,498
Profit for the year	**6,852**	7,400
Total comprehensive income	**5,208**	3,200
Profit allocated to NCI	**1,370**	1,480
For the year ended 31 October		
Net cash generated from operating activities	**49,562**	16,766
Net cash used in investing activities	**(6,946)**	(215)
Net cash generated from/(used in) financing activities	**537**	(5,194)
Net cash inflow	**43,153**	11,357

30. BANKING FACILITIES

The Group's banking facilities were granted for the purposes of general working capital, trade finance and treasury requirements as at 31 October 2019 and 2018, which were secured by the following:

(a) bank deposits of the Group amounting to approximately HK$9,020,000 (2018: HK$9,020,000) (note 22); and

(b) corporate guarantees executed by the Company.

31. DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

On 10 May 2019, Tianjin Asian Way completed the capital injection of RMB5,000,000 (approximately equivalent to HK$5,680,000) into Dongguan MegaTek Machinery Company Limited ("Dongguan MegaTek"). Upon the completion of the capital injection, the Group's effective equity interests in Dongguan MegaTek decreased from 100% to 89.18%. The transaction has been accounted for as an equity transaction with the NCI as follows:

	2019 HK$'000
Carrying amount of deemed partial equity interest disposed	**4,405**
Gain on the deemed disposal recognised within equity	**4,405**

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:

	2019 HK$'000	2018 HK$'000
Within one year	**1,880**	2,400
In the second to fifth years, inclusive	**1,007**	2,260
	2,887	4,660

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years (2018: one to five years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities:

	Loan from a shareholder *(note 26)* HK$'000
At 1 November 2017	9,500
Changes from cash flows:	
Interest paid	(500)
Total changes from financing cash flows	(500)
Other changes:	
Interest expenses	500
Total other changes	500
At 31 October 2018 and 1 November 2018	9,500
Changes from cash flows:	
Interest paid	(511)
Total changes from financing cash flows	(511)
Other changes:	
Interest expenses	511
Total other changes	511
At 31 October 2019	**9,500**

34. RELATED PARTY TRANSACTIONS

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

	2019 HK$'000	2018 HK$'000
Interest expenses	**511**	500

Interest expenses were paid to a shareholder in accordance with the terms as set out in note 26.

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

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**5,575**	5,129
Pension scheme contributions	**84**	78
	5,659	5,207

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

The credit risk of the Group is primarily attributable to accounts receivable, other receivables and deposits, pledged bank balances and cash and cash equivalents.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

It considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

The credit risk of pledged bank balances and cash and cash equivalents is limited because the majority of the counterparties are banks with good reputation. No impairment had been provided under 12-month ECL assessment.

For the accounts receivable, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime ECLs based on the outstanding balances and historical credit loss experience adjusted to reflect the Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables. Amounted to HK$989,000 impairment allowance had been provided under ECL assessment which was calculated using simplified approach.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

The loss allowance as at 31 October 2019 was determined for accounts receivable as follows:

	ECL rate — weighted average (%)	Gross carrying amount (after excluding credit-impaired balance) HK$'000	ECL HK$'000	Net amount HK$'000
Neither past due nor impaired	1%	12,195	122	12,073
Overdue within 90 days	2%	2,886	58	2,828
Over 91 days past due	3%–100%	1,633	809	824
Total		16,714	989	15,725

For the other debts instruments, given the short term nature of these assets, the ECL had been provided under 12-month ECL assessment. An ECL provision of HK$56,000 has been made as at 1 November 2018 upon the implementation of the HKFRS 9. The management considered reversal of provision of HK$13,000 has been provided after the assessments for the year ended 31 October 2019.

(b) Foreign currency risk

The Group's purchases are mainly denominated in Sterling Pounds ("GBP"), Japanese Yen ("JPY") and US Dollars ("USD"). The sales of the Group are predominantly in RMB and HK$. The management monitors foreign exchange exposure and will hedge significant foreign currency exposure should the need arises.

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

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
JPY	**1**	394	**7,663**	5,721
GBP	**5**	311	**872**	816
USD	**3,868**	5,025	**1,142**	2,894

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

Since HK$ is pegged to USD, there is no significant exposure expected on USD transactions and balances whilst the currency peg remains in place.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% increase in foreign currency rates. A number below indicates an increase/(a decrease) in profit for the year and retained profits (2018: an increase/(a decrease) in profit for the year and retained profits) where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities against the relevant foreign currencies, there would be (a decrease)/an increase in the profit for the year and retained profits (2018: (a decrease)/an increase in profit for the year and retained profits). There is no impact on other components of equity in response to the general change in foreign exchange rates.

	2019 HK$'000		2018 HK$'000	
	JPY	**GBP**	JPY	GBP
Increase in foreign exchange rate	**5%**	**5%**	5%	5%
Effect on profit for the year	**(383)**	**(43)**	(266)	(25)
Effect on retained profits	**(383)**	**(43)**	(266)	(25)

(d) Interest rate risk

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

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements in the short and long terms. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations.

The following table summarises the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

	Less than 3 months or on demand HK$'000	**Over 1 year HK$'000**	**Total contractual undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
As at 31 October 2019				
Accounts and bills payable	**11,513**	**–**	**11,513**	**11,513**
Accrued liabilities and other payables	**55,706**	**–**	**55,706**	**55,706**
Loan from a shareholder	**–**	**10,011**	**10,011**	**9,500**
Loan from a minority shareholder	**–**	**9,526**	**9,526**	**9,526**
	67,219	**19,537**	**86,756**	**86,245**

	Less than 3 months or on demand HK$'000	Over 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 October 2018				
Accounts and bills payable	10,407	–	10,407	10,407
Accrued liabilities and other payables	20,237	–	20,237	20,237
Loan from a shareholder	–	10,057	10,057	9,500
Loan from a minority shareholder	–	9,526	9,526	9,526
	30,644	19,583	50,227	49,670

(f) Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Year ended 31 October 2019				
Financial assets at FVTPL				
— Unlisted financial product investment	–	–	2,270	2,270

There were no transfers between levels during the year.

The level in the fair value hierarchy within which the financial assets are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of unlisted financial product investment is determined by the management with reference to the valuation performed by Hong Kong Appraisal Advisory Limited, independent professional valuer using discounted cash flow method. The significant unobservable assumption involved in the estimation of the fair value is as follow:

Significant unobservable assumption	**Range**
Discount rate	2.53%

The fair value of unlisted financial product investment is a Level 3 recurring fair value measurement. A reconciliation of the beginning and ending fair value balances are provided as below:

	2019 HK$'000
At the beginning of the year	–
Acquisition during the year	2,210
Change in fair value of financial assets at FVTPL	60
At the end of the year	2,270

A higher in the discount rate would result in a decrease in the fair value of unlisted financial product investment, and vice versa.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 October 2019 and 2018 may be categorised as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets measured at FVTPL	**2,270**	–
Financial assets measured at amortised costs	**106,199**	–
Loans and receivables	**–**	61,729
	108,469	61,729
Financial liabilities		
Financial liabilities at amortised cost	**86,245**	49,670

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 members by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financial structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at the reporting date was as follows.

	2019 HK$'000	2018 HK$'000
Capital		
— Total equity	**105,279**	105,861
Overall financing		
— Loan from a shareholder	**9,500**	9,500
— Loan from a minority shareholder	**9,526**	9,526
	19,026	19,026
Capital-to-overall financing ratio	**5.53 times**	5.56 times

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		**10,957**	10,957
Current assets			
Prepayments and other receivables		**186**	150
Amounts due from subsidiaries		**44,772**	44,215
Cash and cash equivalents		**16**	83
		44,974	44,448
Current liabilities			
Accrued liabilities and other payables		**317**	106
Amounts due to subsidiaries		**34,483**	32,589
		34,800	32,695
Net current assets		**10,174**	11,753
Net assets		**21,131**	22,710
EQUITY			
Equity attributable to owners of the Company			
Share capital	*27*	**6,495**	6,495
Share premium	*28(b)*	**30,537**	30,537
Accumulated losses	*28(b)*	**(15,901)**	(14,322)
Total equity		**21,131**	22,710

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2019 are as follows:

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Directly held				
Eco-Tek (BVI) Investment Holdings Limited	British Virgin Islands ("BVI"), limited liability company	30,000 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Indirectly held				
Asian Way International Limited	Hong Kong, limited liability company	HK$10,000	80%	Investment holding in Hong Kong
Eco-Tek Company Limited	Hong Kong, limited liability company	HK$100,000	100%	Marketing, sale, servicing, research and development of environmental protection related products and services in Hong Kong
Eco-Tek Technology Limited	BVI, limited liability company	101 ordinary shares of US$1 each	100%	Holding of intellectual properties in Hong Kong
East Miles International Limited	BVI, limited liability company	1 ordinary share of US$1	100%	Investment holding in Hong Kong
Elegant Well Investment Limited	Hong Kong, limited liability company	HK$2	100%	Investment holding in Hong Kong
Ningbo Tokawa Precision Hydraulic Equipment Co. Ltd#	PRC, limited liability company	US$100,000	100%	Marketing and sales of environment-friendly products in the PRC
Tianjin Asian Way#	PRC, limited liability company	US$7,000,000	80%	Operation of a water supply plant in the PRC
Tokawa Precision (Overseas) Co. Limited	BVI, limited liability company	1 ordinary share of US$1	100%	Investment holding
Tokawa Precision Co. Limited	Hong Kong, limited liability company	HK$10,000	100%	Marketing and sales of environment-friendly products in Hong Kong

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Indirectly held (Continued)				
Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore	Macau, limited liability company	MOP100,000	100%	Marketing and sales of environment-friendly products in Macau
Well Spread Investment Limited	Hong Kong, limited liability company	HK$2	100%	Investment holding in Hong Kong
Dongguan MegaTek	PRC, limited liability company	HK$10,500,000 (2018: HK$4,820,000)	89.18% (2018: 100%)	Marketing and sales of environment-friendly products in the PRC
Well Merit Enterprise Limited	Hong Kong, Limited liability company	HK$100	100%	Investment holding in Hong Kong

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

^ English translation only

Summary of Financial Information

31 October 2019

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				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**96,477**	102,352	105,454	81,231	84,324
Cost of sales	**(66,128)**	(65,611)	(74,336)	(60,291)	(53,725)
Gross profit	**30,349**	36,741	31,118	20,940	30,599
Other income	**1,708**	812	1,881	1,205	621
Selling expenses	**(3,475)**	(2,755)	(2,269)	(2,203)	(2,184)
Administrative expenses	**(25,235)**	(25,713)	(22,540)	(23,459)	(23,529)
Other operating expenses	**(33)**	(67)	(131)	(185)	(415)
Profit/(loss) from operations	**3,314**	9,018	8,059	(3,702)	5,092
Finance costs	**(511)**	(500)	(511)	(519)	(500)
Share of profit/(loss) of a joint venture	**97**	144	18	(1)	270
Profit/(loss) before income tax	**2,900**	8,662	7,566	(4,222)	4,862
Taxation	**(2,205)**	(2,430)	(1,803)	(11,939)	(854)
Profit/(loss) for the year	**695**	6,232	5,763	(16,161)	4,008

Summary of Financial Information

31 October 2019

	Year ended 31 October				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**86,992**	91,299	97,679	100,345	113,217
Current assets	**117,615**	78,014	70,341	55,942	67,865
Current liabilities	**72,734**	36,856	36,409	34,647	37,092
Net current assets	**44,881**	41,158	33,932	21,295	30,773
Non-current liabilities	**26,594**	26,596	26,596	26,596	26,596
Net assets	**105,279**	105,861	105,015	95,044	117,394

Notes:

1. The consolidated results of the Group for the years ended 31 October 2015, 2016 and 2017 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 2018 and 2019 are as set out on page 33 of the audited consolidated financial statements.

2. The consolidated statement of financial position as at 31 October 2015, 2016 and 2017 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2018 and 2019 are as set out on pages 34 to 35 of the audited consolidated financial statements.