



Eco-Tek Holdings Limited

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



Healthy Environment Quality Living
2016 Annual Report

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

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


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

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

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 This annual report is printed on environmentally friendly paper

Corporate Information

BOARD OF DIRECTOR

Executive Directors

LEUNG Wai Lun
WU Cheng-wei

Non-Executive Directors

HUI Wai Man Shirley (*Chairman*)
LUI Sun Wing

Independent Non-Executive Directors

CHAU Kam Wing Donald
CHAN Siu Ping Rosa
NI Jun

COMPLIANCE OFFICER

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 2016.

During the year ended 31 October 2016, revenue of our industrial environmental products business, water supply plant business and general environmental protection related products and services accounted for 75%, 24% and 1 % respectively of the Group's revenue. The industrial environmental products business contributed majority of the Group's revenue but it was affected by the global and China economies while the performance of the water supply plant business was relatively stable for the year ended 31 October 2016. National Bureau of Statistics of the People's Republic of China (the "PRC") (the "Bureau of Statistic of the PRC") announced that China's GDP growth at annual 6.7% in the September quarter of 2016, which was in line with market expectations, supported by an increase in government spending, fixed asset investment and retail sales while industrial output eased. The Bureau of Statistic of the PRC recently announced that the manufacturing Purchasing Managers' Index (PMI) was 51.4 in December 2016 above the threshold 50 indicating the China manufacturers' expansion in purchasing activities. However, previous weak export market and challenging business environment of the manufacturing industry in the PRC has depressed the demand for acquiring industrial environmental products which affected the performance of industrial environmental products business market especially in the first quarter three months ended 31 January 2016. Renminbi, the Group's primary currency in sales transactions, has depreciated approximately 7% in this year but the Group's revenue for the year ended 31 October 2016 only dropped 4% to HK\$81,231,000 as compared with that of last year (2015: HK\$84,324,000) . When comparing the Group's revenue for the second half of the financial year (for six months ended 31 October 2016: HK\$45,004,000) with that of the first half of the financial year (for six month end 30 April 2016: HK\$36,227,000), there was a 24% increase in the Group's revenue in the second half of the financial year under the effort of our sales team.



Chairman's Statement



Japanese yen, one of the major currencies in purchase transactions of our industrial environmental products business, has appreciated during the year ended 31 October 2016. Together with the depreciation of Renminbi, the Group's primary major currency in sale transaction, the Group's profit margin was squeezed for the year ended 31 October 2016.

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. Under-provision for taxation of HK\$205,000 (2015: HK\$854,000) has been made for the year ended 31 October 2016. During this financial year ended 31 October 2016, the Group has made further tax provision of HK\$11,734,000 (2015: Nil) 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\$16,441,000 for the year ended 31 October 2016 while the Group recorded a profit attributable to owners of the Company amounted to HK\$3,980,000 for the year ended 31 October 2015.

Looking forward, global economy and foreign currency market became uncertain especially after the election of the president of United State and the business environment for industrial sector in China remained tough and challenging. In the process of transforming the Chinese 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 past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

Chairman's Statement

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. 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 water supply plant. Together with the plan of Tianjin Financial Valley inside Jing-Jin New City and within our water supply plant's coverage area, the Group has confidence that this will be positive for our water supply plant's future development.

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.

HUI Wai Man Shirley

Chairman

Hong Kong, 19 January 2017

Biographical Details of the Directors and Senior Management

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

CHAIRMAN

Ms. HUI Wai Man Shirley, aged 49, is the Chairman and non-executive Director. She is a practicing accountant in Hong Kong. Ms. Hui has over 28 years of experience in public accounting and corporate finance. Ms. Hui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is also a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Hui joined the Company in October 2004 as independent non-executive Director, and was subsequently re-designated as non-executive Director and chairman in March 2008. Save as disclosed herein, Ms. Hui has not previously held and is not holding any other position within the Group. Ms. Hui is an independent non-executive director of Goldin Financial Holdings Limited (Stock Code: 530), and Mingyuan Medicare Development Company Limited (Stock Code: 0233) which are listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Evergrande Health Industry Group Limited (Stock Code: 708) from 16 January 2008 to 27 March 2015, and Fresh Express Delivery Holdings Group Co., Ltd (Stock Code: 1175) from 15 July 2016 to 30 November 2016, both companies listed on the Main Board of the Hong Kong Stock Exchange, respectively.

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 57, 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, aged 57, is the executive Director. He has over 28 years of experience in the engineering field and extensive experience in developing the Taiwan and international markets. From 1997 to 2003 and from 2009 to 2015, Mr. Wu was Chairman of the Plastic & Rubber Machinery Committee of the Taiwan Association of Machinery Industry ("TAMI"), and a director of TAMI from 2003 to 2006. Currently, he is Chairman of the Trade Coordination Committee of TAMI, the Chief Editor of the Plastic and Rubber Machinery, Machinery Monthly Magazine, a member of each of the National Standards & Technologies Committee and the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs, R.O.C. the General Manager of an engineering company. Mr. Wu holds an Executive Master degree of Business Administration from the National Central University (Taiwan) and a Master of Engineering Manufacturing Management from the University of South Australia. Mr. Wu joined the Company in December 2015 as non-executive Director and re-designated as executive Director in September 2016.

Biographical Details of the Directors and Senior Management

NON-EXECUTIVE DIRECTORS

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

Dr. LUI Sun Wing, aged 66, is the non-executive Director. He is a former Vice-President of The Hong Kong Polytechnic University responsible for partnership development. Dr. Lui was also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the Hong Kong Enterprise Limited. Prior to joining the Hong Kong Polytechnic University, Dr. Lui was the Branch Director of the Hong Kong Productivity Council in charge of the Materials and Process Branch which provides R & D, consultancy and training services in new materials, advanced manufacturing and environmental technologies to the industry. Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK. He is the Founding Chairman of the Society of Automotive Engineers — HK, Former President of the Hong Kong Association for the Advancement of Science and Technology as well as Honorary Presidents and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001. Dr. Lui also sits as an independent and non-executive director of Shanghai Electric Group Company Limited (Stock code: 2727) and Human Health Holdings Limited (Stock code: 1419) both are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 53, is an independent non-executive Director. He has over 24 years of experience in auditing, taxation and financial management and has been appointed as financial controller of a number of companies listed in Hong Kong. Mr. CHAU obtained a Master Degree in Business Administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of Hong Kong Institute of Certified Chartered Accountants. Mr. CHAU is a finance director of Winox Holdings Limited (Stock Code: 6838), an independent non-executive director of China Water Affairs Group Limited (Stock Code: 855) and Carpenter Tan Holdings Limited (Stock Code: 837) which are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of Zhejiang Chang'an Renheng Technology Co. Ltd (Stock Code: 8139) and Ching Lee Holdings Limited (Stock Code: 8318), which are listed on the GEM Board of the Stock Exchange. He joined the Company in March 2008. He is also the Chairman of the audit committee and nomination committee of the Company, and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 57, is an independent non-executive Director. She has over 29 years of experience in management, production and marketing in manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts degree majoring in business administration from the Simon Fraser University in Canada. She joined the Company in August 2002. She is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company.

Professor NI Jun, aged 55, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, USA. Professor Ni graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor Ni joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit research centres such as the S.M. Wu Manufacturing Research Centre. He joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

Biographical Details of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. YIM Wai Man, aged 46, is the company secretary and the financial controller of the Group and is responsible for the financial management, reporting and secretarial matters of the Group. He has over 22 years of experience in auditing, taxation and finance fields. He obtained a Master degree in Business Administration from The Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yim joined the Company in September 2011.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

During the year ended 31 October 2016, revenue of industrial environmental products business, water supply plant business and general environmental protection related products and services business accounted for 75%, 24% and 1% respectively of the Group's total revenue.

The industrial environmental products business for the year ended 31 October 2016 was affected by weak export market and challenging business environment of the manufacturing industry in the PRC especially during the first quarter ended 31 January 2016. Renminbi, the primary currency in sales transactions, has depreciated approximately 7% in this year but the revenue of the industrial environmental products business for the year ended 31 October 2016 only dropped 3% to HK\$60,425,000 as compared with that of last year (2015: HK\$62,482,000).

Japanese yen, one of the major currencies in purchase transactions of our industrial environmental products business, has appreciated during the year ended 31 October 2016. Together with the depreciation of Renminbi, the primary currency in sale transactions, our profit margin was squeezed for the year ended 31 October 2016.

The Bureau of Statistic of the PRC recently announced that the manufacturing Purchasing Managers' Index (PMI) was 51.4 in December 2016 above the threshold 50 indicating the China manufacturers' expansion in purchasing activities. Looking forward, global economy and foreign currency market became uncertain especially after the election of the president of United State and the business environment for industrial sector in the PRC remained tough and challenging. In the process of transforming the Chinese 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 past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. The revenue of the water supply plant business dropped 5% to HK\$19,792,000 for the year ended 31 October 2016 as compared with that of last year (2015: HK\$20,731,000) due to depreciation of Renminbi, the primary currency in sales transactions. 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 water supply plant's future development.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue for the year ended 31 October 2016 was HK\$81,231,000, a decrease of 4% as compared with the last year (2015: HK\$84,324,000) under the depreciation of Renminbi, the Group's primary currency in sale transactions.

Gross profit for the year ended 31 October 2016 was HK\$20,940,000, representing a decrease of 32% as compared with last year (2015: HK\$30,599,000) due to decrease of the Group's profit margin to 26% for the year ended 31 October 2016 (2015: 36%). Since the sales of the Group are mainly denominated in Renminbi while Japanese Yen is one of the major currencies in purchase transactions of our industrial environmental products business, the depreciation of Renminbi and the appreciation of Japanese Yen have squeezed the Group's gross profit margins for the year ended 31 October 2016. It is expected the volatility of foreign exchange will continue to affect our business and operation, foreign exchange fluctuations will be continuously monitored and necessary measures will be taken to alleviate its effect.

The Group's administrative expenses for the year ended 31 October 2016 was amounted to HK\$23,459,000, which was similar to that of the last year (2015: HK\$23,529,000). The Group's selling expenses for the year ended 31 October 2016 was amounted to HK\$2,203,000, which was similar to that of the last year (2015: HK\$2,184,000). The Group's other operating expenses for the year ended 31 October 2016 was amounted to HK\$185,000 (2015: HK\$415,000).

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. Under-provision for taxation of HK\$205,000 (2015: HK\$854,000) has been made for the year ended 31 October 2016. During this financial year ended 31 October 2016, the Group has made further tax provision of HK\$11,734,000 (2015: Nil) 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\$16,441,000 for the year ended 31 October 2016 while the Group recorded a profit attributable to owners of the Company amounted to HK\$3,980,000 for the year ended 31 October 2015.

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 2016, the Group had net current assets of approximately HK\$21,295,000 (31 October 2015: HK\$30,773,000) including bank balances and cash of approximately HK\$16,796,000 (31 October 2015: HK\$12,819,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 as at 31 October 2016 (31 October 2015: 1.8). As at 31 October 2016, the Group's inventory turnover was about 80 days (31 October 2015: 102 days) and the Group's accounts receivable turnover was about 78 days (31 October 2015: 78 days).

Management Discussion and Analysis

CAPITAL STRUCTURE

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

GEARING RATIO

The gearing ratio (define as the total borrowing over total equity, including minority interests) was approximately 20% as at 31 October 2016 (31 October 2015: 16%).

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 October 2016, the Group had pledged its bank deposits of approximately HK\$9,020,000 (31 October 2015: 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 2016 (2015: Nil).

INFORMATION ON EMPLOYEES

As at 31 October 2016, the Group had 65 employees (2015: 65) 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 2016 amounted to approximately HK\$13,115,000 (2015: HK\$13,461,000). The dedication and hard work of the Group's staff during the year ended 31 October 2016 are generally appreciated and recognized.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 October 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to safeguard the interest of the Company's shareholders and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the shareholders. Throughout the year ended 31 October 2016, 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. Professor NI Jun, the independent non-executive Director, Ms. CHAN Siu Ping Rosa, the independent non-executive Director, and Mr. WU Cheng-wei, the non-executive Director at that moment, were unable to attend the annual general meeting of the Company held on 23 April 2016 as they were out of Hong Kong.

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. LEUNG Wai Lun and Mr. WU Cheng-wei, two non-executive Directors, namely Ms. HUI Wai Man Shirley (Chairman) and 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.

Corporate Governance Report

BOARD DIVERSITY POLICY

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

Summary of Board Diversity Policy

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

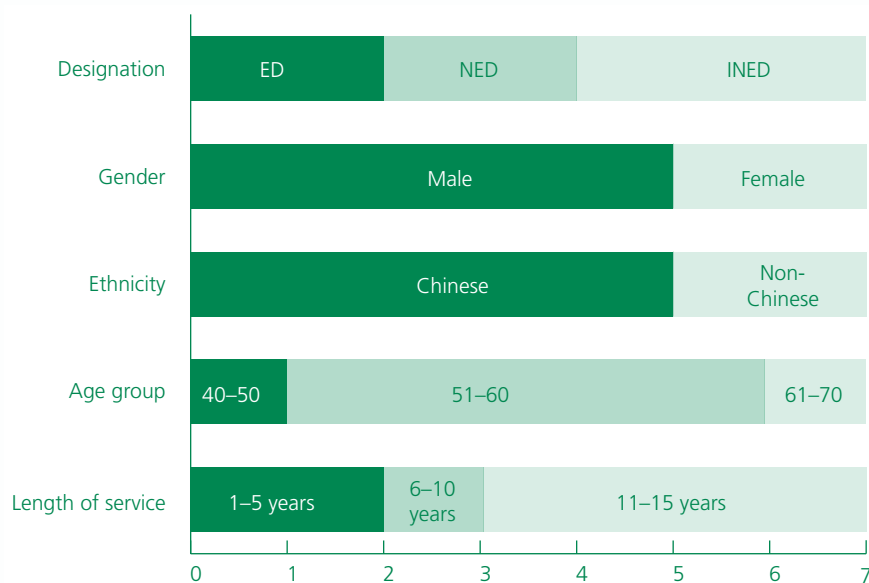
Measurable objectives

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

Implementation and Monitoring

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

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



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

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

Corporate Governance Report

BOARD MEETING

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

The Company Secretary is responsible to the board for providing with board papers and related materials, for ensuring that all board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and the 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. Ms. HUI Wai Man Shirley was the Chairman of the board throughout the year. The position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Corporate Governance Report

The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group received by the Directors for the year ended 31 October 2016 is as follows:

Directors	Trainings
Executive Directors	Type of trainings
Mr. KWOK Tsun Kee*	A
Mr. LEUNG Wai Lun	A
Mr. WU Cheng-wei#	A
Non-executive Directors	
Ms. HUI Wai Man Shirley	A
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

* Mr. KWOK Tsun Kee resigned on 18 November 2016

Mr. Wu Cheng-wei was appointed on 21 December 2015 and re-designated as executive Director on 12 September 2016

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 2016, 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.

Corporate Governance Report

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

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

REMUNERATION COMMITTEE

The remuneration committee was established in March 2005. The chairman of the committee is Ms. CHAN Siu Ping Rosa, an independent non-executive Director, and other members 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.

Corporate Governance Report

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 2016, 9 months ended 31 July 2016 and unaudited interim results for the 6 months ended 30 April 2016 as well as audited annual results for the year ended 31 October 2016 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 2016 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	3	3	1
	Number of meetings attended/Number of meetings held				
Executive Directors					
Mr. KWOK Tsun Kee*	0/5	–	–	–	0/1
Mr. LEUNG Wai Lun	5/5	–	–	–	1/1
Mr. Wu Cheng-wei#	4/5	–	–	–	0/1
Non-executive Directors					
Ms. HUI Wai Man Shirley	5/5	–	–	–	1/1
Dr. LUI Sun Wing	5/5	–	–	–	1/1
Independent non-executive Directors					
Mr. CHAU Kam Wing Donald	5/5	4/4	3/3	3/3	1/1
Ms. CHAN Siu Ping Rosa	5/5	4/4	3/3	3/3	0/1
Professor NI Jun	1/5	1/4	1/3	1/3	0/1

* Mr. KWOK Tsun Kee resigned on 18 November 2016

Mr. Wu Cheng-wei was appointed on 21 December 2015 and re-designated as executive Directors on 12 September 2016

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 Certified 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.

Corporate Governance 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 2016 amounted approximately HK\$680,000 (2015: HK\$650,000). No other significant fee was incurred for non-audit services during the year (2015: Nil).

INTERNAL CONTROLS AND RISK ASSESSMENT

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

The board was satisfied that the internal controls system of the Group is adequate and effective which covers all material controls for the year ended 31 October 2016.

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 2016, there is no significant change in the Company's memorandum and articles of association.

Corporate Governance Report

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 2016.

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 35 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 2016 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 29 to 80. The Directors do not recommended the payment of a final dividend for the year ended 31 October 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 27 April 2017 (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, 25 April 2017 to Thursday, 27 April 2017, 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, 24 April 2017.

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 81 to 82 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 25 and 14 to the financial statements respectively.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTION

Details of the significant related party transactions entered into by the Group during the year ended 31 October 2016 are set out in note 31 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 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$19,384,000. This includes the Company's share premium in the amount of approximately HK\$30,537,000 at 31 October 2016, 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 40% (2015: 41%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 11% (2015: 10%).

Purchases from the Group's five largest suppliers accounted for approximately 82% (2015: 77%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 41% (2015: 33%).

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

Directors' Report

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.

Economic risks

- A sever or prolonged downturn of the global economy.
- Fluctuations in foreign currency exchange rate, inflation and fluctuations of interest rates would adversely affect the customers' spending sentiment and the Group's profit margin.

Operational risks

- Failure to compete in the competitive environment which the Group operated in;
- Unable to keep pace with the technological advances in timely and cost-efficient manner; and
- Failure to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, operating, and technical personnel, the loss of key personnel, or the inability to find additional qualified personnel.

Regulatory risks

- Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals;
- Infringement of valid patents, copyrights or other intellectual property rights held by third parties; and
- Any change in laws and regulations in different customers' and suppliers' countries.

Financial risks

- Details of financial risks are set out in note 32 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 board 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. KWOK Tsun Kee (resigned on 18 November 2016)
Mr. LEUNG Wai Lun
Mr. WU Cheng-wei (appointed on 21 December 2015 and re-designated as executive Director on 12 September 2016)

Non-executive Directors

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

Independent non-executive Directors

Mr. CHAU Kam Wing Donald
Ms. CHAN Siu Ping Rosa
Professor NI Jun

In accordance with the Company's articles of association, Ms. HUI Wai Man Shirley, Mr. CHAU Kam Wing Donald and Ms. CHAN Siu Ping Rosa will retire by rotation at the forthcoming annual general meeting (the "AGM"). Ms. HUI Wai Man Shirley has notified the Company that she has decided not to stand for re-election at the AGM. The other two retiring Directors, Mr. CHAU Kam Wing Donald and Ms. CHAN Siu Ping Rosa being eligible, offer themselves for re-election. Separate resolution will be proposed at the AGM for the re-election of each of the aforesaid retiring Directors who will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 6 to 8 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Directors' Report

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions and connected transactions disclosed in note 31 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 2016, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in note 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 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity	Total Number of ordinary shares held as at 31 October 2016	Percentage of the Company's issued share capital as at 31 October 2016
Non-executive Director and Chairman			
Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46

Save as disclosed above, as at 31 October 2016, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 October 2016, 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 2016	Percentage to the Company's issued share capital as at 31 October 2016
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited (Note 2)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 2)	Directly beneficially owned	44,224,000	6.81
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

Notes:

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

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 October 2016. The Company had not redeemed any of its listed securities during the year ended 31 October 2016.

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 2016.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 19 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended 31 October 2016 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Ms. HUI Wai Man Shirley

Chairman

Hong Kong, 19 January 2017

Independent Auditor's Report



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

We have audited the consolidated financial statements of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 29 to 80, which comprise the consolidated statements of financial position as at 31 October 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 October 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lam Hung Yun, Andrew

Practising Certificate Number P04092

Hong Kong, 19 January 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	5	81,231	84,324
Cost of sales		(60,291)	(53,725)
Gross profit		20,940	30,599
Other income	6	1,205	621
Selling expenses		(2,203)	(2,184)
Administrative expenses		(23,459)	(23,529)
Other operating expenses		(185)	(415)
(Loss)/profit from operations	7	(3,702)	5,092
Finance costs	8	(519)	(500)
Share of (loss)/profit of a joint venture		(1)	270
(Loss)/profit before income tax		(4,222)	4,862
Taxation	9	(11,939)	(854)
(Loss)/profit for the year		(16,161)	4,008
Other comprehensive income for the year			
— Items that may be subsequently reclassified to profit and loss:			
Exchange loss on translation of financial statements of foreign operations		(5,955)	(3,226)
Share of other comprehensive income of a joint venture		(234)	(130)
		(6,189)	(3,356)
Total comprehensive income for the year		(22,350)	652
(Loss)/profit for the year attributable to:			
Owners of the Company		(16,441)	3,980
Non-controlling interests	27	280	28
		(16,161)	4,008
Total comprehensive income for the year attributable to:			
Owners of the Company		(21,542)	1,060
Non-controlling interests		(808)	(408)
		(22,350)	652
(Loss)/earnings per share attributable to owners of the Company	11		
— Basic		(HK2.53) cents	HK0.61 cent
— Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 October 2016

	Notes	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	82,543	94,697
Interest in leasehold land	16	4,667	5,105
Interest in a joint venture	17	3,292	3,527
Deferred tax assets	18	823	868
Pledged bank deposits	21	9,020	9,020
		100,345	113,217
Current assets			
Inventories	19	13,272	15,022
Accounts receivable	20	17,364	18,134
Deposits, prepayments and other receivables		3,790	5,436
Tax recoverable		4,720	16,454
Cash and cash equivalents	21	16,796	12,819
		55,942	67,865
Current liabilities			
Accounts and bills payable	22	10,440	9,579
Accrued liabilities, receipts in advance and other payables	23	24,207	26,007
Provision for tax		–	1,506
		34,647	37,092
Net current assets		21,295	30,773
Total assets less current liabilities		121,640	143,990
Non-current liabilities			
Deferred tax liabilities	18	7,570	7,570
Loan from a shareholder	24	9,500	9,500
Loan from a minority shareholder	24	9,526	9,526
		26,596	26,596
Net assets		95,044	117,394

Consolidated Statement of Financial Position

As at 31 October 2016

	Notes	2016 HK\$'000	2015 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	6,495	6,495
Share premium	26(a)	19,586	19,586
Capital reserve	26(a)	95	95
Exchange translation reserve	26(a)	11,935	17,036
Capital contribution reserve	26(a)	7,971	7,971
Retained profits		41,982	58,423
Non-controlling interests	27	6,980	109,606
Total equity		95,044	117,394

These consolidated financial statements on pages 29 to 80 were approved and authorised for issue by the board of directors on 19 January 2017 and are signed on its behalf by:

Mr. LEUNG Wai Lun
Director

Mr. WU Cheng-wei
Director

Consolidated Statement of Cash Flows

For the year ended 31 October 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(4,222)	4,862
Adjustments for:			
Interest income	6	(25)	(24)
Interest expense	8	519	500
Share of loss/(profit) of a joint venture		1	(270)
Depreciation of property, plant and equipment	7	7,259	7,627
Gain on disposal of property, plant and equipment	7	–	(16)
Amortisation of interest in leasehold land	7	123	131
(Reversal of provision for)/provision for slow-moving inventories	7	(38)	105
Impairment loss on accounts receivable	7	12	100
Impairment loss on trade deposits	7	–	44
Exchange loss/(gain), net		1,210	(1,162)
Operating profit before working capital changes		4,839	11,897
Decrease/(increase) in inventories		1,788	(214)
Decrease in accounts receivable		758	294
Decrease in deposits, prepayments and other receivables		1,646	338
Increase/(decrease) in accounts and bills payable		861	(11,169)
Decrease in accrued liabilities, receipts in advance and other payables		(1,800)	(834)
Cash generated from operations		8,092	312
Tax paid		(1,711)	(2,649)
<i>Net cash generated from/(used in) operating activities</i>		6,381	(2,337)
Cash flows from investing activities			
Purchases of property, plant and equipment		(540)	(1,450)
Proceeds from disposal of property, plant and equipment		–	35
Interest received		25	24
<i>Net cash used in investing activities</i>		(515)	(1,391)
Cash flows from financing activities			
Interest paid		(519)	(500)
<i>Net cash used in financing activities</i>		(519)	(500)
Increase/(decrease) in cash and cash equivalents		5,347	(4,228)
Effect of foreign exchange rate changes		(1,370)	1,480
Cash and cash equivalents at beginning of the year		12,819	15,567
Cash and cash equivalents at end of the year	21	16,796	12,819

Consolidated Statement of Changes in Equity

For the year ended 31 October 2016

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital HK\$'000 (Note 25)	Share premium HK\$'000 (Note 26(a))	Capital reserve HK\$'000 (Note 26(a))	Exchange translation reserve HK\$'000 (Note 26(a))	Capital contribution reserve HK\$'000 (Note 26(a))	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 November 2014	6,495	19,586	95	19,956	7,971	54,443	108,546	8,196	116,742
Profit for the year	-	-	-	-	-	3,980	3,980	28	4,008
Other comprehensive income for the year	-	-	-	(2,920)	-	-	(2,920)	(436)	(3,356)
Total comprehensive income for the year	-	-	-	(2,920)	-	3,980	1,060	(408)	652
At 31 October 2015 and 1 November 2015	6,495	19,586	95	17,036	7,971	58,423	109,606	7,788	117,394
Loss for the year	-	-	-	-	-	(16,441)	(16,441)	280	(16,161)
Other comprehensive income for the year	-	-	-	(5,101)	-	-	(5,101)	(1,088)	(6,189)
Total comprehensive income for the year	-	-	-	(5,101)	-	(16,441)	(21,542)	(808)	(22,350)
At 31 October 2016	6,495	19,586	95	11,935	7,971	41,982	88,064	6,980	95,044

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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 environmental protection related products and services in certain major cities (including Hong Kong and Macau) of the People's Republic of China (the "PRC") as well as operating a water supply operation in Tianjin, PRC.

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

The consolidated financial statements on pages 29 to 80 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 OR REVISED HKFRSs

(a) Adoption of new/revised to HKFRSs

In the current year, there was no new/revised standards and amendments issued by the HKICPA which are relevant to and effective for the Group's consolidated financial statements for annual period beginning on 1 November 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

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

HKFRSs (Amendments)	Annual improvement 2012–2014 cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ³
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

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

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKAS 1 — Disclosure Initiative

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

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

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

Amendments to HKFRS 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.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

HKFRS 15 — Revenue from Contracts with Customers

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

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

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

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

Amendments to HKFRS 15 — Clarifications to HKFRS 15 Revenue from Contracts with Customers

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

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 classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

Amendments to HKFRS 10 and HKAS 28 (2011) — 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. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

(c) The amended GEM Listing Rules relating to the presentation of consolidated financial statements

The amended Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Amended GEM Listing Rules") in relation to the presentation and disclosure in the consolidated financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap.622 applies to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the Amended GEM Listing Rules have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the consolidated financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Business combination and basis of consolidation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Business combination and basis of consolidation (Continued)

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

3.2 Subsidiaries

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

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

3.3 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

- (i) The structure of the joint arrangements;
- (ii) The legal form of joint arrangements structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances (including any other contractual arrangements).

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Joint arrangements (Continued)

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

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

3.4 Borrowing costs

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

3.5 Revenue recognition

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment

(i) Measurement bases

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

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

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

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

(ii) Depreciation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.8 Leases

(i) Operating lease

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

The Group as lessee

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

(ii) Interest in leasehold land

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Employee benefits

(i) Short-term employee benefits

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

(ii) Paid leave carried forward

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

(iii) Pension scheme

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

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

(iv) Share-based employee compensation

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

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

All share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset, with a corresponding credit to equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Employee benefits (Continued)

(iv) Share-based employee compensation (Continued)

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.10 Inventories

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

3.11 Financial assets

The Group's accounting policies for financial assets are set out below.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 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 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.

3.13 Provisions and contingent liabilities

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

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

3.14 Income tax

Income tax comprises current tax and deferred tax.

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Income tax (Continued)

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

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

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

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

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

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

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

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

3.15 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Share capital

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

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

3.17 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 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 Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

3.19 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 joint venture accounted for using the equity method
- finance costs
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

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

Segment assets include all assets but interest in a joint venture and tax recoverable. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

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

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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

Net realisable value of inventories

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

Estimate of current tax and deferred tax

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

5. REVENUE AND SEGMENT REPORTING

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

	2016 HK\$'000	2015 HK\$'000
Sales of goods	61,439	63,593
Supply of water	19,792	20,731
	81,231	84,324

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

General environmental protection related products and services	:	Sale of particulate removal devices and related ancillary services in the PRC
Industrial environmental products	:	Sale of hydraulic components and other related accessories
Water supply plant	:	Supply of processed water in the PRC

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

	General environmental protection related products and services		Industrial environmental products		Water supply plant		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue from external customers	1,014	1,111	60,425	62,482	19,792	20,731	81,231	84,324
Reportable segment revenue	1,014	1,111	60,425	62,482	19,792	20,731	81,231	84,324
Reportable segment profit/(loss)	227	(292)	13,670	23,244	4,842	5,462	18,739	28,414
Other segment information								
Interest income	1	1	4	5	20	18	25	24
Depreciation and amortisation	(110)	(123)	(202)	(244)	(7,070)	(7,391)	(7,382)	(7,758)
Reversal of provision for/(Provision for) slow-moving inventories	-	-	38	(105)	-	-	38	(105)
Impairment loss on accounts receivable	(12)	(100)	-	-	-	-	(12)	(100)
Additions to non-current assets	6	6	2	117	532	1,327	540	1,450
Reportable segment assets	11,646	12,091	38,452	34,782	96,884	113,081	146,982	159,954
Reportable segment liabilities	1,315	1,176	20,387	19,682	7,150	9,243	28,852	30,101

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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:

	2016 HK\$'000	2015 HK\$'000
Reportable segment revenue	81,231	84,324
Group revenue	81,231	84,324
Reportable segment profit	18,739	28,414
Other corporate expenses	(22,441)	(23,322)
Finance costs	(519)	(500)
Share of (loss)/profit of a joint venture	(1)	270
(Loss)/profit before income tax	(4,222)	4,862
Reportable segment assets	146,982	159,954
Interest in a joint venture	3,292	3,527
Tax recoverable	4,720	16,454
Other corporate assets	1,293	1,147
Group assets	156,287	181,082
Reportable segment liabilities	28,852	30,101
Deferred tax liabilities	7,570	7,570
Loan from a shareholder	9,500	9,500
Loan from a minority shareholder	9,526	9,526
Other corporate liabilities	5,795	6,991
Group liabilities	61,243	63,688

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

Other corporate liabilities mainly include accrued directors' emolument, accrued staff cost and accrued auditor's remuneration.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (domicile)	7,115	11,401	2,720	2,968
PRC	72,616	71,941	83,386	95,729
Other	1,500	982	4,396	4,632
	81,231	84,324	90,502	103,329

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

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

Revenue derived from the largest customer of the Group's industrial environmental products segment amounted to approximately HK\$9,388,000 or 12% (2015: HK\$8,830,000 or 10%) of the Group's total revenue for the year ended 31 October 2016.

6. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Government subsidies (<i>note a</i>)	189	151
Bank interest income	25	24
Surcharge income (<i>note b</i>)	792	–
Gain on disposal	–	16
Sundry income	199	430
	1,205	621

Notes:

- Government subsidies represented the subsidies received from the local PRC government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.
- Surcharge income represented late payment charges awarded by the PRC courts due to late settlement of outstanding balances.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

7. (LOSS)/PROFIT FROM OPERATIONS

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

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration		
— Provision for the year	680	650
Amortisation of interest in leasehold land	123	131
Cost of inventories recognised as expense*, including	60,291	53,725
— (Reversal of provision for)/provision for slow-moving inventories	(38)	105
Depreciation of property, plant and equipment	7,259	7,627
Exchange loss/(gain), net	3,324	(1,162)
Gain on disposal of property, plant and equipment	—	(16)
Operating lease charges in respect of land and buildings	1,914	1,900
Impairment loss on accounts receivable	12	100
Impairment loss on trade deposits	—	44
Staff costs (including directors' emoluments) (note 12)		
— Wages, salaries and bonus	12,937	13,260
— Pension scheme contributions	178	201
	13,115	13,461

* Costs of inventories includes a total amount of approximately HK\$8,365,000 (2015: HK\$4,923,000), relating to depreciation, (reversal of provision for)/provision for slow-moving inventories and exchange loss/(gain) for which are also included in the respective total amounts disclosed separately above.

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest charges on other loans:		
— Loan from a shareholder (note 24)	500	500
— Loan from a third party	19	—
	519	500

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

9. TAXATION

	2016 HK\$'000	2015 HK\$'000
Under-provision in respect of prior years		
— Hong Kong	11,939	—
— PRC	—	854
	11,939	854

Hong Kong profits tax has been provided for at 16.5% (2015: 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% (2015: 25%) on the estimated assessable profits arising in the PRC for the year.

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

A subsidiary of the Group established and operating in Macau was exempted from Macau complementary profits tax for the year ended 31 October 2016 and 2015 according to the relevant laws and regulations in Macau.

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

	2016 HK\$'000	2015 HK\$'000
(Loss)/profit before income tax	(4,222)	4,862
Tax at the domestic rates applicable to (loss)/profit in the jurisdictions concerned	(828)	834
Tax effect of non-taxable revenue for tax purpose	(1,908)	(3,452)
Tax effect of non-deductible expenses for tax purpose	2,323	2,523
Utilisation of unrecognised tax losses	(479)	(390)
Tax effect of tax losses not recognised	892	485
Under-provision in respect of prior years	11,939	854
	11,939	854

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2016 (2015: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share	(16,441)	3,980

	Number of shares	
	2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	649,540	649,540

No diluted (loss)/earnings per share is calculated for the years ended 31 October 2016 and 2015 as there was no potential ordinary shares in existence.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

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
2016				
<i>Executive directors:</i>				
Mr. KWOK Tsun Kee*	100	–	–	100
Mr. LEUNG Wai Lun	120	–	–	120
Mr. WU Cheng-wei^	59	–	–	59
<i>Non-executive directors:</i>				
Dr. LUI Sun Wing	100	–	–	100
Ms. HUI Wai Man Shirley	200	–	–	200
<i>Independent non-executive directors:</i>				
Ms. CHAN Siu Ping Rosa	50	–	–	50
Professor NI Jun	50	–	–	50
Mr. CHAU Kam Wing Donald	100	–	–	100
	779	–	–	779

* Resigned on 18 November 2016

^ Appointed on 21 December 2015

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

12. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK\$'000	Salaries HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2015				
<i>Executive directors:</i>				
Mr. KWOK Tsun Kee	100	–	–	100
Mr. LEUNG Wai Lun [^]	17	–	–	17
<i>Non-executive directors:</i>				
Dr. LUI Sun Wing	100	–	–	100
Ms. HUI Wai Man Shirley	200	–	–	200
<i>Independent non-executive directors:</i>				
Ms. CHAN Siu Ping Rosa	50	–	–	50
Professor NI Jun	50	–	–	50
Mr. CHAU Kam Wing Donald	100	–	–	100
	617	–	–	617

[^] Appointed on 10 September 2015

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 (2015: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2015: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

13. FIVE HIGHEST PAID INDIVIDUALS

No director (2015: no director) was included in the five highest paid individuals of the Group during the year. The details of the directors' remuneration are set out in note 12 above. Details of the remuneration of the remaining five (2015: five) non-director, highest paid individuals of the Group for the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	3,471	3,655
Pension scheme contributions	85	89
	3,556	3,744

The emoluments of three non-director highest paid individuals fell within the band of nil to HK\$500,000 (2015: two); the emolument of one non-director highest paid individual fell within the band of HK\$500,001 to HK\$1,000,000 (2015: two). No non-director highest paid individual fell within the band of HK\$1,000,001 to HK\$1,500,000 (2015: one). The emolument of one non-director highest paid individual fell within the band of HK\$1,500,001 to HK\$2,000,000 (2015: Nil).

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 (2015: Nil).

The emolument of one non-director senior management fell within the band of HK\$500,001 to HK\$1,000,000 (2015: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2016

14. SHARE OPTION SCHEME (Continued)

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

The share options granted may be exercised at any time or times after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors to each grantee, but in any event no later than 10 years from the date of the grant of the share options. The 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 2016 (2015: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Buildings and structure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 November 2014							
Cost	2,401	1,486	38,081	845	112,528	246	155,587
Accumulated depreciation	(1,218)	(1,235)	(25,030)	(833)	(23,046)	–	(51,362)
Net carrying amount	1,183	251	13,051	12	89,482	246	104,225
Year ended 31 October 2015							
Opening net carrying amount	1,183	251	13,051	12	89,482	246	104,225
Additions	222	24	56	10	–	1,138	1,450
Disposal	(19)	–	–	–	–	–	(19)
Transfer	–	–	–	–	791	(791)	–
Depreciation	(441)	(93)	(3,568)	(7)	(3,518)	–	(7,627)
Translation differences	(15)	(6)	(317)	–	(2,947)	(47)	(3,332)
Closing net carrying amount	930	176	9,222	15	83,808	546	94,697
At 31 October 2015							
Cost	2,383	1,503	37,721	855	110,274	546	153,282
Accumulated depreciation	(1,453)	(1,327)	(28,499)	(840)	(26,466)	–	(58,585)
Net carrying amount	930	176	9,222	15	83,808	546	94,697

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Buildings and structure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 October 2016							
Opening net carrying amount	930	176	9,222	15	83,808	546	94,697
Additions	-	76	51	2	-	411	540
Transfer	-	-	-	-	957	(957)	-
Depreciation	(375)	(56)	(3,383)	(2)	(3,443)	-	(7,259)
Translation differences	(19)	(10)	(480)	-	(4,926)	-	(5,435)
Closing net carrying amount	536	186	5,410	15	76,396	-	82,543
At 31 October 2016							
Cost	2,359	1,568	37,179	857	106,190	-	148,153
Accumulated depreciation	(1,823)	(1,382)	(31,769)	(842)	(29,794)	-	(65,610)
Net carrying amount	536	186	5,410	15	76,396	-	82,543

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:

	2016 HK\$'000	2015 HK\$'000
Net carrying amount at the beginning of the year	5,105	5,422
Amortisation charge for the year	(123)	(131)
Translation differences	(315)	(186)
Net carrying amount at the end of the year	4,667	5,105

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17. INTEREST IN A JOINT VENTURE

	2016 HK\$'000	2015 HK\$'000
Unlisted investment, at cost	2,385	2,385
Share of post-acquisition reserves	907	1,142
	3,292	3,527

As at 31 October 2016, 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.

Summarised financial information in relation to the joint venture extracted from its unaudited management accounts for the year ended 31 October 2016 and 2015 is presented below:

	2016 HK\$'000	2015 HK\$'000
As at 31 October		
Current assets	17,115	15,835
Non-current assets	30	30
Current liabilities	(10,560)	(8,810)
Net assets	6,585	7,055
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	3,292	3,527
<i>Includes in the net assets are:</i>		
Cash and cash equivalents	27	28
Current financial liabilities (excluding trade and other payable)	5,415	5,982

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17. INTEREST IN A JOINT VENTURE (Continued)

	2016 HK\$'000	2015 HK\$'000
Year ended 31 October		
Revenue	13,535	10,902
(Loss)/profit for the year	(2)	540
Other comprehensive income for the year	(468)	(259)
Total comprehensive income for the year	(470)	281
Reconciliation to the Group's share of results of Jiangsu Kangyuan:		
Proportion of the Group's share ownership interest	50%	50%
Group's share of (loss)/profit of the joint venture	(1)	270
Group's share of other comprehensive income for the year	(234)	(130)
Share of total comprehensive income of the joint venture	(235)	140

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 2014	820	(147)	74	(7,423)	(6,676)
Translation differences	(26)	–	–	–	(26)
At 31 October and 1 November 2015	794	(147)	74	(7,423)	(6,702)
Translation differences	(45)	–	–	–	(45)
At 31 October 2016	749	(147)	74	(7,423)	(6,747)

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18. DEFERRED TAXATION (Continued)

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 2016, the Group has tax losses arising in Hong Kong of approximately HK\$15,068,000 (2015: HK\$10,007,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2016, the tax losses arising in the PRC was amounted to HK\$8,620,000 (2015: HK\$7,956,000) which are available for offsetting against future taxable profits of the companies and will expire at various dates for a maximum period of five years from the reporting date. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 October 2016, deferred tax liabilities of approximately HK\$7,423,000 (2015: 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 2016 and 2015, 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 RMB8,874,000 and RMB9,455,000 respectively. No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	823	868
Deferred tax liabilities	(7,570)	(7,570)
	(6,747)	(6,702)

19. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Merchandise	24,576	26,364
Provision for slow-moving inventories	(11,304)	(11,342)
	13,272	15,022

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20. ACCOUNTS RECEIVABLE

	2016 HK\$'000	2015 HK\$'000
Accounts receivable	17,476	18,234
Less: Provision for impairment loss	(112)	(100)
	17,364	18,134

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

The Group has a policy of allowing an average credit period of 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:

	2016 HK\$'000	2015 HK\$'000
Outstanding balances with ages:		
Within 90 days	13,201	11,470
91 to 180 days	2,858	4,268
181 to 365 days	1,171	1,668
Over 365 days	246	828
	17,476	18,234

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 2016, the Group has determined that accounts receivable of HK\$112,000 (2015: HK\$100,000) were individually impaired. The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments.

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

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	100	–
Impairment loss for the year	12	100
At the end of the year	112	100

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20. ACCOUNTS RECEIVABLE (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Not more than 90 days past due	4,408	6,257
91 to 180 days past due	1,185	1,181
181 to 365 days past due	71	1,598
Over 365 days past due	91	728
	5,755	9,764
Neither past due nor impaired	11,609	8,370
	17,364	18,134

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. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 HK\$'000	2015 HK\$'000
Cash at bank and in hand	25,816	21,839
Less: pledged bank deposits for banking facilities (note 28(a))	(9,020)	(9,020)
Cash and cash equivalents	16,796	12,819
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\$9,807,000 (2015: HK\$7,742,000) 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% (2015: 0.01%) per annum as at 31 October 2016. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (note 28(a)). The pledge will not be released within twelve months from the reporting date.

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22. 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:

	2016 HK\$'000	2015 HK\$'000
Outstanding balances with ages:		
Within 90 days	10,128	8,262
91 to 180 days	41	1,034
Over 180 days	271	283
	10,440	9,579

23. ACCRUED LIABILITIES, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Accrued liabilities	4,446	5,928
Receipts in advance	4,854	3,828
Other payables	14,907	16,251
	24,207	26,007

Other payables mainly included construction costs payable and other taxes liabilities.

24. LOANS FROM A SHAREHOLDER AND A MINORITY SHAREHOLDER

The balances were regards 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.
- 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 5.25% per annum (2015: 5.25% per annum). They were not repayable within twelve months from the reporting dates as at 31 October 2016 and 2015 respectively.

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

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25. SHARE CAPITAL

	2016 HK\$'000	2015 HK\$'000
Authorised: 5,000,000,000 (2015: 5,000,000,000) ordinary shares of HK\$0.01 each	50,000	50,000
Issued and fully paid: 649,540,000 (2015: 649,540,000) ordinary shares of HK\$0.01 each	6,495	6,495

26. 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.

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26. RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 November 2014	30,537	(7,650)	22,887
Loss for the year	–	(1,650)	(1,650)
At 31 October 2015 and 1 November 2015	30,537	(9,300)	21,237
Loss for the year	–	(1,853)	(1,853)
At 31 October 2016	30,537	(11,153)	19,384

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.

27. 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:

	2016 HK\$'000	2015 HK\$'000
As at 31 October		
Non-current assets	82,332	95,461
Current assets	10,209	14,136
Current liabilities	(57,168)	(70,463)
Net assets	35,373	39,134
Accumulated non-controlling interests	7,075	7,827

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27. NON-CONTROLLING INTERESTS (Continued)

	2016 HK\$'000	2015 HK\$'000
For the year ended 31 October		
Revenue	19,792	20,731
Profit for the year	1,680	705
Total comprehensive income	(3,761)	(1,477)
Profit allocated to NCI	336	141
For the year ended 31 October		
Net cash generated from/(used in) operating activities	1,029	(155)
Net cash used in investing activities	(514)	(1,298)
Net cash inflow/(outflow)	515	(1,453)

28. BANKING FACILITIES

The Group's banking facilities were granted for the purposes of general working capital, trade finance and treasury requirements as at 31 October 2016 and 2015, which were secured by the following:

- (a) bank deposits of the Group amounting to approximately HK\$9,020,000 (2015: HK\$9,020,000) (note 21); and
- (b) corporate guarantees executed by the Company.

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29. 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,723	1,442
In the second to fifth years, inclusive	911	416
	2,634	1,858

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2015: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

30. CAPITAL COMMITMENTS

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

	2016 HK\$'000	2015 HK\$'000
Contracted, but not provided for, in respect of:		
— construction of sedimentation tank and related facilities	—	424
— construction of chlorine tank and related facilities	267	—
	267	424

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31. 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:

	2016 HK\$'000	2015 HK\$'000
Interest expenses	500	500

Interest expenses were paid to a shareholder in accordance with the terms as set out in note 24.

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

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	4,147	3,620
Pension scheme contributions	70	54
	4,217	3,674

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

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

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

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32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has certain concentration of credit risk as 14% (2015: 23%) and 45% (2015: 59%) of the total accounts receivable were due from the Group's largest customer and the five largest customers respectively, which are privately owned enterprises located in the PRC and arising in the industrial environmental products segment.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for over 89% (2015: 89%) of the total trade receivables as at 31 October 2016.

(b) Foreign currency risk

The Group's purchases are mainly denominated in Sterling Pounds, Japanese Yen, Euro and US Dollars. The sales of the Group are predominantly in RMB and 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, monetary liabilities and derivative financial instruments of the Group at the reporting date that are considered significant by management are as follows:

	Assets		Liabilities	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Japanese Yen ("JPY")	407	404	6,998	5,366
Euro ("EUR")	1,336	2,012	372	–
Sterling Pounds ("GBP")	681	1,057	21	1,526
US Dollars ("USD")	6,550	4,622	1,378	1,765

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32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% increase in foreign currency rates. A number below indicates (a decrease)/an increase in loss for the year and an increase/(a decrease) in retained profits (2015: 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 an increase/(a decrease) in the loss for the year and (a decrease)/an increase in retained profits (2015: (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.

	2016 HK\$'000			2015 HK\$'000		
	EUR	JPY	GBP	EUR	JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%	5%	5%
Effect on (loss)/profit for the year	(48)	330	(33)	84	(207)	(20)
Effect on retained profits	48	(330)	33	84	(207)	(20)

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32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

	Less than 3 months or demand HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 October 2016				
Accounts and bills payable	10,440	–	10,440	10,440
Accrued liabilities and other payables	19,353	–	19,353	19,353
Loan from a shareholder	–	11,194	11,194	9,500
Loan from a minority shareholder	–	9,526	9,526	9,526
	29,793	20,720	50,513	48,819
As at 31 October 2015				
Accounts and bills payable	9,579	–	9,579	9,579
Accrued liabilities and other payables	22,179	–	22,179	22,179
Loan from a shareholder	–	11,808	11,808	9,500
Loan from a minority shareholder	–	9,526	9,526	9,526
	31,758	21,334	53,092	50,784

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32. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 October 2016 and 2015 may be categorised as follows:

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	46,718	45,173
Financial liabilities		
Financial liabilities at amortised cost	48,819	50,784

33. 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.

	2016 HK\$'000	2015 HK\$'000
Capital		
— Total equity	95,044	117,394
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	5.00 times	6.17 times

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		10,957	10,957
Current assets			
Prepayments and other receivables		119	84
Amounts due from subsidiaries		43,779	43,590
Cash and cash equivalents		31	121
		43,929	43,795
Current liabilities			
Accrued liabilities and other payables		674	337
Amounts due to subsidiaries		28,333	26,683
		29,007	27,020
Net current assets		14,922	16,775
Net assets		25,879	27,732
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	6,495	6,495
Share premium	26(b)	30,537	30,537
Accumulated losses	26(b)	(11,153)	(9,300)
Total equity		25,879	27,732

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35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2016 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 industrial environmental 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

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For the year ended 31 October 2016

35. 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) Co. Limited	BVI, limited liability company	1 ordinary share of US\$1	100%	Investment holding
Tokawa Precision Co. Limited	Hong Kong, limited liability company	HK\$10,000	100%	Marketing and sales of industrial environmental products in Hong Kong
Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore	Macao, limited liability company	MOP100,000	100%	Marketing and sales of environmental protection related products in Macao
Well Spread Investment Limited	Hong Kong, limited liability company	HK\$2	100%	Investment holding in Hong Kong
Dongguan MegaTek Machinery Company Limited ^{#^} (東莞英達朗 機械有限公司)	PRC, limited liability company	HK\$4,820,000	100%	Marketing and sales of industrial environmental products in the PRC
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

* The subsidiary is newly incorporated on 8 January 2016.

Summary of Financial Information

31 October 2016

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

	2016 HK\$'000	Year ended 31 October			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	81,231	84,324	96,073	110,835	114,212
Cost of sales	(60,291)	(53,725)	(70,080)	(79,853)	(86,709)
Gross profit	20,940	30,599	25,993	30,982	27,503
Other income	1,205	621	798	1,893	810
Selling expenses	(2,203)	(2,184)	(2,250)	(2,864)	(2,944)
Administrative expenses	(23,459)	(23,529)	(21,810)	(19,695)	(20,614)
Other operating expenses	(185)	(415)	(7,455)	(4,834)	(571)
(Loss)/profit from operations	(3,702)	5,092	(4,724)	5,482	4,184
Finance costs	(519)	(500)	(373)	(174)	(89)
Share of (loss)/profit of a joint venture	(1)	270	129	182	208
(Loss)/profit before income tax	(4,222)	4,862	(4,968)	5,490	4,303
Taxation	(11,939)	(854)	(9,541)	(451)	(851)
(Loss)/profit after income tax from continuing operations	(16,161)	4,008	(14,509)	5,039	3,452
Loss for the year from discontinued operations	–	–	(1,652)	(31,468)	(12,343)
(Loss)/profit for the year	(16,161)	4,008	(16,161)	(26,429)	(8,891)

Summary of Financial Information

31 October 2016

	Year ended 31 October				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	100,345	113,217	122,948	130,481	145,288
Current assets	55,942	67,865	71,280	71,666	86,363
Current liabilities	34,647	37,092	50,890	52,192	54,211
Net current assets	21,295	30,773	20,390	19,474	32,152
Non-current liabilities	26,596	26,596	26,596	16,949	18,708
Net assets	95,044	117,394	116,742	133,006	158,732

Notes:

1. The consolidated results of the Group for the years ended 31 October 2012, 2013 and 2014 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 2015 and 2016 are as set out on page 29 of the audited consolidated financial statements.
2. The consolidated statement of financial position as at 31 October 2012, 2013 and 2014 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2015 and 2016 are as set out on pages 30 to 31 of the audited consolidated financial statements.