



# Eco-Tek Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8169



2014 Annual Report

**Healthy Environment**

Quality Life



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

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

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

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

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# Corporate Information

## **BOARD OF DIRECTOR**

### **Executive Director**

KWOK Tsun Kee

### **Non-Executive Directors**

HUI Wai Man Shirley (*Chairman*)

LUI Sun Wing

### **Independent Non-Executive Directors**

CHAU Kam Wing Donald

CHAN Siu Ping Rosa

NI Jun

## **COMPLIANCE OFFICER**

KWOK Tsun Kee

## **COMPANY SECRETARY**

YIM Wai Man

## **AUTHORISED REPRESENTATIVES**

KWOK Tsun Kee

YIM Wai Man

## **CAYMAN ISLANDS ASSISTANT SECRETARY**

Codan Trust Company (Cayman) Limited

## **AUDIT COMMITTEE**

CHAU Kam Wing Donald (*Chairman*)

CHAN Siu Ping Rosa

NI Jun

## **REMUNERATION COMMITTEE**

CHAN Siu Ping Rosa (*Chairman*)

CHAU Kam Wing Donald

NI Jun

## **NOMINATION COMMITTEE**

CHAU Kam Wing Donald (*Chairman*)

CHAN Siu Ping Rosa

NI Jun

## **AUDITOR**

BDO Limited

*Certified Public Accountants*

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Unit 5, 11/F, Westlands Centre

20 Westlands Road, Quarry Bay

Hong Kong

## **REGISTERED OFFICE**

Century Yard

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## **HONG KONG SHARE REGISTRAR**

Union Registrars Limited

A18/F., Asia Orient Tower, Town Place

33 Lockhart Road, Wanchai

Hong Kong

## **PRINCIPAL BANKERS**

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

The Bank of East Asia, Limited

## **GEM STOCK CODE**

8169

## **WEBSITE ADDRESS**

[www.eco-tek.com.hk](http://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 2014.

## FINANCIAL HIGHLIGHTS

During the year under review, the Group's revenue was HK\$96,073,000, a 13% decrease as compared to last year HK\$110,835,000 due to decreasing in sales orders from our customers in industrial environmental products business under global and domestic economic uncertainties. The Group recorded a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014, a 39% decrease as compared to last year loss: HK\$26,933,000.

## BUSINESS REVIEW

Under decreasing export demands and cooling down domestic consumption, China's economic growth continued to decline in this financial year with only 7.3% Gross Domestic Products (GDP) growth for third quarter of year 2014. This is the slowest growth rate since the financial crisis in year 2008. The continuous decline of China economic growth, together with diminishing export sector of China due to the world economies' uncertainty, depressed the demand for acquiring new industrial machines like plastic injection molding machines. The expectation of weak economy suppressed capital investments and affected the confidence of customers in our industrial environmental products business to place order to us. The drop in sales in our industrial environmental products business lead to a decrease in our Group's revenue by 13% to HK\$96,073,000 for the year ended 31 October 2014 when compared with that of last year (2013: HK\$110,835,000). To address the situations, we have started in speeding up market penetration and sourcing supply of new products or services and lowering operating costs. We hope the mentioned measures would generate positive impacts to the Group's financial results in near future.

Gross profit for the year ended 31 October 2014 was HK\$25,993,000, representing a decrease of 16% as compared with that of last year (2013: HK\$30,982,000) because of decrease in the Group's revenue. The gross profit margin of the Group for the year ended 31 October 2014 was 27% which was more or less similar to that of last year (2013: 28%). Since the foreign currency risk, especially Japanese Yen, affects the Group's gross profit margin, we will continuously monitor foreign exchange exposure and will hedge significant foreign exposure should the need arises.





## Chairman's Statement

The Group's administrative expenses for the year ended 31 October 2014 was amounted to HK\$21,810,000, representing an increase of 11% compared with the last year (2013: HK\$19,695,000) due to increase in rental and salaries expenses. The Group's selling expenses for the year ended 31 October 2014 was amounted to HK\$2,250,000, representing a decrease of 21% compared with the last year (2013: HK\$2,864,000). The Group's other operating expenses for the year ended 31 October 2014 was amounted to HK\$7,455,000 represented an increase of 54% when compared with last year (2013: HK\$4,834,000).

The Group is subject to taxation in various jurisdictions and judgment is required in determining the amount of provision and the payment of taxation and any related surcharge in accordance with the tax laws of the respective jurisdictions. Where the final tax outcome might be different from the amounts that were initially recorded, such difference will impact the income tax provisions. During this financial year ended 31 October 2014, the Group has made HK\$9,393,000 (2013: Nil) tax provision and HK\$7,235,000 (2013: HK\$3,500,000) related surcharges, after taking into account the up-to-date development of the Inland Revenue Department's review.

On 23 December 2013, the board decided to discontinue the operation of the production of machines (the "Discontinued Operations"). The Group's loss from the Discontinued Operations for the year ended 31 October 2014 was amounted to HK\$1,652,000 which mainly represented loss on disposal of fixed assets and written down on value of assets under the Discontinued Operations, a 95% decrease when compared with last year (2013: HK\$31,468,000).

The Group recorded a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014, a 39% decrease as compared to last year's loss HK\$26,933,000.

### PROSPECTS

The slow growth in China's GDP suppressed capital investments, together with the problem of over production capacity in traditional industries brings challenges to the future development of the industrial environmental products sectors. In view of this, other than dedicating further efforts to enhance value added services to existing industrial environmental products, the Group will also explore opportunities in new products or services to capture opportunities arising from the development in China. Besides, the Group will continue to source supply of new products or services to fulfill the policy of energy conservation and emission reduction in China. Together with the development of our water supply plant in Tianjin which has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City, we have confidence on the long-term stable development of the Group's overall business.

### APPRECIATION

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

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

**Hui Wai Man, Shirley**  
*Chairman*

Hong Kong, 23 January 2015



## 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 47, is the Chairman and non-executive Director. She has over 25 years of experience in public accounting and corporate finance. Ms. Hui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is also a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Hui joined the Company in October 2004 as independent non-executive director, and was subsequently re-designated as non-executive director and chairman in March 2008. Save as disclosed herein, Ms. Hui has not previously held and is not holding any other position within the Group. Ms. Hui is an independent non-executive director of Goldin Financial Holdings Limited and New Media Group Holdings Limited, both of which are listed public companies in Hong Kong.

### **CHIEF EXECUTIVE OFFICER**

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

### **EXECUTIVE DIRECTOR**

Mr. KWOK Tsun Kee, aged 77, is the executive Director of the Company and is responsible for Greater China business development. Mr. Kwok holds a master degree of Philosophy and he is the College Tutor of Shaw College of The Chinese University of Hong Kong. He has over 44 years of extensive experience with academic and technology fields. Mr. Kwok joined the Company in November 2009.

### **NON-EXECUTIVE DIRECTORS**

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

Dr. LUI Sun Wing, aged 64, 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 which is a listed public company in Hong Kong.



# Biographical Details of the Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing, Donald, aged 53, is an independent non-executive Director. He has over 22 years of experience in auditing, taxation and financial management and has been appointed as financial controller of a number of companies listed in Hong Kong. Mr. CHAU obtained a Master Degree in Business Administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of Hong Kong Institute of Certified Chartered Accountants. Mr. CHAU is a finance director of Winox Holdings Limited, an independent non-executive director of Zhejiang Shibao Company Limited, China Water Affairs Group Limited, Carpenter Tan Holdings Limited and Zhejiang Chang'an Renheng Technology Co. Ltd., which are listed on the Main Board of the Stock Exchange. He joined the Company in March 2008. He is also the Chairman of the audit committee and nomination committee of the Company, and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 54, is an independent non-executive Director. She has over 26 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 53, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, USA. Professor Ni graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor Ni joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit research centres such as the S.M. Wu Manufacturing Research Centre. He joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

## SENIOR MANAGEMENT

Mr. YIM Wai Man, aged 44, 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 20 years of experience in auditing, taxation and finance fields. He obtained a Master degree in Business Administration from The Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

# Management Discussion and Analysis



## BUSINESS REVIEW AND PROSPECTS

During this financial year, the PRC domestic and worldwide economies remained complicated and changing. The export sector of China diminished further due to the world economies' uncertainty as results of increased volatility of emerging market economies and poor economies in Europe. Weak and declining consumer consumption in China depressed the demand for acquiring industrial machines like plastic injection molding machines.

With the Chinese government's adjustments to economic development mode and structure, previous high gross domestic product ("GDP") growth was shifted to sustainable development. According to the announcement from China's National Bureau of Statistics on 21 October 2014, China's GDP rose only 7.3% for the three months ended 30 September 2014 which was the slowest growth since the financial crisis in 2008. It was believed that the slowest growth in China's GDP will increase the risks of missing China's official target for the first time in 15 years. This will add concerns to China's economy in year 2015. The Hongkong and Shanghai Bank Corporation manufacturing purchasing managers' index which reflects the activities of small to medium private enterprises remained under 50 for most of the year 2014. China's manufacturing purchasing managers' index (the "PMI"), especially the PMI of medium and small sized enterprise has been oscillated around 50 thresholds since the January of year 2014. The PMI of medium sized enterprise in December 2014 was 48.7 percent and the PMI of small sized enterprise in December 2014 was 45.5 percent, both dropped below the threshold and continued to stay in the contraction range which indicating China medium and small sized manufacturers' hesitation in purchasing. All these inevitably affect investment sentiment and expansion plan in domestic market. The expectation of weak economy suppressed capital investments and affected the confidence of customers in our industrial environmental products business to place their purchase order to us. As results, the Group's revenue for the year ended 31 October 2014 dropped by 13% to HK\$96,073,000 as compared with that of last year (2013: HK\$110,835,000).

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

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

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. Under China's 12th Five-Year Plan, an area of 15 square kilometers inside Jing-Jin New City and within our water supply plant's coverage area was strategically planned to be Tianjin Financial Valley to provide financial services including training, data backup and outsourcing for the financial institutes located in the Beijing and Tianjin cities. The Group has confidence that this will be positive for our water supply plant's future development.

## FINANCIAL REVIEW

The Group's revenue for the year ended 31 October 2014 was HK\$96,073,000, a decrease of 13% as compared with the corresponding period (2013: HK\$110,835,000). It was mainly due to our customers in industrial environmental products business reduced their orders significantly under global and domestic economic uncertainties.

Gross profit for the year ended 31 October 2014 was HK\$25,993,000, representing a decrease of 16% as compared with the last year (2013: HK\$30,982,000) because of decrease in the Group's revenue. The gross profit margin of the Group for the year ended 31 October 2014 was 27% which was more or less similar to that of last year (2013: 28%).

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# Management Discussion and Analysis

On 23 December 2013, the board decided to discontinue the operation of the production of machines (the “Discontinued Operations”). The Group’s loss from the Discontinued Operations for the year ended 31 October 2014 was amounted to HK\$1,652,000 which mainly represented loss on disposal of fixed assets and written down on value of assets under the Discontinued Operations, a 95% decrease when compared with last year (2013: HK\$31,468,000).

The Group recorded a loss attributable to owners of the Company amounted to HK\$16,315,000 for the year ended 31 October 2014, a 39% decrease as compared to last year’s loss HK\$26,933,000.

## LIQUIDITY AND FINANCE RESOURCES

During the year under review, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 October 2014, the Group had net current assets of approximately HK\$20,390,000 (31 October 2013: HK\$19,474,000) including bank balances and cash of approximately HK\$15,567,000 (31 October 2013: HK\$15,356,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 as at 31 October 2014 (31 October 2013: 1.4). As at 31 October 2014, the Group’s inventory turnover was about 78 days (31 October 2013: 88 days) and the Group’s accounts receivable turnover was about 70 days (31 October 2013: 81 days).

## CAPITAL STRUCTURE

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

## GEARING RATIO

The gearing ratio (define as the total borrowing over total equity, including minority interests) increased from 8% as at 31 October 2013 to 16% as at 31 October 2014. The increase was resulted from the loan from a shareholder during the year.

## 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 2014, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2013: HK\$9 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2014 (2013: Nil).

## INFORMATION ON EMPLOYEES

As at 31 October 2014, the Group had 67 employees (2013: 71) working in Hong Kong and PRC. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group’s performance as well as individual’s performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) in the continuing and discontinued operations for the year ended 31 October 2014 amounted to approximately HK\$12,427,000 (2013: HK\$11,819,000). The dedication and hard work of the Group’s staff during the year ended 31 October 2014 are generally appreciated and recognized.

## MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 October 2014, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

# Corporate Governance Report



## INTRODUCTION

The Company recognises 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 2014, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules except the following:

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view shareholders. Professor Ni Jun, and Ms. CHAN Siu Ping Rosa, the independent non-executive directors were unable to attend the annual general meeting the Company held on 24 April 2014 as Professor Ni Jun was out of town and Ms. CHAN Siu Ping Rosa was busy for other business.

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

## THE BOARD OF DIRECTORS

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

### Composition

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

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

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

# Corporate Governance Report

## BOARD DIVERSITY POLICY

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

### Summary of Board Diversity Policy

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

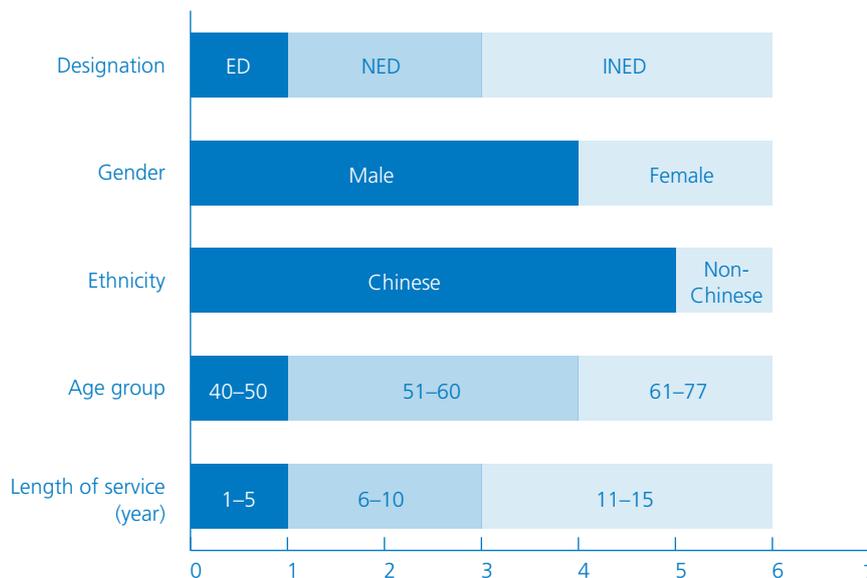
### Measurable objectives

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

### Implementation and Monitoring

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

As at the date of this report, the board’s composition under 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 MEETINGS**

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

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

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

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Ms. HUI Wai Man, Shirley was the Chairman of the board throughout the year. The position of chief executive officer of the Company remains vacant since 6 October 2014. The responsibilities of the chief executive officer were taken up by executive Director during the year.

## **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.



# Corporate Governance Report

## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group received by the Directors for the year ended 31 October 2014 is as follows:

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

\* Mr. NG Chi Fai resigned on 6 October 2014

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 2014, 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.

# Corporate Governance Report



## **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](http://www.hkgem.com) and the Company's website at [www.eco-tek.com.hk](http://www.eco-tek.com.hk). All the board committees should report to the board on their decisions or recommendations made.

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

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

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

## **REMUNERATION COMMITTEE**

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



# Corporate Governance Report

## 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 process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

The audit committee held four meetings during the year. The Group's unaudited quarterly results for the 3 months ended 31 January 2014, 9 months ended 31 July 2014 and interim results for the 6 months ended 30 April 2014 as well as audited annual results for the year ended 31 October 2014 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 2014 is set out in the following table:

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

\* Mr. NG Chi Fai resigned on 6 October 2014

# Corporate Governance Report



## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

## **INDEPENDENT AUDITORS' REMUNERATION**

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 October 2014 amounted approximately HK\$620,000 (2013: HK\$580,000). No other significant fee was incurred for non-audit services during the year (2013: Nil).

## **INTERNAL CONTROLS**

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

The board considered the internal controls system of the Group to be adequate and effective for the year ended 31 October 2014. The board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 October 2014.

## **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](http://www.hkgem.com)" and the Company's website at "[www.eco-tek.com.hk](http://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 2014, 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



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 2014.

## **PRINCIPAL ACTIVITIES**

The Company was incorporated with limited liability in the Cayman Island. The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

## **SEGMENTAL INFORMATION**

An analysis of the Group’s revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 October 2014 is set out in note 5 to the financial statements.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 October 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 73. The directors do not recommended the payment of a final dividend for the year ended 31 October 2014.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The forthcoming annual general meeting is scheduled to be held on Thursday, 23 April 2015 (the “2015 AGM”). For determining the entitlement to attend and vote at 2015 AGM, the register of members of the Company will be closed from Tuesday, 21 April 2015 to Thursday, 23 April 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2015 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday 20 April 2015.

## **SUMMARY OF FINANCIAL INFORMATION**

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 74 in the annual report. This summary does not form part of the audited consolidated financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS SCHEMES**

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

## **RESERVES**

Details of movements in the reserves of the Company and the Group are set out in note 29 to the financial statements.



# Directors' Report

## **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 TRANSACTIONS**

Details of the significant related party transactions entered into by the Group during the year ended 31 October 2014 are set out in note 35 to the financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

## **DISTRIBUTABLE RESERVES**

At 31 October 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$22,887,000. This includes the Company's share premium in the amount of approximately HK\$30,537,000 at 31 October 2014, 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 33% (2013: 44%) of the Group's total sales for the year and the largest customer included therein amounted to approximately 11% (2013: 10%).

Purchases from the Group's five largest suppliers accounted for approximately 86% (2013: 96%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 41% (2013: 59%).

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

# Directors' Report



## **DIRECTORS**

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

### **Executive directors**

Mr. NG Chi Fai (resigned on 6 October 2014)  
Mr. KWOK Tsun Kee

### **Non-executive directors**

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

### **Independent non-executive directors**

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

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

## **DIRECTORS' SERVICE CONTRACTS**

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

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

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

## **EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**

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

## **DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS**

Save as the related party transactions and connected transactions disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## **MANAGEMENT CONTRACTS**

As at 31 October 2014, 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' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in note 15 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 October 2014, 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 2014	Percentage of the Company's issued share capital as at 31 October 2014
<b>Non-executive Director and Chairman</b>			
Ms. HUI Wai Man Shirley	Beneficial owner	3,000,000	0.46

Save as disclosed above, as at 31 October 2014, 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 2014, 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 2014	Percentage to the Company's issued share capital as at 31 October 2014
Cititrust (Cayman) Limited (Note 1)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management (PTC) Limited (Note 1)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 1)	Directly beneficially owned	344,621,200	53.06
BOS Trust Company (Jersey) Limited (Note 2)	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited (Note 2)	Directly beneficially owned	44,224,000	6.81
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.48

#### Notes:

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 October 2014. The Company and its subsidiaries did not redeem any of its listed securities during the year ended 31 October 2014.



# Directors' Report

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the directors, management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during year ended 31 October 2014.

## **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 9 to 16 of this annual report.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **INDEPENDENT AUDITOR**

The financial statements since the financial year ended 31 October 2004 were audited by Grant Thornton Hong Kong. Pursuant to the merger of the practice of Grant Thornton Hong Kong with that of BDO Limited, Grant Thornton Hong Kong resigned and BDO Limited was appointed as auditor of the Company on 24 November 2010. The financial statements of the Company for the year ended 31 October 2014 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, 23 January 2015

# Independent Auditor's Report



Tel : +852 2218 8288  
Fax : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港  
干諾道中111號  
永安中心25樓

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

We have audited the consolidated financial statements of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 25 to 73, which comprise the consolidated and company statements of financial position as at 31 October 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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

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



# Independent Auditor's Report

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BDO Limited**

*Certified Public Accountants*

## **Lam Hung Yun, Andrew**

Practising Certificate Number P04092

Hong Kong, 23 January 2015

# Consolidated Statement of Comprehensive Income

For the year ended 31 October 2014



	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>CONTINUING OPERATIONS:</b>			
<b>Revenue</b>	5	<b>96,073</b>	110,835
Cost of sales		<b>(70,080)</b>	(79,853)
<b>Gross profit</b>		<b>25,993</b>	30,982
Other income		<b>798</b>	1,893
Selling expenses		<b>(2,250)</b>	(2,864)
Administrative expenses		<b>(21,810)</b>	(19,695)
Other operating expenses		<b>(7,455)</b>	(4,834)
<b>(Loss)/Profit from continuing operations</b>	6	<b>(4,724)</b>	5,482
Finance costs	7	<b>(373)</b>	(174)
Share of profit of a joint venture		<b>129</b>	182
<b>(Loss)/Profit before taxation</b>		<b>(4,968)</b>	5,490
Taxation	8	<b>(9,541)</b>	(451)
<b>(Loss)/Profit for the year from continuing operations</b>		<b>(14,509)</b>	5,039
<b>DISCONTINUED OPERATIONS:</b>			
Loss for the year from discontinued operations	9	<b>(1,652)</b>	(31,468)
Loss for the year		<b>(16,161)</b>	(26,429)
<b>Other comprehensive income for the year</b>			
— Items that may subsequently reclassified to profit and loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		<b>(87)</b>	638
Share of other comprehensive income of a joint venture		<b>(16)</b>	65
		<b>(103)</b>	703
<b>Total comprehensive income for the year</b>		<b>(16,264)</b>	(25,726)



# Consolidated Statement of Comprehensive Income

For the year ended 31 October 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Loss for the year attributable to:			
Owners of the Company	12	<b>(16,315)</b>	(26,933)
Non-controlling interests	30	<b>154</b>	504
		<b>(16,161)</b>	(26,429)
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(16,410)</b>	(26,587)
Non-controlling interests		<b>146</b>	861
		<b>(16,264)</b>	(25,726)
<b>(Loss)/earnings per shares from continuing and discontinued operations</b>	<i>11</i>		
— Basic		<b>(HK2.51) cents</b>	(HK4.15) cents
— Diluted		<b>N/A</b>	N/A
<b>From continuing operations</b>			
— Basic		<b>(HK2.26) cents</b>	HK0.70 cents
— Diluted		<b>N/A</b>	N/A
<b>From discontinued operations</b>			
— Basic		<b>(HK0.25) cents</b>	(HK4.85) cents
— Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Financial Position

As at 31 October 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	16	<b>104,225</b>	111,670
Interest in leasehold land	17	<b>5,422</b>	5,557
Interest in a joint venture	19	<b>3,387</b>	3,274
Deferred tax assets	20	<b>894</b>	960
Pledged bank deposits	24	<b>9,020</b>	9,020
		<b>122,948</b>	130,481
<b>Current assets</b>			
Inventories	21	<b>14,913</b>	19,160
Accounts receivable	22	<b>18,528</b>	24,626
Deposits, prepayments and other receivables		<b>5,818</b>	4,550
Tax recoverable		<b>16,454</b>	7,974
Cash and cash equivalents	24	<b>15,567</b>	15,356
		<b>71,280</b>	71,666
<b>Current liabilities</b>			
Accounts and bills payable	25	<b>20,748</b>	28,987
Accrued liabilities, receipts in advance and other payables	26	<b>26,841</b>	19,821
Loan from a third party	27	–	1,759
Provision for tax		<b>3,301</b>	1,625
		<b>50,890</b>	52,192
<b>Net current assets</b>		<b>20,390</b>	19,474
<b>Total assets less current liabilities</b>		<b>143,338</b>	149,955
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	<b>7,570</b>	7,423
Loan from a shareholder	27	<b>9,500</b>	–
Loan from a minority shareholder	27	<b>9,526</b>	9,526
		<b>26,596</b>	16,949
<b>Net assets</b>		<b>116,742</b>	133,006



# Consolidated Statement of Financial Position

As at 31 October 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	28	6,495	6,495
Share premium	29(a)	19,586	19,586
Capital reserve	29(a)	95	95
Exchange translation reserve	29(a)	19,956	20,051
Capital contribution reserve	29(a)	7,971	7,971
Retained profits		54,443	70,758
		<b>108,546</b>	124,956
<b>Non-controlling interests</b>	30	<b>8,196</b>	8,050
<b>Total equity</b>		<b>116,742</b>	133,006

On behalf of the Board

**Mr. KWOK Tsun Kee**  
*Director*

**Ms. HUI Wai Man Shirley**  
*Director*

# Statement of Financial Position

As at 31 October 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	18	10,957	10,957
<b>Current assets</b>			
Deposits, prepayments and other receivables		39	22
Amounts due from subsidiaries	23	43,664	43,298
Cash and cash equivalents	24	109	34
		43,812	43,354
<b>Current liabilities</b>			
Accrued liabilities and other payables	26	355	131
Amount due to a subsidiary	23	25,032	23,339
		25,387	23,470
<b>Net current assets</b>		18,425	19,884
<b>Net assets</b>		29,382	30,841
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	28	6,495	6,495
Share premium	29(b)	30,537	30,537
Retained profits	29(b)	(7,650)	(6,191)
<b>Total equity</b>		29,382	30,841

On behalf of the Board

**Mr. KWOK Tsun Kee**  
Director

**Ms. HUI Wai Man Shirley**  
Director



# Consolidated Statement of Cash Flows

For the year ended 31 October 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities of continuing and discontinued operations</b>			
(Loss)/profit before income tax from continuing operations		(4,968)	5,490
Loss before income tax from discontinued operations	9	(1,652)	(31,468)
		<b>(6,620)</b>	<b>(25,978)</b>
Adjustments for:			
Interest income	6	(21)	(88)
Interest expense	7	373	174
Share of profit of a joint venture		(129)	(182)
Depreciation of property, plant and equipment		7,623	11,392
Loss/(gain) on disposal of property, plant and equipment		594	(48)
Amortisation of interest in leasehold land	6	131	129
Impairment loss on property, plant and equipment	9	–	8,445
Impairment loss on trade deposits	9	–	4,385
Write-down of inventories	9	78	9,231
Provision for slow-moving inventories	6	2,866	2,971
Bad debts written off	9	567	3,804
Exchange gains, net		(758)	(770)
Operating profit before working capital changes		4,704	13,465
Decrease in inventories		1,303	6,926
Decrease/(increase) in accounts receivable		5,531	(2,016)
(Increase)/decrease in deposits, prepayments and other receivables		(1,268)	1,500
(Decrease)/increase in accounts and bills payable		(8,239)	1,562
Increase in accrued liabilities, receipts in advance and other payables		7,020	3,532
Cash generated from operations		9,051	24,969
Tax paid		(16,133)	(4,993)
<i>Net cash (used in)/generated from operating activities</i>		<b>(7,082)</b>	<b>19,976</b>
<b>Cash flows from investing activities of continuing and discontinued operations</b>			
Purchases of property, plant and equipment		(2,834)	(2,763)
Proceeds from disposal of property, plant and equipment		1,972	48
Interest received		21	88
<i>Net cash used in investing activities</i>		<b>(841)</b>	<b>(2,627)</b>
<b>Cash flows from financing activities of continuing and discontinued operations</b>			
Repayment of loan from third party		(1,759)	(7,440)
Interest paid		(373)	(174)
Advance from a shareholder		9,500	–
<i>Net cash generated from/(used in) financing activities</i>		<b>7,368</b>	<b>(7,614)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(555)</b>	<b>9,735</b>
Effect of foreign exchange rate changes		766	(1,048)
<b>Cash and cash equivalents at beginning of the year</b>		<b>15,356</b>	<b>6,669</b>
<b>Cash and cash equivalents at end of the year</b>	24	<b>15,567</b>	<b>15,356</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 October 2014

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	Total		
	HK\$'000 (Note 28)	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 November 2012</b>	6,495	19,586	95	19,705	7,971	97,691	151,543	7,189	158,732
Other comprehensive income	-	-	-	346	-	-	346	357	703
(Loss)/profit for the year	-	-	-	-	-	(26,933)	(26,933)	504	(26,429)
Total comprehensive income for the year	-	-	-	346	-	(26,933)	(26,587)	861	(25,726)
<b>At 31 October 2013 and 1 November 2013</b>	6,495	19,586	95	20,051	7,971	70,758	124,956	8,050	133,006
Other comprehensive income	-	-	-	(95)	-	-	(95)	(8)	(103)
(Loss)/profit for the year	-	-	-	-	-	(16,315)	(16,315)	154	(16,161)
Total comprehensive income for the year	-	-	-	(95)	-	(16,315)	(16,410)	146	(16,264)
<b>At 31 October 2014</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>19,956</b>	<b>7,971</b>	<b>54,443</b>	<b>108,546</b>	<b>8,196</b>	<b>116,742</b>



# Notes to the Financial Statements

For the year ended 31 October 2014

## 1. GENERAL INFORMATION

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and, its principal place of business is Unit 5, 11/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Company’s shares are listed on the Growth Enterprises Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

The financial statements on pages 25 to 73 are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The financial statements for the year ended 31 October 2014 were approved and authorised for issue by the board of directors on 23 January 2015.

## 2. ADOPTION OF NEW OR REVISED HKFRSs

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

In the current year, the Group has applied, for the first time the following amendment (the “new HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 November 2013:

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle

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

### Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

#### HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. As a result of the adoption of HKFRS 10, the Group has changed its accounting policies with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 November 2013.

#### HKFRS 11 — Joint Arrangements

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

The Group has assessed its investment in Jiangsu Kangyuan Environmental Protection Technology Co., Limited, previously classified as a jointly controlled entity under HKAS 31 Interests in Joint Ventures and determined that it is to be classified as a joint venture under HKFRS 11 and will therefore continue to be accounted for using the equity method.

#### HKFRS 12 — Disclosure of Interests in Other Entities

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

HKFRS 12 disclosures are provided in notes 18 and 19. As the new standard affects only disclosure, there is no effect on the Group’s financial position and performance.



# Notes to the Financial Statements

For the year ended 31 October 2014

## 2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

#### HKFRS 13 — Fair Value Measurement

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

The Group has no recurring fair value measurements therefore HKFRS 13 has no effect on the Group’s financial position and performance.

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

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

Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

#### 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.

#### Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The adoption of the amendments will not have an impact on its financial position or performance as the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the presentation of HKAS 32.

#### Amendments to HKAS 36 — Recoverable Amount Disclosures for Non-Financial Assets

The amendments align the disclosures required for the recoverable amount of an asset (or CGU) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use. The amendment also aligns the IFRS disclosure requirements with US GAAP.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

#### HKFRS 9 (2014) — Financial Instruments

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

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

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

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

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

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

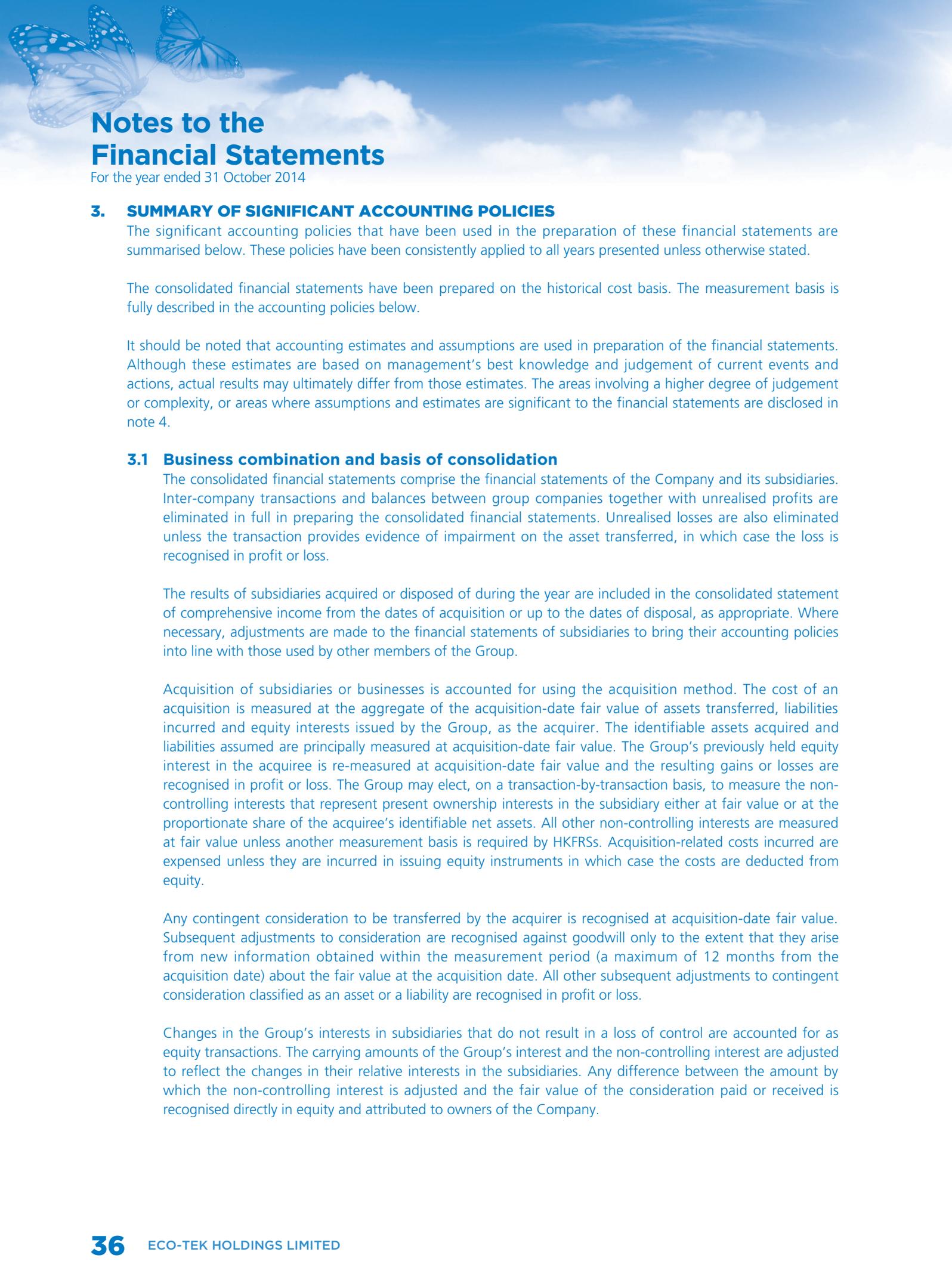
#### HKFRS 15 — Revenue from Contracts with Customers

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

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

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### 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.

# Notes to the Financial Statements

For the year ended 31 October 2014



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Business combination and basis of consolidation (Continued)

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

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

### 3.2 Subsidiaries

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

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

### 3.3 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## 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 identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

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

### 3.6 Property, plant and equipment

#### (i) Measurement bases

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

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

# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Property, plant and equipment (Continued)

#### (i) Measurement bases (Continued)

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, moulds and machinery	5% to 20%
Furniture and fixtures	20%
Leasehold improvements	The shorter of the lease terms and 20%
Buildings and structure	The shorter of the lease terms and 3.33%

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

### 3.7 Impairment of non-financial assets

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

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

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

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Leases

#### (i) Operating lease

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

#### *The Group as lessee*

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

#### (ii) Interest in leasehold land

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

### 3.9 Employee benefits

#### (i) Short-term employee benefits

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

#### (ii) Paid leave carried forward

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

#### (iii) Pension scheme

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

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

# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Employee benefits (Continued)

#### (iv) Share-based employee compensation

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

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

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

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

### 3.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost 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.

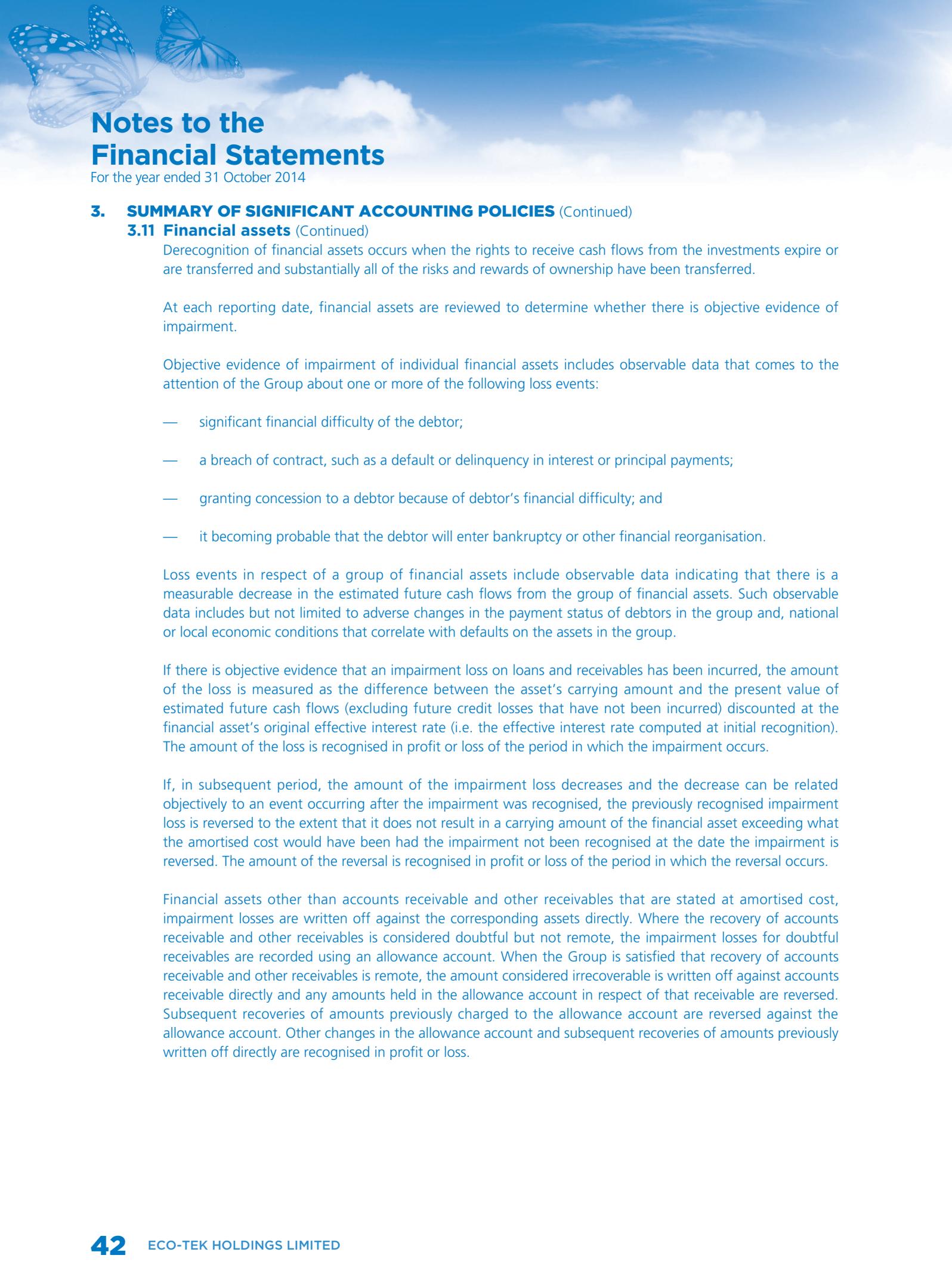
### 3.11 Financial assets

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

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

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.11 Financial assets (Continued)

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 October 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Financial liabilities

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

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

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

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

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

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

### 3.13 Provisions and contingent liabilities

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **3.14 Income tax**

Income tax comprises current tax and deferred tax.

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interest in 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.

# Notes to the Financial Statements

For the year ended 31 October 2014



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Cash and cash equivalents

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

### 3.16 Share capital

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

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

### 3.17 Related parties

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

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

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **3.18 Foreign currencies**

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

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

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

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

### **3.19 Financial guarantee contracts**

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

### **3.20 Segment reporting**

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

# Notes to the Financial Statements

For the year ended 31 October 2014



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Segment reporting (Continued)

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

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

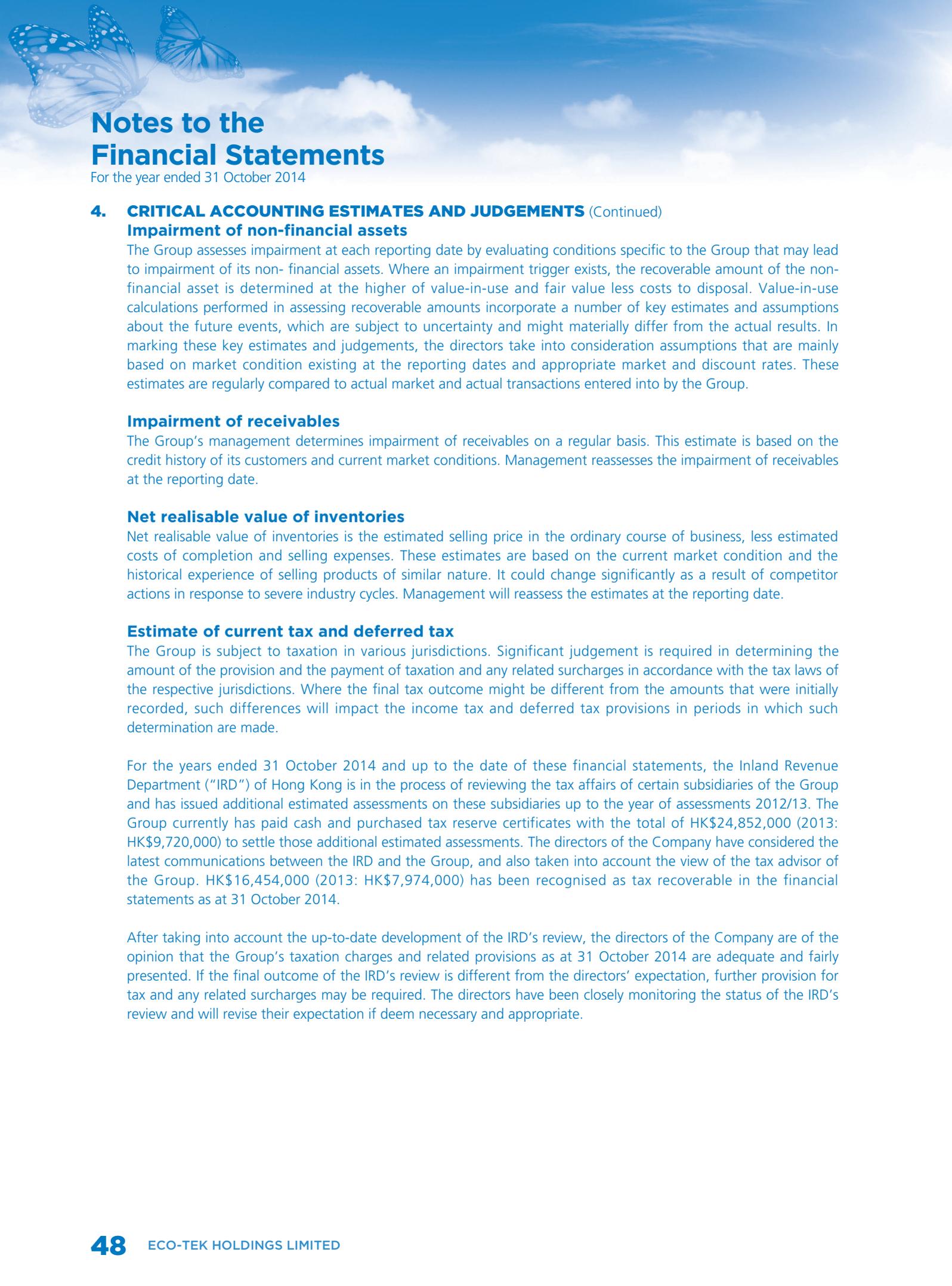
## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### Depreciation

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



# Notes to the Financial Statements

For the year ended 31 October 2014

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### Impairment of non-financial assets

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

### Impairment of receivables

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

### Net realisable value of inventories

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

### Estimate of current tax and deferred tax

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

For the years ended 31 October 2014 and up to the date of these financial statements, the Inland Revenue Department ("IRD") of Hong Kong is in the process of reviewing the tax affairs of certain subsidiaries of the Group and has issued additional estimated assessments on these subsidiaries up to the year of assessments 2012/13. The Group currently has paid cash and purchased tax reserve certificates with the total of HK\$24,852,000 (2013: HK\$9,720,000) to settle those additional estimated assessments. The directors of the Company have considered the latest communications between the IRD and the Group, and also taken into account the view of the tax advisor of the Group. HK\$16,454,000 (2013: HK\$7,974,000) has been recognised as tax recoverable in the financial statements as at 31 October 2014.

After taking into account the up-to-date development of the IRD's review, the directors of the Company are of the opinion that the Group's taxation charges and related provisions as at 31 October 2014 are adequate and fairly presented. If the final outcome of the IRD's review is different from the directors' expectation, further provision for tax and any related surcharges may be required. The directors have been closely monitoring the status of the IRD's review and will revise their expectation if deemed necessary and appropriate.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 5. REVENUE AND SEGMENT REPORTING

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

	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>		
Sales of goods	75,082	87,718
Supply of water	20,991	23,117
	<b>96,073</b>	110,835

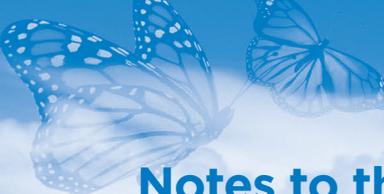
The chief operating decision-maker is identified as executive director. The executive director has identified the Group's three services lines as reportable segments as follows:

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

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

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

	General environmental protection related products and services		Industrial environmental products		Water Supply Plant		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,042	1,523	74,040	86,195	20,991	23,117	96,073	110,835
<b>Reportable segment revenue</b>	<b>1,042</b>	<b>1,523</b>	<b>74,040</b>	<b>86,195</b>	<b>20,991</b>	<b>23,117</b>	<b>96,073</b>	<b>110,835</b>
Reportable segment profit	163	358	18,809	21,301	4,771	6,459	23,743	28,118
<b>Other segment information</b>								
Interest income	1	1	5	79	15	8	21	88
Depreciation and amortisation	(120)	(70)	(234)	(199)	(7,400)	(7,197)	(7,754)	(7,466)
Provision for slow-moving inventories	–	–	(2,866)	(2,971)	–	–	(2,866)	(2,971)
Additions to non-current assets	133	4	518	381	2,183	2,378	2,834	2,763
<b>Reportable segment assets</b>	<b>9,839</b>	<b>10,870</b>	<b>41,624</b>	<b>55,318</b>	<b>121,755</b>	<b>123,669</b>	<b>173,218</b>	<b>189,857</b>
<b>Reportable segment liabilities</b>	<b>870</b>	<b>675</b>	<b>32,394</b>	<b>34,789</b>	<b>8,848</b>	<b>9,307</b>	<b>42,112</b>	<b>44,771</b>



# Notes to the Financial Statements

For the year ended 31 October 2014

## 5. REVENUE AND SEGMENT REPORTING (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Reportable segment revenue	96,073	110,835
Group revenue	96,073	110,835
Reportable segment profit	23,743	28,118
Other corporate expenses	(28,467)	(22,636)
Finance costs	(373)	(174)
Share of profit of a joint venture	129	182
(Loss)/profit before taxation	(4,968)	5,490
Reportable segment assets	173,218	189,857
Interest in a joint venture	3,387	3,274
Tax recoverable	16,454	7,974
Other corporate assets	1,169	1,042
Group assets	194,228	202,147
Reportable segment liabilities	42,112	44,771
Other corporate liabilities	16,348	13,085
Loan from a third party	–	1,759
Loan from a shareholder	9,500	–
Loan from a minority shareholder	9,526	9,526
Group liabilities	77,486	69,141

Other corporate expenses mainly include staff cost, director's emoluments and office rental expenses for the administration purpose.

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

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong (domicile)	16,665	23,713	3,237	3,010
PRC	74,802	85,125	105,298	113,173
Other	4,606	2,963	4,499	4,318
	96,073	111,801	113,034	120,501

# Notes to the Financial Statements

For the year ended 31 October 2014

## 5. REVENUE AND SEGMENT REPORTING (Continued)

The executive director determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office. The geographical location of the customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

The largest customer of the Group's industrial environmental products segment amounted to approximately HK\$10,892,000 or 11% (2013: HK\$11,424,000 or 10%) of the Group's revenue (including continuing and discontinued operations) for the year ended 31 October 2014.

## 6. (LOSS)/PROFIT FROM CONTINUING OPERATIONS

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

	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>		
Auditor's remuneration		
— Provision for the year	620	580
Amortisation of interest in leasehold land	131	129
Cost of inventories recognised as expense*, including	70,080	79,853
— Provision for slow-moving inventories	2,866	2,971
Depreciation of property, plant and equipment	7,623	7,337
Exchange gains, net	(758)	(3,853)
Gain on disposal of property, plant and equipment	(82)	(48)
Operating lease charges in respect of land and buildings	1,988	1,888
Staff costs (including directors' remuneration (note 13))		
— Wages and salaries	11,942	10,530
— Pension scheme contributions	179	159
	<b>12,121</b>	<b>10,689</b>
Interest income	(21)	(88)

\* Cost of inventories includes a total amount of approximately HK\$8,743,000 (2013: HK\$6,704,000), relating to depreciation, provision for slow-moving inventories and exchange losses/gains for which are also included in the respective amounts disclosed separately above.



# Notes to the Financial Statements

For the year ended 31 October 2014

## 7. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>		
Interest charges on:		
Bank overdraft repayable on demand	–	81
Other loans	373	93
	<b>373</b>	174

## 8. TAXATION

	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>		
<b>Current tax</b>		
— Hong Kong	–	94
— PRC	–	50
<b>Under/(over)-provision for prior years</b>		
— Hong Kong	9,393	–
— PRC	(64)	–
	<b>9,329</b>	144
<b>Deferred tax (note 20)</b>	<b>212</b>	307
	<b>9,541</b>	451

No income tax expense regarding the discontinued operations has been incurred as there is no assessable profit for the year (2013: Nil).

Hong Kong profits tax has been provided for at 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 25% (2013:25%) on operating expenses for the year.

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

A subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax for the year ended 31 October 2014 and 2013 according to the relevant laws and regulation in Macau.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 8. TAXATION (Continued)

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

	2014		2013	
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000
(Loss)/profit before taxation	(4,968)	(1,652)	5,490	(31,468)
Tax at the domestic rates applicable to loss in the jurisdictions concerned	(1,241)	(413)	963	(7,867)
Tax effect of non-taxable revenue for tax purpose	(1,536)	–	(2,744)	–
Tax effect of non-deductible expenses for tax purpose	2,104	157	1,697	6,193
Utilisation of unrecognised tax losses	(209)	–	(641)	–
Tax losses not recognised	1,094	256	1,176	1,674
Under-provision in prior years	9,329	–	–	–
Income tax expense	9,541	–	451	–

## 9. DISCONTINUED OPERATIONS

On 23 December 2013, the Board decided to discontinue the operation of the production of machines. An analysis of the Group's results of the discontinued production of machines business for the years ended 31 October 2014 and 2013 is as follows:

	2014 HK\$'000	2013 HK\$'000
Revenue	–	966
Cost of sales	–	(5,291)
Gross loss	–	(4,325)
Other income	14	–
Selling expenses	–	(287)
Administrative expenses	(960)	(991)
Other operating expenses	(706)	(25,865)
Loss before taxation	(1,652)	(31,468)
Taxation	–	–
Loss for the year	(1,652)	(31,468)



# Notes to the Financial Statements

For the year ended 31 October 2014

## 9. DISCONTINUED OPERATIONS (Continued)

An analysis of the Group's cash flows of the discontinued operations for the years ended 31 October 2014 and 2013 is as follows:

	2014 HK\$'000	2013 HK\$'000
Net cash used in operating activities	(431)	(6,037)
Net cash generated from investing activities	1,890	–
Net cash inflows/(outflows)	1,459	(6,037)

Staff costs of the discontinued operations for the year of HK\$306,000 (2013: HK\$1,130,000) include wages and salaries of HK\$306,000 (2013: HK\$1,011,000) and pension scheme contributions of Nil (2013: HK\$119,000).

Administrative expenses mainly include loss on disposal of property, plant and equipment of HK\$678,000 (2013: Nil).

Other operating expenses mainly include impairment losses on property, plant and equipment of Nil (2013: HK\$8,445,000) and trade deposits of Nil (2013: HK\$4,385,000), write-down of inventories of HK\$78,000 (2013: HK\$9,231,000) and bad debts of HK\$567,000 (2013: HK\$3,804,000).

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 October 2014 (2013: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share		
— Continuing operations	(14,663)	4,535
— Discontinued operations	(1,652)	(31,468)
Total loss from continuing and discontinued operations	(16,315)	(26,933)
	<b>Number of shares</b>	
	2014	2013
	'000	'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 year ended 31 October 2014 and 2013 as there was no potential dilutive ordinary share in existence.

## 12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately HK\$16,315,000 (2013: HK\$26,933,000), a loss of approximately HK\$1,459,000 (2013: HK\$7,982,000) has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 13. DIRECTORS' EMOLUMENTS

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

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

\* Resigned on 6 October 2014

	Fees HK\$'000	Salaries HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>2013</b>				
<i>Executive directors:</i>				
Mr. NG Chi Fai	–	825	15	840
Mr. KWOK Tsun Kee	100	–	–	100
<i>Non-executive directors:</i>				
Dr. LUI Sun Wing	100	–	–	100
Ms. HUI Wai Man Shirley	200	–	–	200
<i>Independent non-executive directors:</i>				
Ms. CHAN Siu Ping Rosa	50	–	–	50
Professor NI Jun	50	–	–	50
Mr. CHAU Kam Wing Donald	100	–	–	100
	<b>600</b>	<b>825</b>	<b>15</b>	<b>1,440</b>

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 (2013: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2013: Nil).



# Notes to the Financial Statements

For the year ended 31 October 2014

## 14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one (2013: one) director, details of whose remuneration are set out in note 13 above. Details of the remuneration of the remaining four (2013: four) non-director, highest paid individuals of the Group for the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Basic salaries, allowances and benefits in kind	2,980	2,463
Pension scheme contributions	62	53
	<b>3,042</b>	2,516

The emoluments of three non-director highest paid individuals fell within the band of nil to HK\$1,000,000 (2013: four) and one fell within the band of HK\$1,000,001 to HK\$1,500,000 (2013: 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 (2013: Nil).

The emoluments of one non-director senior management fell within the band of nil to HK\$1,000,000 (2013: one non-director senior management fell within the band of nil to HK\$1,000,000).

## 15. SHARE OPTION SCHEME

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

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

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

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

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

The Company did not grant any share options of the 2011 Scheme for the year ended 31 October 2014 (2013: Nil).

# Notes to the Financial Statements

For the year ended 31 October 2014

## 16. PROPERTY, PLANT AND EQUIPMENT – THE GROUP

	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant, moulds and machinery HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Buildings and structure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>At 1 November 2012</b>								
Cost	2,190	1,638	57,706	840	628	106,673	-	169,675
Accumulated depreciation	(1,149)	(1,252)	(23,379)	(745)	(628)	(16,101)	-	(43,254)
<b>Net book amount</b>	<b>1,041</b>	<b>386</b>	<b>34,327</b>	<b>95</b>	<b>-</b>	<b>90,572</b>	<b>-</b>	<b>126,421</b>
<b>Year ended 31 October 2013</b>								
Opening net book amount	1,041	386	34,327	95	-	90,572	-	126,421
Additions	343	44	200	-	-	1,035	1,141	2,763
Depreciation	(279)	(138)	(7,526)	(77)	-	(3,372)	-	(11,392)
Impairment loss	-	-	(8,445)	-	-	-	-	(8,445)
Translation differences	13	5	472	-	-	1,833	-	2,323
<b>Closing net book amount</b>	<b>1,118</b>	<b>297</b>	<b>19,028</b>	<b>18</b>	<b>-</b>	<b>90,068</b>	<b>1,141</b>	<b>111,670</b>
<b>At 31 October 2013</b>								
Cost	2,353	1,688	43,623	840	628	109,591	1,141	159,864
Accumulated depreciation	(1,235)	(1,391)	(24,595)	(822)	(628)	(19,523)	-	(48,194)
<b>Net book amount</b>	<b>1,118</b>	<b>297</b>	<b>19,028</b>	<b>18</b>	<b>-</b>	<b>90,068</b>	<b>1,141</b>	<b>111,670</b>
<b>Year ended 31 October 2014</b>								
Opening net book amount	1,118	297	19,028	18	-	90,068	1,141	111,670
Additions	476	91	163	5	-	54	2,045	2,834
Disposal	-	(22)	(2,546)	-	-	-	-	(2,568)
Transfer	-	-	-	-	-	2,945	(2,945)	-
Depreciation	(411)	(115)	(3,571)	(11)	-	(3,515)	-	(7,623)
Translation differences	-	-	(23)	-	-	(70)	5	(88)
<b>Closing net book amount</b>	<b>1,183</b>	<b>251</b>	<b>13,051</b>	<b>12</b>	<b>-</b>	<b>89,482</b>	<b>246</b>	<b>104,225</b>
<b>At 31 October 2014</b>								
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)
<b>Net book amount</b>	<b>1,183</b>	<b>251</b>	<b>13,051</b>	<b>12</b>	<b>-</b>	<b>89,482</b>	<b>246</b>	<b>104,225</b>

As at 31 October 2013, the directors reviewed the recoverable amounts of all plants, moulds and machinery in the discontinued operations of production of machines as the business incurred losses for past several years. The recoverable amounts are based on the fair value less cost to disposal of those plants, moulds and machinery by reference to the price offered by independent third party on 30 December 2013. As a result of such review, an impairment loss of approximately HK\$8,445,000 against such plants, moulds and machinery was recognised in the consolidated statement of comprehensive income for the year ended 31 October 2013.



# Notes to the Financial Statements

For the year ended 31 October 2014

## 17. INTEREST IN LEASEHOLD LAND – THE GROUP

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

	2014 HK\$'000	2013 HK\$'000
Net carrying amount at the beginning of the year	5,557	5,570
Amortisation charge for the year	(131)	(129)
Translation differences	(4)	116
Net carrying amount at the end of the year	5,422	5,557

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

## 18. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost	10,957	10,957

Particulars of the subsidiaries of the Company as at 31 October 2014 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
<i>Directly held</i>				
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
<i>Indirectly held</i>				
Asian Way International Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK\$1 each	80%	Investment holding in Hong Kong
Eco-Tek Company Limited	Hong Kong, limited liability company	100,000 ordinary shares of HK\$1 each	100%	Marketing, sale servicing, research and development of environmental protection related products and services in Hong Kong
Eco-Tek Technology Limited	BVI, limited liability company	101 ordinary shares of US\$1 each	100%	Holding of intellectual properties in Hong Kong

# Notes to the Financial Statements

For the year ended 31 October 2014

## 18. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

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

<sup>#</sup> These companies are registered as wholly foreign owned enterprise under the law of PRC.

# Notes to the Financial Statements

For the year ended 31 October 2014

## 19. INTEREST IN A JOINT VENTURE – THE GROUP

	2014 HK\$'000	2013 HK\$'000
Unlisted investment, at cost	2,385	2,385
Share of post-acquisition reserves	1,002	889
	<b>3,387</b>	3,274

As at 31 October 2014, the Group has interest in the following joint venture:

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

# English translation only

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

	2014 HK\$'000	2013 HK\$'000
Current assets	14,554	13,388
Non-current assets	14	30
Current liabilities	(7,794)	(6,870)
Net assets	<b>6,774</b>	6,548
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	<b>50%</b>	50%
The Group's share of net assets of Jiangsu Kangyuan	<b>3,387</b>	3,274
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	<b>1,334</b>	70
Current financial liabilities (excluding trade and other payable)	<b>3,830</b>	4,102

# Notes to the Financial Statements

For the year ended 31 October 2014

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

	Year ended 31 October	
	2014 HK\$'000	2013 HK\$'000
Revenues	13,972	13,256
Profit for the year	258	364
Other comprehensive income	(32)	130
Total comprehensive income	226	494
<i>Included in the above amounts are:</i>		
Taxation	(19)	(6)

## 20. DEFERRED TAXATION — THE GROUP

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

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

	Provision for slow-moving inventories HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Capital contribution from a minority shareholder HK\$'000	Total HK\$'000
At 1 November 2012	1,007	–	243	(7,423)	(6,173)
Debited to the consolidated statement of comprehensive income ( <i>note 8</i> )	(138)	–	(169)	–	(307)
Translation differences	17	–	–	–	17
At 31 October and 1 November 2013	886	–	74	(7,423)	(6,463)
Debited to the consolidated statement of comprehensive income ( <i>note 8</i> )	(65)	(147)	–	–	(212)
Translation differences	(1)	–	–	–	(1)
<b>At 31 October 2014</b>	<b>820</b>	<b>(147)</b>	<b>74</b>	<b>(7,423)</b>	<b>(6,676)</b>

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 2014, the Group has tax losses arising in Hong Kong of approximately HK\$10,557,000 (2013: HK\$9,664,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2014, the tax losses arising in the PRC was amounted to HK\$7,213,000 (2013: HK\$6,800,000) which are available for offsetting against future taxable profits of the companies and will expire from 2015 to 2019 (2013: from 2014 to 2018). 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.



# Notes to the Financial Statements

For the year ended 31 October 2014

## 20. DEFERRED TAXATION – THE GROUP (Continued)

At 31 October 2014, deferred tax liabilities of approximately HK\$7,423,000 (2013: 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 2014 and 2013, the aggregate amount of temporary differences associated with the PRC's subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB10,182,000 and RMB11,803,000 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:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	894	960
Deferred tax liabilities	(7,570)	(7,423)
	<b>(6,676)</b>	<b>(6,463)</b>

## 21. INVENTORIES – THE GROUP

	2014 HK\$'000	2013 HK\$'000
Raw materials	–	2,560
Good in transit	–	574
Finished goods	26,150	25,806
	<b>26,150</b>	<b>28,940</b>
Provision for slow-moving inventories	(11,237)	(9,780)
	<b>14,913</b>	<b>19,160</b>

# Notes to the Financial Statements

For the year ended 31 October 2014

## 22. ACCOUNTS RECEIVABLE — THE GROUP

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

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

	2014 HK\$'000	2013 HK\$'000
Outstanding balances with ages:		
Within 90 days	15,046	20,026
91–180 days	914	2,001
181–365 days	1,419	2,443
Over 365 days	1,149	156
	<b>18,528</b>	24,626

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly. Based on this assessment, bad debt of approximately HK\$567,000 (2013: HK\$3,804,000) was written off against accounts receivable directly during the year. At 31 October 2014, the Group has determined that no accounts receivable were individually impaired (2013: Nil). The impaired accounts receivable are due from customers experiencing financial difficulties that were in default or delinquency of payments.

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

	2014 HK\$'000	2013 HK\$'000
Not more than 90 days past due	5,081	14,817
91 to 180 days past due	528	2,001
181 to 365 days past due	1,784	2,443
Over 365 days past due	405	156
	<b>7,798</b>	19,417
Neither past due nor impaired	10,730	5,209
	<b>18,528</b>	24,626

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.



# Notes to the Financial Statements

For the year ended 31 October 2014

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

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

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	24,587	24,376	109	34
Less: pledged bank deposits for banking facilities (note 31)	(9,020)	(9,020)	–	–
Cash and cash equivalents	15,567	15,356	109	34
Pledged bank deposits analysed for reporting purposes as non-current	9,020	9,020	–	–

The Group had cash and bank balances denominated in RMB of approximately RMB7,489,000 (2013: RMB4,130,000) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government. The Company did not have cash and bank balances denominated in RMB as at 31 October 2014 (2013: Nil).

The effective interest rate of pledged bank deposits was 0.01% (2013: 0.01%) per annum as at 31 October 2014. These deposits had no maturity date and were pledged to bank to secure the Group's banking facilities (note 31(a)). The pledge will not be released within twelve months from the reporting date.

## 25. ACCOUNTS AND BILLS PAYABLE – THE GROUP

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

	2014 HK\$'000	2013 HK\$'000
Outstanding balances with ages:		
Within 90 days	18,765	24,151
91–180 days	1,601	4,404
181–365 days	7	193
Over 365 days	375	239
	20,748	28,987

# Notes to the Financial Statements

For the year ended 31 October 2014



## 26. ACCRUED LIABILITIES, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Accrued liabilities	4,544	4,419	223	91
Receipts in advance	4,532	5,278	–	–
Other payables	17,765	10,124	132	40
	<b>26,841</b>	19,821	<b>355</b>	131

## 27. LOANS FROM A THIRD PARTY, A SHAREHOLDER AND A MINORITY SHAREHOLDER – THE GROUP

The loans were unsecured and interest-free except for loan from a shareholder of HK\$9,500,000 which was interest bearing at 5.25% per annum (2013: Nil).

They were not repayable within twelve months from the reporting date, except for the amount of HK\$1,759,000 as at 31 October 2013 which was fully repaid during the year.

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

## 28. SHARE CAPITAL

	2014 HK\$'000	2013 HK\$'000
Authorised: 5,000,000,000 (2013: 5,000,000,000) ordinary shares of HK\$0.01 each	50,000	50,000
Issued and fully paid: 649,540,000 (2013: 649,540,000) ordinary shares of HK\$0.01 each	6,495	6,495



# Notes to the Financial Statements

For the year ended 31 October 2014

## 29. RESERVES

### (a) Group

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

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

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

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

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

### (b) Company

	Share premium HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 November 2012	30,537	1,791	32,328
Loss for the year	–	(7,982)	(7,982)
At 31 October 2013 and 1 November 2013	30,537	(6,191)	24,346
Loss for the year	–	(1,459)	(1,459)
<b>At 31 October 2014</b>	<b>30,537</b>	<b>(7,650)</b>	<b>22,887</b>

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

# Notes to the Financial Statements

For the year ended 31 October 2014

## 30. NON-CONTROLLING INTERESTS

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

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

	2014 HK\$'000	2013 HK\$'000
<b>For the year ended 31 October</b>		
Revenue	20,991	23,117
Profit for the year	796	2,781
Total comprehensive income	758	4,305
Profit allocated to NCI	159	556
<b>For the year ended 31 October</b>		
Cash flows generated from operating activities	6,964	2,898
Cash flows used in investing activities	(2,168)	(2,370)
Net cash inflows	4,796	528
<b>As at 31 October</b>		
Current assets	13,236	8,896
Non-current assets	105,035	110,339
Current liabilities	(56,490)	(58,212)
Net assets	61,781	61,023
Accumulated non-controlling interests	8,122	7,970

## 31. BANKING FACILITIES – THE GROUP

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

- (a) bank deposits of the Group amounting to approximately HK\$9,020,000 (2013: HK\$9,020,000) (note 24); and
- (b) corporate guarantees executed by the Company (note 32).



# Notes to the Financial Statements

For the year ended 31 October 2014

## 32. FINANCIAL GUARANTEE CONTRACTS — THE COMPANY

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

	2014 HK\$'000	2013 HK\$'000
Total guarantees for banking facilities provided to subsidiaries	32,000	32,000

At 31 October 2014 and 2013, the Company has executed guarantees to financial institutions in respect of bank facilities granted to its subsidiaries. Under the guarantees, the Company would be liable to pay the holders of these guarantees in the event of any default. No provision for the Company's obligation under the guarantee contracts has been made as the directors considered that it was not probable that the repayment would be in default.

## 33. OPERATING LEASE COMMITMENTS

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

	2014 HK\$'000	2013 HK\$'000
Within one year	1,617	1,433
In the second to fifth years, inclusive	1,167	72
	2,784	1,505

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2013: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

## 34. CAPITAL COMMITMENTS

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

	2014 HK\$'000	2013 HK\$'000
Contracted, but not provided for, in respect of:		
— construction of sedimentation tank and related facilities	—	1,680
— security system and related facilities	558	—
	558	1,680

# Notes to the Financial Statements

For the year ended 31 October 2014

## 35. RELATED PARTY TRANSACTIONS

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

	2014 HK\$'000	2013 HK\$'000
Interest expenses	373	–

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

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

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	4,013	4,272
Pension scheme contributions	75	83
	4,088	4,355

## 36. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### (a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has certain concentration of credit risk as 15% (2013: 14%) and 47% (2013: 44%) of the total accounts receivable were due from the Group's largest customer and the five largest customers respectively.



# Notes to the Financial Statements

For the year ended 31 October 2014

## 36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Foreign currency risk

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

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Japanese Yen ("JPY")	323	236	15,867	20,281
Euro ("EUR")	30	10	–	121
Sterling Pounds ("GBP")	1,471	2,673	1,055	2,602
US Dollars ("USD")	4,405	8,710	2,076	4,255

### (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. The numbers below indicate an increase/(a decrease) in loss for the year and (a decrease)/an increase in retained profits where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the loss for the year and retained profits. There is no impact on other components of equity in response to the general change in foreign exchange rates.

	2014 HK\$'000			2013 HK\$'000		
	EUR	JPY	GBP	EUR	JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%	5%	5%
Effect on loss for the year	(1)	648	(17)	5	837	(3)
Effect on retained profits	1	(648)	17	(5)	(837)	3

# Notes to the Financial Statements

For the year ended 31 October 2014

## 36. 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 on demand HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>Group</b>				
<b>As at 31 October 2014</b>				
Accounts and bills payable	20,748	–	20,748	20,748
Accrued liabilities and other payables	22,309	–	22,309	22,309
Loan from a shareholder	–	9,500	9,500	9,500
Loan from a minority shareholder	–	9,526	9,526	9,526
	<b>43,057</b>	<b>19,026</b>	<b>62,083</b>	<b>62,083</b>
<b>As at 31 October 2013</b>				
Accounts and bills payable	28,987	–	28,987	28,987
Accrued liabilities and other payables	14,543	–	14,543	14,543
Loan from a third party	1,759	–	1,759	1,759
Loan from a minority shareholder	–	9,526	9,526	9,526
	<b>45,289</b>	<b>9,526</b>	<b>54,815</b>	<b>54,815</b>

# Notes to the Financial Statements

For the year ended 31 October 2014

## 36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

Company	Less than 3 months or on demand HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 October 2014</b>				
Accrued liabilities and other payables	355	–	355	355
Amount due to a subsidiary	25,032	–	25,032	25,032
	<b>25,387</b>	<b>–</b>	<b>25,387</b>	<b>25,387</b>
Financial guarantees issued				
— Maximum amount guaranteed	11,828	–	11,828	–
<b>As at 31 October 2013</b>				
Accrued liabilities and other payables	131	–	131	131
Amount due to a subsidiary	23,339	–	23,339	23,339
	23,470	–	23,470	23,470
Financial guarantees issued				
— Maximum amount guaranteed	15,859	–	15,859	–

### (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 2014 and 2013 may be categorised as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Group</b>		
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash) at amortised cost	48,700	53,306
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	62,083	54,815
<b>Company</b>		
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash) at amortised cost	43,812	43,354
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	25,387	23,470

# Notes to the Financial Statements

For the year ended 31 October 2014

## 37. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

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

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

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

	2014 HK\$'000	2013 HK\$'000
Capital		
— Total equity	116,742	133,006
Overall financing		
— Loan from a third party	—	1,759
— Loan from a shareholder	9,500	—
— Loan from a minority shareholder	9,526	9,526
	19,026	11,285
<b>Capital-to-overall financing ratio</b>	<b>6.14 times</b>	11.79 times



# Summary of Financial Information

31 October 2014

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

## RESULTS

	Year ended 31 October				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>	<b>96,073</b>	110,835	114,212	172,056	172,598
Cost of sales	<b>(70,080)</b>	(79,853)	(86,709)	(135,611)	(130,039)
<b>Gross profit</b>	<b>25,993</b>	30,982	27,503	36,445	42,559
Other income	<b>798</b>	1,893	810	2,774	755
Selling expenses	<b>(2,250)</b>	(2,864)	(2,944)	(2,097)	(2,325)
Administrative expenses	<b>(21,810)</b>	(19,695)	(20,614)	(20,490)	(20,583)
Other operating (expenses)/income	<b>(7,455)</b>	(4,834)	(571)	(861)	221
<b>(Loss)/profit from operations</b>	<b>(4,724)</b>	5,482	4,184	15,771	20,627
Finance costs	<b>(373)</b>	(174)	(89)	(90)	(1,129)
Share of profit/(loss) of a joint venture	<b>129</b>	182	208	(692)	318
<b>(Loss)/profit before taxation</b>	<b>(4,968)</b>	5,490	4,303	14,989	19,816
Taxation	<b>(9,541)</b>	(451)	(851)	(2,344)	(3,610)
<b>(Loss)/profit after income tax from continuing operations</b>	<b>(14,509)</b>	5,039	3,452	12,645	16,206
<b>Loss for the year from discontinued operations</b>	<b>(1,652)</b>	(31,468)	(12,343)	(6,424)	(2,625)
<b>(Loss)/profit for the year</b>	<b>(16,161)</b>	(26,429)	(8,891)	6,221	13,581
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>122,948</b>	130,481	145,288	154,505	152,381
Current assets	<b>71,280</b>	71,666	86,363	105,280	122,660
Current liabilities	<b>50,890</b>	52,192	54,211	61,014	86,803
<b>Net current assets</b>	<b>20,390</b>	19,474	32,152	44,266	35,857
Non-current liabilities	<b>26,596</b>	16,949	18,708	31,728	31,728
<b>Net assets</b>	<b>116,742</b>	133,006	158,732	167,043	156,510

### Notes:

1. The consolidated results of the Group for the years ended 31 October 2010, 2011 and 2012 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 2013 and 2014 are as set out on pages 25 to 26 of the audited consolidated financial statements.
2. The consolidated statement of financial position as at 31 October 2010, 2011 and 2012 are as set out in the annual reports of the Company for those years. The consolidated statement of financial position as at 31 October 2013 and 2014 are as set out on pages 27 to 28 of the audited consolidated financial statements.