Eco-Tek
環康科技

Eco-Tek Holdings Limited

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

Annual Report 2007

fostering a healthy environment

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

NG Chi Fai *(Acting Chairman)*
HAN Ka Lun

Non-executive directors

LUI Sun Wing
YOUNG Meng Cheung Andrew

Independent non-executive directors

CHAN Siu Ping Rosa
TAKEUCHI Yutaka
NI Jun
HUI Wai Man Shirley

COMPLIANCE OFFICER

PAU Kwok Ping

COMPANY SECRETARY

NG Chi Fai FCCA, CPA

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

QUALIFIED ACCOUNTANT

NG Chi Fai FCCA, CPA

AUDIT COMMITTEE

CHAN Siu Ping Rosa
TAKEUCHI Yutaka
NI Jun
HUI Wai Man Shirley

AUDITORS

Grant Thornton
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
Room 1901-1902
Fook Lee Commercial Center
Town Place
33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

CHAIRMAN'S STATEMENT

I would like to present the annual audited consolidated results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 October 2007.

RESULTS AND BUSINESS OVERVIEW

Turnover of the Group for the year ended 31 October 2007 was around HK$115.9 million (2006: HK$91.9 million). Net profits attributable to equity holders of the Company was around HK$13.5 million (2006: HK$13.0 million).

In 2007, the Group focused on its marketing works in the promotion of its industrial environmental protection related products, and extended its customers bases to both customers in marine and construction industries. These works were rewarded by the growth of approximately 48.5% in the amount of revenue generated from this sector. Management will continue expanding to other industries like forging and ceramic press in 2008 and believes that such strategy will further increase and strengthen the Group's revenue bases.

In December 2005, the Group committed to engage in the water supply business in Tianjin. With around 18 months extensive construction works, the Group completed the water supply plant construction with daily purification capacity of 50,000 tones. In the second half of 2007, the plant started to supply water to the region. With the rapid development of the Tianjin province, the Group has confidence that revenue generated from the plant can be increased and will have a positive contribution to the Group.

For the Joint Venture in the Jiangsu Province, after the first year's extensive marketing works, this Joint Venture starts to provide environmental protection consultancy services and solutions in the region and start to generate profits to the Group.

With the continue expansion of revenue generated from the Industrial Environmental Protection Related Products and the additional revenue generated from the water supply plant, management of the Group are very optimistic for the Group's prospectus in the coming years.

DIVIDEND

The Directors have declared a final dividend for 2007 of HK0.5 cent (2006: HK0.5 cent) per share to shareholders whose names appear on the Register of Members of the Company on 25 February 2008. The dividend will be paid on 3 April 2008.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the directors and staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customers and suppliers for their ongoing support.

NG Chi Fai
Acting Chairman

Hong Kong, 23 January 2008

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:

DIRECTORS

Executive Directors

Mr. NG Chi Fai, aged 34, is the executive Director, the acting chairman, qualified accountant and company secretary of the Company and is responsible for financial management, reporting and secretarial matters. Mr. Ng graduated from the Hong Kong Polytechnic University ("PolyU") with a Bachelor of Arts degree in accountancy in 1995. He has over 10 years' experience in auditing, accounting and finance fields. Mr. Ng is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Before joining the Group, he worked for several private companies as accounting manager. Mr. Ng joined the Group in January 2005 as deputy financial controller and was appointed as an executive Director of the Company on 24 March 2006.

Mr. HAN Ka Lun, aged 46, is the executive Director of the Company and is responsible for corporate planning and business development of the Group. Mr. Han holds a Bachelor degree of science from University of Southern California and a Master degree in business administration from Azusa Pacific University in the U.S. He is currently the director of two private companies which are engaged in logistics and shipping business and has over 17 years' management experience in container transport and logistics business in both Hong Kong and the PRC. Mr. Han joined the Company in October 2004.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Dr. LUI Sun Wing, aged 57, is the non-executive Director. He worked for the Hong Kong Productivity Council from 1981 to 2000, and was promoted to branch director in 1992 and was responsible for overseeing the materials and process branch. Dr. Lui joined PolyU in July 2000 as a vice president and is now responsible for partnership development. He is also the chief executive officer of the Institute of Enterprise of PolyU. Dr. Lui is also a director of Advance New Technology, PolyU Enterprises Limited and PolyU Technology & Consultancy Co. Limited ("PTeC"). Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK in 1979. He has been also a member of Hong Kong Institution of Engineers since 1985. Dr. Lui was appointed as a non-executive Director of the Company on 16 January 2001.

Mr. YOUNG Meng Cheung Andrew, aged 48, is the non-executive Director. Mr. Young has over 15 years of experience in engineering consultation industry. He is the head of Partnership Development Office of the PolyU since 1998, and also the director of various private companies, including PTeC and Advance New Technology. Before his employment with PolyU, Mr. Young worked for Hong Kong Productivity Council as senior consultant for two years since 1996. Mr. Young holds a degree of Bachelor of engineering in mechanical engineering from the South Australian Institute of Technology, Australia in 1983 and a Master degree in business administration from the University of South Australia in 1991. Mr. Young is a Chartered Professional Engineer of The Institution of Engineers, Australia. Mr. Young was appointed as a non-executive Director of the Company on 16 January 2001.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. CHAN Siu Ping Rosa, aged 48, is an independent non-executive Director. She has over 20 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 chairlady of the remuneration committee and a member of the nomination committee and the audit committee of the Company.

Mr. TAKEUCHI Yutaka, aged 57, is an independent non-executive Director. He has more than 20 years of experience in electronic industry and management. Mr. Takeuchi is the director of several Japanese private companies including JAI. Mr. Takeuchi graduated from Osaka Technical College in 1971 in Japan, majoring in electrotechnics. Mr. Takeuchi joined the Company in August 2002 and is a member of the audit, remuneration and nomination committees of the Company.

Professor NI Jun, aged 46, is an independent non-executive Director. He is now a professor of the Mechanical Engineering Department in the College of Engineering at the University of Michigan, the U.S.. Professor Ni graduated from Shanghai Jiaotong University with a Bachelor degree in mechanical engineering in 1982 and graduated from the University of Wisconsin-Madison with a Master degree in mechanical engineering in 1984. He also obtained his Ph.D in mechanical engineering in 1987 from the University of Wisconsin-Madison. After that, Professor Ni joined the University of Michigan as research fellow in 1987 and promoted to the professor in 1997. Currently, he serves as a director in various non-profit making research centres such as the S.M. Wu Manufacturing Research Centre and the Multi-Campus National Science Foundation Center for Intelligent Maintenance Systems of the University of Michigan. He joined the Company in February 2003 and is a member of the audit, remuneration and nomination committees of the Company.

Ms. HUI Wai Man Shirley, aged 40, is an independent non-executive Director. She is a practising director of S.W. Wu & Co. CPA Limited in Hong Kong since 1997 and has over 19 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 a member of the Hong Kong Institute of Company Secretaries. Ms. Hui joined the Company in October 2004. She is also the chairlady of the audit and nomination committees of the Company and member of the remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. NG Chi Fai – Please refer to the paragraph under "Executive Directors" above for his profile.

SENIOR MANAGEMENT

Dr. PAU Kwok Ping, Ph.D., MSc., aged 54, is the chief executive officer of the Company and the ex-chairman and ex-managing Director of the Company and is responsible for overall management, and product development and day-to-day operations of the Group. He is a member of the Hong Kong Institution of Engineers. He has over 37 years of experience in the machinery manufacturing industry. Dr. Pau was awarded one of the Ten Outstanding Young Persons in Hong Kong in 1982. Before joining the Group, Dr. Pau was working in Chen Hsong Holdings Limited since 1968 and was appointed as director in 1991. Dr. Pau joined the Group as technical consultant in December 1999.

Mr. CHEUNG Ka Fai, aged 33, is the financial controller of the Group and is responsible for the financial reporting and accounting management of the Group. Mr. Cheung obtained his Bachelor degree in accountancy from the PolyU in 1997 and his Master degree in business administration from the University of Bradford in 2008. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, having over 10 years' experience in auditing, accounting and finance industry. Prior to joining the Group, he was a qualified accountant and company secretary of a company listed on GEM and served as an auditor in an international accounting firm. Mr. Cheung joined the Group in March 2006.

Professor CHEN Zhuo Ru, aged 70, is a chief representative of Tokawa Precision Company Limited. He is responsible for sale and marketing of the Group's hydraulic components in the PRC market. Professor Chen graduated from Harbin Institute of Technology majoring in power engineering in 1961. He was the professor of Harbin Institute of Technology before joining the Group in May 2003.

Dr. ZHAO Zhen, aged 31, is the project engineer of the Group. He obtained his Bachelor and Master degree in Thermal Engineering from the Xian Jiaotong University in 1999 and 2002. Dr. Zhao obtained his degree of doctor of philosophy in mechanical engineering from the Hong Kong Polytechnic University in 2006. He was the research associate and visiting lecturer in the PolyU before joining the Group in October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of the Group for the year ended 31 October 2007 was around HK$115.9 million (2006: HK$91.9 million). Net profits attributable to equity holders of the Company was around HK$13.5 million (2006: HK$13.0 million).

In 2007, the Group focuses on its marketing works in the promotion of its industrial environmental protection related products, especially to those customers in both the marine and construction industries. These works was rewarded by the increase of approximately 48.5% in the amount of revenue generated from this segment.

Gross profit for the year was around HK$25.8 million, representing a decrease of approximately 3.2%. The gross profits ratio has been reduced from 29.0% to 22.2%, which was due to the change of the product mix. In last year, around 16.5% revenue was generated from the general environmental protection related products which has a much higher gross profits margins while in current year, with the completion of the tenders from the Environmental Protection Department ("EPD") in August 2006, most of the revenue was generated from the industrial environmental protection related products.

In the second half of 2007, the construction works of the water supply plant in Tianjin has been completed. Around HK$1.8 million turnover in current year was generated from the operations of such water plant, this new segment will contribute revenue to the Group in the coming years.

The administrative expenses of the Group for the year ended 31 October 2007 decreased by around HK$1.3 million compared to that of 2006 which was mainly due to the reduction of professional fee for the exercise of the application for listing onto the Main Board in last year.

The net profit attributable to equity holders of the Company was around HK$13.5 million (2006: HK$13.0 million). The increase in the sales of Industrial Environmental Protection Related Products has fully compensated the loss of revenue from the completion of the EPD tenders in 2006.

BUSINESS REVIEW AND OUTLOOK

The Group is continuously engaged in the marketing, sales, servicing, research and development of environmental protection and quality health related products and services. During the year, the construction of a water supply plant in Tianjin was completed and the water supply operation commences.

The construction works of the water supply plant in Tianjin has been completed with daily purification capacity of 50,000 tonnes. With the exclusive right for supplying processed water and the rapid economic development of the region, management are expected that the plant can contribute stable revenue to the Group.

For the industrial environmental protection related products, the Group will continue to promote the "Direct Drive Pump", which can save maximum 80% of the electricity consumed by industrial machines. Also, to speed up the process of expansion and to diversify the revenue bases for these industrial environmental protection related products, the Group will try to expand its market to customers in other industries like forging and ceramic press in 2008. The Group will also try to engage directly in the manufacturing of other industrial machines like the polymer processing machines in 2008. With an increase in the public awareness regarding environmental protection, management believes that such expansion policy should be continued.

For the Joint Venture in the Jiangsu Province, after the extensive marketing works in 2007, this Joint Venture has formed a solid base in the region and start to generate revenue. In the coming year, it will continue to engage in the promotion and installation of the automatic surveillance systems for the end users to monitor their water pollution status and in providing environmental protection consultancy services in the region.

LIQUIDITY AND FINANCIAL RESOURCES

For the year under review, the Group financed its operations with its own available funding. To finance the RMB60 million loan for the construction of the water supply plant in Tianjin as stated in the circular dated 16 December 2005, the Group has raised around HK$27 million loan from the bank. Taking into account the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirement.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group reduces 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.

EMPLOYEE INFORMATION

As at 31 October 2007, the Group had 73 employees (2006: 77) working in Hong Kong and in the PRC. The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the year under review amounted to approximately HK$7.0 million (2006: HK$6.1 million). The dedication and hard work of the Group's staff during the year ended 31 October 2007 are greatly appreciated and recognized.

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. In addition, the Group also provides mandatory provident fund scheme for the staff in Hong Kong and central pension scheme for the staff in the PRC.

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 5 December 2001. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises only ordinary shares.

SIGNIFICANT INVESTMENTS

For the year ended 31 October 2007, the Company has completed the construction works of the water supply plant in Tianjin. Apart from this project, the Group had no significant investments during the year.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 October 2007, the Group has pledged its bank deposits of approximately HK$9.0 million to secure for the performance bond facilities and has pledged its accounts receivable with carrying amount of approximately HK$15.4 million to secure a bank loan of the Group. Further details are set out in notes 20, 22, 29 and 31 to the financial statements.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2007.

GEARING RATIO

As at 31 October 2007, the Group has a healthy financial position with net assets amounted to approximately HK$127 million. There is a net current asset of around HK$4.2 million with current ratio of approximately 1.04 (2006: 0.95).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Sales of the Group are mainly denominated in Hong Kong dollars, United States dollars or Renminbi, forward exchange contracts were used for hedging payment in certain volatile foreign currencies during the year. As at 31 October 2007, the Group had no outstanding hedging instruments.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company is committed to achieving high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 October 2007. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each director had confirmed that during the year ended 31 October 2007, he had fully complied with the required standard of dealings and there was no event of non-compliance.

THE BOARD OF DIRECTORS

Composition

The Board of directors, which currently comprises 8 directors, is responsible for supervising the management of the Group. Details of the Chairman and the other directors of the Group are set in the section "Biographical Details of the Directors and Senior Management" of this report. All directors give sufficient time and attention to the affairs of the Group.

In compliance with rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed four independent non-executive directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive director an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in rule 5.09 of the GEM Listing Rules.

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

BOARD MEETINGS

In the financial year ended 31 October 2007, five board meetings were held and the following is an attendance record of the meetings by each director:

Attendants	Number of meetings attended/total
Executive Directors	
SHAH Tahir Hussain *(resigned on 17 January 2008)*	4/5
HAN Ka Lun	1/5
NG Chi Fai	4/5
Non-executive Directors	
LUI Sun Wing	5/5
YOUNG Meng Cheung Andrew	4/5
Independent Non-executive Directors	
CHAN Siu Ping Rosa	5/5
TAKEUCHI Yutaka	1/5
NI Jun	1/5
HUI Wai Man Shirley	5/5

During regular meetings of the Board, the directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual and interim and quarterly results, as well as discuss and decide on other significant matters. Execution of daily operational matters is delegated to management.

The Company Secretary records the proceedings of each board meeting in detail by keeping detailed minutes, including all decisions by the board together with concerns raised and dissenting views expressed (if any). Drafts of board minutes are circulated to all directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any director.

All directors have access to relevant and timely information at all times as the Chairman ensures that management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible to the Board of directors for providing directors with board papers and related materials, and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. If considered to be necessary and appropriate by the directors, they may retain independent professional advisors at the Group's expense.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

CHAIRMAN OF THE GROUP

Up to 17 January 2008, the Chairman of the Group is Mr. SHAH Tahir Hussain and from 17 January 2008 onwards, Mr. Ng Chi Fai is the Acting Chairman. The Chief Executive Officer of the Group is Dr. PAU Kwok Ping. The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. The Chairman of the Group is primarily responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, whereas the Chief Executive Officer is primarily responsible for the running of the Group's business and implementation of the Group's strategy in achieving the overall commercial objectives.

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

NON-EXECUTIVE DIRECTORS

Both non-executive directors, Dr. LUI Sun Wing and Mr. YOUNG Meng Cheung Andrew, have entered into a service contract with the Company for an initial term of 30 months which commenced from 21 November 2001 and shall be entitled to terminate the contract at any time after that initial term of 30 months without cause by giving prior written notice to the Company.

REMUNERATION OF DIRECTORS

The remuneration committee was established in March 2005. The chairman of the committee is Ms. CHAN Siu Ping Rosa, an independent non-executive Director, and other members include Ms. HUI Wai Man Shirley, Mr. TAKEUCHI Yutaka and Professor NI Jun, all are independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider 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.

For the financial year ended 31 October 2007, two meetings of the remuneration committee were held in April and August 2007. Details of the attendance of the remuneration committee meetings are as follows:

Members	**Attendance**
HUI Wai Man Shirley	2/2
CHAN Siu Ping Rosa	2/2
TAKEUCHI Yutaka	2/2
NI Jun	2/2

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of both the executive and non-executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of both the executive and non-executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

The nomination committee was established in February 2006. The chairman of the committee is Ms. HUI Wai Man Shirley, and other members include Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all are independent non-executive Directors.

The nomination committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of directors and board succession. The committee develops selection procedures of candidates for nomination, reviews the size, structure and composition of the Board, as well as assesses the independence of independent non-executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties.

The nomination committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates of directorship during the year.

For the financial year ended 31 October 2007, a meeting of the nomination committee was held in March 2007. Details of the attendance of the meeting are as follows:

Members	**Attendance**
Ms. HUI Wai Man Shirley *(Chairlady)*	1/1
Ms. CHAN Siu Ping Rosa	1/1
Mr. TAKEUCHI Yutaka	0/1
Professor NI Jun	0/1

During the meeting, the board of Directors considered and resolved that all the existing Directors shall be recommended to be retained by the Company.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises Ms. HUI Wai Man Shirley, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all are independent non-executive Directors. The Chairman of the audit committee is Ms. HUI Wai Man Shirley.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Ms. HUI Wai Man Shirley *(Chairlady)*	4/4
Ms. CHAN Siu Ping Rosa	4/4
Mr. TAKEUCHI Yutaka	1/4
Professor NI Jun	1/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 October 2007 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.

The level of fees in respect of audit services provided by the external auditors to the Company for the year ended 31 October 2007 is set out on page 61 of this annual report. No fee was incurred for non-audit service during the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control.

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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are marketing, sale, servicing, research and development of environmental protection related products and services.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the profit from operations by principal activity and geographical area of operations for the year ended 31 October 2007 is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 October 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 94.

The directors recommend the payment of a final dividend of HK0.50 cents per ordinary share in respect of the year, to the shareholders whose names appear on the register of members of the Company on 25 February 2008. The register of members of the Company will be closed from 26 February 2008 and to 28 February 2008, both days inclusive during which period no transfer of shares of the Company will be effected. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 8 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 95 to 96 in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share option schemes are set out in notes 13 and 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 October 2007, the Company's reserves available for distribution, calculated in accordance with the Companies' Law of the Cayman Islands, amounted to HK$40,358,000. This includes the Company's share premium in the amount of HK$30,537,000 at 31 October 2007, which may be distributable 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.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 60% in aggregate for the Group's total turnover for the year. The largest customer of the Group accounted for approximately 26% of the Group's total turnover.

Purchases from the Group's five largest suppliers of the Group accounted for approximately 98% in aggregate for the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 47% of the Group's total purchases.

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

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. SHAH Tahir Hussain *(resigned on 17 January 2008)*
Mr. NG Chi Fai *(Acting Chairman)*
Mr. HAN Ka Lun

Non-executive directors

Dr. LUI Sun Wing
Mr. YOUNG Meng Cheung Andrew

Independent non-executive directors

Ms. CHAN Siu Ping Rosa
Mr. TAKEUCHI Yutaka
Professor NI Jun
Ms. HUI Wai Man Shirley

In accordance with articles 87(1) and (2) of the Company's articles of association, Mr. YOUNG Meng Cheung Andrew, Ms. HUI Wai Man Shirley and Professor NI Jun will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 8 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 11 and 12 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Mr. HAN Ka Lun, the executive director, has entered into a service contract with the Company for a term of 2 years which commenced from 29 October 2004 and shall be entitled to terminate the contract thereafter without cause by giving not less than three months' prior written notice to the Company. Mr. NG Chi Fai, the executive director, has entered into a service contract with the Company for a term of 2 years which commenced from 24 March 2006 and shall be entitled to terminate the contract thereafter without cause by giving not less than three months' prior written notice to the Company.

Both non-executive directors, Dr. LUI Sun Wing and Mr. YOUNG Meng Cheung Andrew, have entered into a service contract with the Company for an initial term of 30 months which commenced from 21 November 2001 and shall be entitled to terminate the contract at any time after that initial term of 30 months without cause by giving prior written notice to the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company within one year without payment of compensation other than statutory compensation.

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

As at 31 October 2007, the interests and short positions of the Directors and chief executive 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 the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange of Hong Kong Limited (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:

Long positions in ordinary shares of the Company

Number of shares held, capacity and nature of interest

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 31 October 2007
Executive Director			
Mr. SHAH Tahir Hussain *(Note 1)*	Directly beneficially owned	14,372,800	2.2
Chief Executive Officer			
Dr. PAU Kwok Ping *(Note 2)*	Through a discretionary trust	44,224,000	6.8
		58,596,800	9.0

Notes:

1. Mr. SHAH Tahir Hussain has resigned as the Group's Chairman and Executive Director at 17 January 2008.

2. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

Interest in underlying shares of the Company

Pursuant to a share option scheme (the "Scheme") adopted by the Company on 21 November 2001, the Company had granted share options on the Company's ordinary shares to various Directors. Details of share options to subscribe for shares in the Company granted to these Directors as at 31 October 2007 were as follows:

Name	Date of grant	Number of options outstanding as at 1 November 2006	Number of options granted during the year	Number of options outstanding as at 31 October 2007	Exercise price per share
					HK$
Executive Director					
Mr. NG Chi Fai	13/8/2007	—	500,000	500,000	0.35
Independent Non-Executive Directors					
Ms. CHAN Siu Ping Rosa	2/4/2007	—	500,000	500,000	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	—	500,000	500,000	0.235
Professor NI Jun	2/4/2007	—	500,000	500,000	0.235
Ms. HUI Wai Man Shirley	2/4/2007	—	500,000	500,000	0.235
		—	2,500,000	2,500,000	

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

Name	Total number of ordinary shares held as at 31 October 2007	Number of options held and outstanding as at 31 October 2007	Aggregate in number as at 31 October 2007	Percentage of the Company's issued share capital as at 31 October 2007
Executive Director				
Mr. SHAH Tahir Hussain *(note)*	14,372,800	—	14,372,800	2.21
Mr. NG Chi Fai	—	500,000	500,000	0.08
Independent Non-Executive Directors				
Ms. CHAN Siu Ping Rosa	—	500,000	500,000	0.08
Mr. TAKEUCHI Yutaka	—	500,000	500,000	0.08
Professor NI Jun	—	500,000	500,000	0.08
Ms. HUI Wai Man Shirley	—	500,000	500,000	0.08
Chief Executive				
Dr. Pau Kwok Ping	44,224,000	—	44,224,000	6.81
	58,596,800	2,500,000	61,096,800	9.42

Note: Mr. SHAH Tahir Hussain has resigned as the Group's Chairman and Executive Director at 17 January 2008.

Save as disclosed above, as at 31 October 2007, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures 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' 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" above and the share option scheme disclosures in note 13 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 any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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 holding companies and subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS 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 2007, the following persons (other than a Director or chief executive 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	Percentage of the Company's issued share capital as at 31 October 2007
Substantial shareholders			
Cititrust (Cayman) Limited *(Note 1)*	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited *(Note 1)*	Through a controlled corporation	344,621,200	53.06
Team Drive Limited *(Note 1)*	Directly beneficially owned	344,621,200	53.06
The Hong Kong Polytechnic University *(Note 2)*	Through a controlled corporation	70,440,800	10.84
PolyU Enterprise Limited *(Note 2)*	Through a controlled corporation	70,440,800	10.84
Advance New Technology Limited *(Note 2)*	Directly beneficially owned	70,440,800	10.84
ING Trust Company (Jersey) Limited *(Note 3)*	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited *(Note 3)*	Directly beneficially owned	44,224,000	6.81
Other shareholder			
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 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 Limited and Cititrust (Cayman) Limited are deemed to be interested in all the shares held by Team Drive Limited.

2. Advance New Technology Limited is a wholly-owned subsidiary of PolyU Enterprise Limited, which is wholly owned by The Hong Kong Polytechnic University ("PolyU"). By virtue of its interest in Advance New Technology Limited, PolyU and PolyU Enterprise Limited are deemed to be interested in all the shares of the Company held by Advance New Technology Limited.

3. The shares are held by Crayne Company Limited, a company wholly-owned by ING Trust Company (Jersey) Limited as trustee of the Crayne Trust which is a discretionary trust founded by Dr. PAU Kwok Ping.

Other share options granted under the Scheme

Name	Date of grant	Number of options outstanding as at 1 November 2006	Number of options granted during the year	Number of options outstanding as at 31 October 2007	Exercise price per share
					HK$
Mr. CHEUNG Ka Fai	13/8/2007	—	500,000	500,000	0.35

Save as disclosed above, as at 31 October 2007, so far as is known to the Directors or chief executives of the Company, no other persons (other than a Director or chief executive of the Company) had 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, who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

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 2007. The Company had not redeemed any of its listed securities during the year ended 31 October 2007.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the year ended 31 October 2007.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four members, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Ms. HUI Wai Man Shirley, who are the independent non-executive directors of the Company.

In the course of the supervision of the financial reporting process and internal control system of the Group, four meetings were held during the year ended 31 October 2007 to review the operations.

The Group's results for the year ended 31 October 2007 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 disclosures have been made.

AUDITORS

The financial statements of the Company for the year ended 31 October 2007 were audited by Grant Thornton. A resolution to re-appoint the retiring auditors, Grant Thornton, will be put at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Mr. NG Chi Fai
Acting Chairman

Hong Kong, 23 January 2008

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

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 32 to 94, which comprise the consolidated and company balance sheets as at 31 October 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2007 and of the Group's profit 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

23 January 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 October 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	4	**115,909**	91,941
Cost of sales		**(90,123)**	(65,312)
Gross profit		**25,786**	26,629
Other income		**617**	2,191
Selling expenses		**(3,329)**	(2,884)
Administrative expenses		**(12,437)**	(13,692)
Other operating income		**1,350**	614
Profit from operations	5	**11,987**	12,858
Finance costs	6	**(387)**	—
Share of profit/(loss) of a jointly controlled entity		**149**	(500)
Profit before taxation		**11,749**	12,358
Taxation	7	**(225)**	(696)
Profit for the year		**11,524**	11,662
Attributable to:			
Equity holders of the Company	10	**13,470**	13,044
Minority interest		**(1,946)**	(1,382)
Profit for the year		**11,524**	11,662
Dividends	8	**3,248**	3,248
Earnings per share	9		
— Basic		**HK2.07 cents**	HK2.03 cents
— Diluted		**N/A**	HK2.01 cents

CONSOLIDATED BALANCE SHEET

As at 31 October 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**118,710**	75,740
Leasehold interest in land	*15*	**5,230**	5,074
Interest in a jointly controlled entity	*17*	**1,767**	1,618
Deferred tax assets	*18*	**2,499**	2,422
Accounts receivable	*20*	**12,208**	15,408
Pledged bank deposits	*22*	**9,020**	9,020
		149,434	109,282
Current assets			
Inventories	*19*	**28,216**	15,371
Accounts receivable	*20*	**42,146**	27,872
Deposits, prepayments and other receivables		**6,059**	5,062
Amount due from a minority shareholder	*33(b)*	**26,179**	—
Tax recoverable		**1,801**	1,801
Cash and cash equivalents	*22*	**10,491**	9,434
		114,892	59,540
Current liabilities			
Accounts and bills payable	*23*	**49,658**	27,374
Accrued liabilities and other payables		**30,807**	5,394
Provision for warranty	*24*	**1,748**	1,762
Provision for tax		**1,500**	1,500
Bank loans	*25*	**27,000**	26,600
		110,713	62,630
Net current assets/(liabilities)		**4,179**	(3,090)
Total assets less current liabilities		**153,613**	106,192
Non-current liabilities			
Provision for warranty	*24*	**1,591**	3,252
Loans from minority shareholders	*26*	**25,145**	15,633
		26,736	18,885
Net assets		**126,877**	87,307
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*27*	**6,495**	6,495
Share premium	*28(a)*	**19,586**	19,586
Capital reserve	*28(a)*	**95**	95
Exchange translation reserve		**6,426**	1,687
Capital contribution reserve	*28(a)*	**11,126**	—
Share option reserve		**376**	—
Retained profits		**65,863**	55,641
Proposed final dividend	*8*	**3,248**	3,248
		113,215	86,752
Minority interest		**13,662**	555
Total equity		**126,877**	87,307

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. HAN Ka Lun
Director

BALANCE SHEET

As at 31 October 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*16*	**10,957**	10,957
Deferred tax assets	*18*	**370**	—
		11,327	10,957
Current assets			
Deposits, prepayments and other receivables		**26**	20
Amounts due from subsidiaries	*21*	**48,745**	43,572
Cash and cash equivalents	*22*	**33**	55
		48,804	43,647
Current liabilities			
Accrued liabilities and other payables		**1,051**	831
Amounts due to subsidiaries	*21*	**12,227**	9,711
		13,278	10,542
Net current assets		**35,526**	33,105
Net assets		**46,853**	44,062
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*27*	**6,495**	6,495
Share premium	*28(b)*	**30,537**	30,537
Share option reserve	*28(b)*	**376**	—
Retained profits	*28(b)*	**6,197**	3,782
Proposed final dividend	*8*	**3,248**	3,248
Total equity		**46,853**	44,062

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. HAN Ka Lun
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2007

	2007 *HK$'000*	2006 *HK$'000*
Cash flows from operating activities		
Profit before taxation	**11,749**	12,358
Adjustments for:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition	**—**	(1,427)
Interest income	**(442)**	(548)
Interest expense	**387**	—
Share of (profit)/loss of a jointly controlled entity	**(149)**	500
Depreciation of property, plant and equipment	**2,661**	857
Loss/(Gain) on disposal of property, plant and equipment	**210**	(60)
Amortisation of leasehold interest in land	**104**	84
Provision for/(Write back of) slow-moving inventories	**825**	(450)
Provision for bad debt	**91**	—
Share-based payment	**376**	—
Write back of provision for warranty, net	**(1,350)**	(614)
Exchange gain, net	**(1,917)**	(730)
Operating profit before working capital changes	**12,545**	9,970
(Increase)/Decrease in inventories	**(13,670)**	6,560
(Increase)/Decrease in accounts receivable	**(12,471)**	7,667
(Increase)/Decrease in deposits, prepayments and other receivables	**(2,949)**	14,284
Increase in accounts and bills payable	**22,284**	12,260
Increase/(Decrease) in accrued liabilities and other payables	**2,492**	(6,257)
Utilisation of warranty provision	**(325)**	(533)
Cash generated from operations	**7,906**	43,951
Tax paid	**(241)**	(459)
Net cash generated from operating activities	**7,665**	43,492

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 October 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,447)**	(67,048)
Purchase of leasehold interest in land		**—**	(2,005)
Proceeds from disposal of property, plant and equipment		**19**	189
Capital injection into a jointly controlled entity		**—**	(1,203)
Acquisition of subsidiaries	*34*	**—**	1,370
Interest received		**442**	548
Net cash used in investing activities		**(11,986)**	(68,149)
Cash flows from financing activities			
Shares issued		**—**	967
Increase in bank loans		**400**	26,600
Increase in loans from minority shareholders		**8,625**	3,000
Interest paid		**(1,542)**	(805)
Dividend paid		**(3,248)**	(3,248)
Net cash generated from financing activities		**4,235**	26,514
(Decrease)/increase in cash and cash equivalents		**(86)**	1,857
Effect of foreign exchange rate changes		**1,143**	(47)
Cash and cash equivalents at beginning of year		**9,434**	7,624
Cash and cash equivalents at end of year		**10,491**	9,434

Major non-cash transaction

As at 31 October 2007, cost of construction in progress of HK$26,179,000 had not been settled by the Group and reported as other payable in the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2007

	Equity attributable to equity holders of the Company									Minority interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Share option reserve	Retained profits	Proposed final dividend	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 27)	*(Note 28(a))*	*(Note 28(a))*		*(Note 28(a))*						
1 November 2005	5,528	19,586	95	138	—	—	45,845	3,248	74,440	—	74,440
Exchange difference, net income recognised directly in equity	—	—	—	1,549	—	—	—	—	1,549	—	1,549
Profit for the year	—	—	—	—	—	—	13,044	—	13,044	(1,382)	11,662
Total recognised income and expense for the year	—	—	—	1,549	—	—	13,044	—	14,593	(1,382)	13,211
Purchase of subsidiary	—	—	—	—	—	—	—	—	—	1,937	1,937
2005 final dividend declared	—	—	—	—	—	—	—	(3,248)	(3,248)	—	(3,248)
2006 proposed final dividend	—	—	—	—	—	—	(3,248)	3,248	—	—	—
Issue of shares on exercise of share options	967	—	—	—	—	—	—	—	967	—	967
At 31 October and 1 November 2006	6,495	19,586	95	1,687	—	—	55,641	3,248	86,752	555	87,307
Exchange difference, net income recognised directly in equity	—	—	—	4,739	—	—	—	—	4,739	—	4,739
Profit for the year	—	—	—	—	—	—	13,470	—	13,470	(1,946)	11,524
Total recognised income and expense for the year	—	—	—	4,739	—	—	13,470	—	18,209	(1,946)	16,263
2006 final dividend declared	—	—	—	—	—	—	—	(3,248)	(3,248)	—	(3,248)
2007 proposed final dividend	—	—	—	—	—	—	(3,248)	3,248	—	—	—
Employee share-based compensation benefit *(note 13(b))*	—	—	—	—	—	376	—	—	376	—	376
Other contribution by a minority shareholder	—	—	—	—	11,126	—	—	—	11,126	15,053	26,179
At 31 October 2007	**6,495**	**19,586**	**95**	**6,426**	**11,126**	**376**	**65,863**	**3,248**	**113,215**	**13,662**	**126,877**

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. During the year, the construction of a water supply plant in Tianjin, the People's Republic of China, was completed and the water supply operation commenced.

The directors consider the ultimate holding company to be Cititrust (Cayman) Limited.

The financial statements on pages 32 to 94 are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term included all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, 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 ("GEM Listing Rules").

The financial statements for the year ended 31 October 2007 were approved by the board of directors on 23 January 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of new or amended HKFRSs

From 1 November 2006, the Group has adopted the new and amended HKFRSs which were first effective on 1 November 2006 and relevant to the Group. The adoption of these HKFRSs did not result in any significant changes in the Group's and the Company's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments — Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arrangements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

(c) Basis of preparation

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

The financial statements have been prepared on the historical cost basis. The measurement bases are 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 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation

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

(e) Subsidiaries

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

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Minority interests represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries (Continued)

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

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

(f) Jointly controlled entities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Jointly controlled entities (Continued)

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

In the Company's balance sheet, interest in a jointly controlled entity is stated at cost less any provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

(g) Borrowing costs

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

(h) 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:

a. sale of goods are recognised upon transfer the significant risks and rewards of ownership to customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

b. consultancy fee income and advertising fee income is recognised at the time when the services are rendered; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

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

(i) Property, plant and equipment

(i) Depreciation

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

Motor vehicles	20% to 50%
Office equipment	20% to 50%
Plant, moulds and machinery	10% to 50%
Furniture and fixtures	20% to 50%
Leasehold improvements	The shorter of the lease terms and 20%
Building and structure	The shorter of the lease terms and 3.33%

(ii) Measurement bases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(iii) Construction in progress

Construction in progress which represents property, plant and equipment under construction is stated at cost less impairment losses and is not depreciated. The cost of self-constructed property, plant and equipment includes capitalised borrowing costs and other direct costs attributable to the interests in properties under development. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the item is ready for use.

(j) Research and development costs

All research costs are charged to the income statement as incurred.

Cost associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements :

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Research and development costs (Continued)

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognise as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

Costs so capitalised are stated at cost less any impairment loss and are amortised on the straight-line basis over the expected economic useful lives of the products, subject to a maximum period of five years commencing in the year when the products are available for use.

(k) Impairment of assets

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

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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.

(l) Leases

(i) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(ii) Leasehold interests in land

Leasehold interests in land are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

(i) Paid leave carried forward

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

(ii) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 People's Republic of China except Macau and Hong Kong (the "PRC") 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 income statement as they become payable in accordance with the rules of the central pension scheme.

(iii) Share-based employee compensation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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 income statement, 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.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and a jointly controlled entity are set out below. The Group's financial assets include accounts and other receivables, amounts due from a minority shareholder and subsidiaries, and cash and cash equivalents. Financial assets are recognised on the trade date.

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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial liabilities

The Group's financial liabilities include bank loans, accounts and bills payable, accrued liabilities and other payables, amounts due to subsidiaries and loans from minority shareholders.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

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

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

(q) Provisions and contingent liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities (Continued)

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

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

(r) 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 balance sheet 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 the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet 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 will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, 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 balance sheet date.

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

(s) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term bank deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(t) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the Group:

— controls, is controlled by, or is under common control with, the entity;

— has an interest in the entity that gives it significant influence over the entity;

— has joint control over the entity;

(ii) the party is a jointly-controlled entity;

(iii) the party is a member of the key management personnel of the Group or its parent;

(iv) the party is a close member of the family or any individual referred to in (i) or (iii);

(v) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iii) or (iv); or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(v) Foreign currencies

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

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 balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Foreign currencies (Continued)

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 balance sheet date. Income and expenses have been converted into Hong Kong dollars at 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 dealt with in the exchange fluctuation reserve in equity.

(w) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Segment reporting

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, leasehold interest in land, inventories, accounts receivables, deposits, prepayment and other receivables and operating cash, and mainly exclude tax recoverable, deferred tax assets, interest in a jointly controlled entity and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as provision for tax.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisition of subsidiaries, and leasehold interest in land.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location on of the customers, capital expenditures and assets are attributed to the segments based on the location of the assets.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Depreciation

The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of two 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.

(ii) Impairment of receivables

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

(iii) Net realisable value of inventories

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

(iv) Provision of warranty

Provision for warranty costs is made on an accrual basis by reference to the directors' best estimates of the expenditure required to settle the obligations. These calculations require the use of estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Estimate of current tax and deferred tax

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

During the year 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. After taking into account the up-to-date development of the IRD's review, the directors of the Company are of the opinion that the Group's provision for tax is adequate and fairly presented.

4. REVENUE AND SEGMENT INFORMATION

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

	2007 ***HK$'000***	2006 *HK$'000*
Sales of goods	**115,437**	91,341
Consultancy fee income	**200**	600
Advertising fee income	**272**	—
	115,909	91,941

The business segments of the Group are as follows:

(i) the general environmental protection related products and services segment mainly comprises sale of particulate removal devices and related ancillary services;

(ii) the industrial environmental products segment refers to sale of hydraulic components and other related accessories; and

(iii) the water supply plant segment refers to the supply of processed water in the PRC.

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	General environmental protection related products and services		Industrial environmental products		Water supply plant		Unallocated*		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**538**	15,162	**113,115**	76,179	**1,784**	—	**472**	600	**115,909**	91,941
Segment results	**(3,251)**	5,053	**20,960**	12,200	**(2,382)**	(1,080)	**198**	600	**15,525**	16,773
Interest income									**442**	548
Unallocated expenses									**(3,980)**	(4,463)
Profit from operations									**11,987**	12,858
Finance costs									**(387)**	—
Share of profit/(loss) of a jointly controlled entity									**149**	(500)
Profit before taxation									**11,749**	12,358
Taxation									**(225)**	(696)
Profit for the year									**11,524**	11,662

* Unallocated revenue and results represented revenue and results from various kinds of consultancy and advertising services.

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	General environmental protection related products and services		Industrial environmental products		Water supply plant		Unallocated**		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**26,367**	32,541	**83,069**	51,789	**148,256**	78,054	**186**	—	**257,878**	162,384
Interest in a jointly controlled entity									**1,767**	1,618
Tax assets									**4,300**	4,223
Unallocated assets									**381**	597
Total assets									**264,326**	168,822
Segment liabilities	**3,792**	5,451	**48,391**	28,403	**82,459**	45,329	**57**	—	**134,699**	79,183
Tax liabilities									**1,500**	1,500
Unallocated liabilities									**1,250**	832
Total liabilities									**137,449**	81,515
Other segment information:										
Depreciation	**225**	272	**555**	495	**1,881**	90	**—**	—	**2,661**	857
Amortisation of leasehold interest in land	**—**	—	**—**	—	**104**	84	**—**	—	**104**	84
Capital expenditure	**198**	472	**114**	405	**40,231**	74,705	**—**	—	**40,543**	75,582
Provision for/(Write back of) slow-moving inventories	**657**	(253)	**168**	(197)	**—**	—	**—**	—	**825**	(450)
Loss/(Gain) on disposal of property, plant and equipment	**204**	(60)	**6**	—	**—**	—	**—**	—	**210**	(60)
Write back of provision for warranty, net	**(1,350)**	(614)	**—**	—	**—**	—	**—**	—	**(1,350)**	(614)

** Unallocated assets and liabilities represented assets and liabilities from various kinds of consultancy and advertising services.

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table present revenue, certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC		Others#		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**16,512**	27,724	**99,397**	63,976	**—**	241	**115,909**	91,941
Other segment information:								
Segment assets	**42,157**	39,326	**196,128**	117,750	**19,974**	5,905	**258,259**	162,981
Interest in a jointly controlled entity							**1,767**	1,618
Tax assets							**4,300**	4,223
							264,326	168,822
Capital expenditure	**211**	475	**40,331**	75,104	**1**	3	**40,543**	75,582

Others represents unallocated items.

5. PROFIT FROM OPERATIONS

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

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**300**	240
Cost of inventories sold*	**77,375**	61,532
Depreciation	**2,661**	857
Amortisation of leasehold interest in land	**104**	84
Exchange gain, net	**(1,917)**	(730)
Loss/(Gain) on disposal of property, plant and equipment	**210**	(60)
Operating lease charges in respect of land and buildings	**1,274**	1,056
Provision for/(Write back of) slow-moving inventories	**825**	(450)
Provision for bad debt	**91**	—
Write back of provision for warranty, net **	**(1,350)**	(614)
Research and development costs	**15**	89
Staff costs (including directors' remuneration *(note 11)*)		
Wages and salaries	**6,543**	6,023
Pension scheme contributions	**120**	115
Employee share-based payment expense *(note 13(b))*	**376**	—
	7,039	6,138
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition	**—**	(1,427)
Interest income	**(442)**	(548)

* The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK$3,638,000 (2006: HK$90,000), relating to direct staff costs, depreciation, provision for slow-moving inventories (2006: write back of slow moving inventories) and exchange losses, which are also included in the respective amounts disclosed separately above for each of these types of expenses for the year.

** The amount is included in "Other operating income" on the face of the consolidated income statement.

6. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charges on:		
Bank loans wholly repayable within five years	**1,542**	805
Imputed interest expense on loans from minority shareholders	**762**	762
	2,304	1,567
Less: interest capitalised to construction in progress	**(1,917)**	(1,567)
	387	—

7. TAXATION

	2007 HK$'000	2006 HK$'000
Current tax		
Elsewhere — Current year	**241**	459
Deferred tax	**(16)**	237
Total tax charge for the year	**225**	696

No Hong Kong profits tax has been provided in the financial statements as the Group has utilised its loss brought forward to offset against its assessable profit for the year ended 31 October 2007 (2006: Nil).

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. TAXATION (Continued)

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 33% (2006: 33%) on operating expenses for the year.

Ningbo Tokawa Precision Hydraulic Components Co. Ltd.# (寧波東川精確液壓設備有限公司) ("Ningbo Tokawa Precision"), a subsidiary of the Group established in the PRC, is subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 33% (2006: 33%) on the estimated assessable profits arising in the PRC for the year.

Dongguan Kangli Machinery Co. Ltd# (東莞康力機械有限公司) ("Dongguan Kangli"), a subsidiary of the Group established in the PRC, is subject to the PRC enterprise income tax. The subsidiary is entitled to full exemption from PRC enterprise income tax for the first two profitable years of operations, followed by a 50% reduction in the profits tax rate for the next three years. The subsidiary has applied the year ended 31 December 2005 as the first profit-making year for the aforesaid tax holiday.

Tianjin Asian Way Estate Development Co., Ltd.# (天津華永房地產開發有限公司) ("Tianjin Asian Way"), a subsidiary of the Group established in the PRC, was loss making since establishment. Hence, no PRC enterprise income tax has been provided.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 October 2007 that are expected to be utilised in year 2008 and onwards have been provided at an enacted corporate tax rate of 25%.

Macau complementary profits tax had been calculated at the rate of 15.75% on the estimated assessable profits of Tokawa Precision (Overseas) Co. Limited, a subsidiary of the Group which was engaged in the marketing and sale of environmental protection related products for the year ended 31 October 2006. No Macau complementary profits tax was provided for the year as this subsidiary was inactive during the year.

According to the relevant laws and regulations in Macau, Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore, a subsidiary of the Group established and operating in Macau, was exempted from Macau complementary profits tax (2006: Nil).

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7. TAXATION (Continued)

A reconciliation of the tax expense applicable to 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:

	2007 *HK$'000*	2006 *HK$'000*
Profit before taxation	**11,749**	12,358
Tax at the domestic rates applicable to profits in the jurisdictions concerned	**1,587**	2,387
Tax effect of non-taxable revenue	**(4,622)**	(6,336)
Tax effect of non-deductible expenses	**1,917**	4,666
Utilisation of tax losses previously not recognised	**(608)**	(275)
Tax effect of decrease in tax rate used for the recognition of deferred tax *(Note 18)*	**211**	—
Others	**1,740**	254
Tax charge at the effective tax rate	**225**	696

8. DIVIDENDS

	2007 *HK$'000*	2006 *HK$'000*
Proposed final dividend of HK0.50 cent (2006: HK0.50 cent) per ordinary share	**3,248**	3,248

The above final dividend was proposed after the balance sheet date and has not been recognised as a liability as at the balance sheet date, but reflected as an appropriation of retained profits for the year.

The proposed dividend amount for the year ended 31 October 2007 is based on 649,540,000 ordinary shares in issue as at 31 October 2007. The aforementioned dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The final dividend for the year ended 31 October 2006 was proposed on 22 January 2007. The proposed amount was based on 649,540,000 ordinary shares in issue as at 31 October 2006.

9. EARNINGS PER SHARE

The basic earnings per share for the year is calculated based on the consolidated profit attributable to equity holders of the Company for the year of HK$13,470,000 (2006: HK$13,044,000) and the weighted average of 649,540,000 (2006: 643,599,000) ordinary shares in issue during the year.

No diluted earnings per share is calculated for the year ended 31 October 2007 since the exercise price of the Company's options was higher than the average market price for the year. The calculation of the diluted earnings per share for the year ended 31 October 2006 was based on the consolidated profit attributable to equity holders of the Company for the year of HK$13,044,000 and 649,321,000 ordinary shares, being the 643,599,000 ordinary shares as used in the calculation of basic earnings per share, plus the weighted average of 5,722,000 ordinary shares deemed to be issued on the exercise of the share options under a pre-IPO share option scheme ("Pre-Scheme") as set out in note 13(a) to the financial statements.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of approximately HK$13,470,000 (2006: HK$13,044,000), a profit of approximately HK$5,663,000 (2006: HK$5,531,000) has been dealt with in the financial statements of the Company.

11. DIRECTORS' EMOLUMENTS

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

	Fees *HK$'000*	Salaries *HK$'000*	Bonus *HK$'000*	Employee share-based payment *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2007						
Executive directors:						
Mr. SHAH Tahir Hussain ("Mr. SHAH") *(note (a))*	–	369	800	–	12	1,181
Mr. HAN Ka Lun	40	–	–	–	–	40
Mr. NG Chi Fai ("Mr. NG")	–	295	100	50	12	457
Non-executive directors:						
Dr. LUI Sun Wing	100	–	–	–	–	100
Mr. YOUNG Meng Cheung Andrew	100	–	–	–	–	100
Independent non-executive directors:						
Ms. CHAN Siu Ping Rosa	–	–	–	69	–	69
Mr. TAKEUCHI Yutaka	–	–	–	69	–	69
Professor NI Jun	–	–	–	69	–	69
Ms. HUI Wai Man Shirley	–	–	–	69	–	69
	240	664	900	326	24	2,154

11. DIRECTORS' EMOLUMENTS (Continued)

	Fees	Salaries	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Executive directors:				
Dr. PAU Kwok Ping *(note (b))*	—	480	4	484
Mr. SHAH	—	340	12	352
Mr. HAN Ka Lun	40	—	—	40
Mr. NG	—	168	7	175
Non-executive directors:				
Dr. LUI Sun Wing	100	—	—	100
Mr. YOUNG Meng Cheung Andrew	100	—	—	100
Independent non-executive directors:				
Ms. CHAN Siu Ping Rosa	—	—	—	—
Mr. TAKEUCHI Yutaka	—	—	—	—
Professor NI Jun	—	—	—	—
Ms. HUI Wai Man Shirley	—	—	—	—
	240	988	23	1,251

Note (a): The director resigned on 17 January 2008.
Note (b): The director resigned on 3 March 2006.

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 (2006: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2006: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included two directors (2006: one director and one former director), details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (2006: three) non-directors, highest paid employees of the Group for the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**1,446**	1,798
Bonuses	**104**	—
Pension scheme contributions	**36**	38
Employee share-based payments	**50**	—
	1,636	1,836

The emoluments of each of the remaining non-director, highest paid individuals fell within the band of nil to HK$1,000,000.

During the year, no emoluments were 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 (2006: Nil).

13. SHARE OPTION SCHEME

Details of movements in the number of share options during the year are as follows:

(a) Pre-Scheme

Date of grant	21/11/2001	21/11/2001	21/11/2001	
Exercisable period	5/12/2002 to 4/12/2005	5/12/2002 to 4/12/2005	5/12/2002 to 4/12/2005	
Exercise price	HK$0.01	HK$0.01	HK$0.01	
Grant to	Executive directors	Former executive director		
	Mr. SHAH	Dr. CHIANG Lily	Dr. PAU Kwok Ping	Total
At 1 November 2005	13,820,000	55,280,000	27,640,000	96,740,000
Exercised during the year	(13,820,000)	(55,280,000)	(27,640,000)	(96,740,000)
At 31 October 2006	—	—	—	—

On 21 November 2001, Pre-Scheme was approved pursuant to a written resolution of all shareholders of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain directors and employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to one executive director and two former executive directors to subscribe for a total of 96,740,000 shares, representing in aggregate approximately 17.5% of the then issued share capital of the Company immediately following the completion of the initial placing of the Company's shares on the GEM and the capitalisation issue at a subscription price of HK$0.01 each. No further options could be granted under the Pre-Scheme after the listing of the Company's shares on the GEM. All these options were granted on 21 November 2001 and could be exercised within three years from the expiry of 12 months from 5 December 2001, the listing date. Each grantee had paid HK$1.00 to the Company as consideration for such grant.

13. SHARE OPTION SCHEME (Continued)

(a) Pre-Scheme (Continued)

In November 2005, the Pre-Scheme share options were exercised at the exercise price of HK$0.01 per ordinary share, resulting in the issue of 96,740,000 ordinary shares of HK$0.01 each for a total consideration of HK$967,400 (note 27).

(b) Post-Scheme

	Group 1				Group 2		
Date of grant				2/4/2007		13/8/2007	
Exercisable period				2/10/2007 to 1/10/2010		13/8/2007 to 12/8/2010	
Exercise price				HK$0.235		HK$0.35	
Grant to	Ms. CHAN Siu Ping Rosa	Mr. TAKEUCHI Yutaka	Professor NI Jun	Ms. HUI Wai Man Shirley	Mr. CHEUNG Ka Fai	Mr. NG Chi Fai	Total
At 1 November 2006	—	—	—	—	—	—	—
Granted during the year	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000
At 31 October 2007	**500,000**	**500,000**	**500,000**	**500,000**	**500,000**	**500,000**	**3,000,000**

13. SHARE OPTION SCHEME (Continued)

(b) Post-Scheme (Continued)

On 21 November 2001, a post-IPO share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of all shareholders of the Company. The purpose of the Post-Scheme is to enable the Group to grant options to selected persons as incentives or rewards for their contribution to the Group. The board of directors may, at their discretion, grant options to any full time employee and any director of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors (the "Eligible Person") 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 Post-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 Post-Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the option, which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option.

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

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

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 Post-Scheme remains in force for a period of 10 years with effect from 21 November 2001.

13. SHARE OPTION SCHEME (Continued)

(b) Post-Scheme (Continued)

The Company had granted Post-Scheme share options to certain directors and senior management during the year to subscribe for 3,000,000 ordinary shares of the Company which represented 0.46% issued share capital of the Company at the date of grant.

The fair values of the share options granted during the year were determined using the Black-Scholes Options Pricing Model. Significant inputs into the calculations included closing share price on issue date of HK$0.235 and HK$0.35 of Group 1 and Group 2 respectively and exercise prices as illustrated above.

The calculations took into account of the followings:

	Group 1	Group 2
Expected dividend yield based on historical dividend trend and expected dividend policy	1.7%	1.7%
Volatility yield based on expected share price and with reference to the historical share price information of the Company	65.47%	65.26%
Risk-free annual interest rate	3.233%	3.217%

In total, HK$376,000 of employee compensation expense has been included in the consolidated income statement for 2007 (2006: Nil), the corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to the share-based transaction.

No options were forfeited, exercised and expired pursuant to the Post-Scheme during the year (2006: Nil).

14. 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$'000	Building and structure HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 November 2005								
Cost	856	520	3,268	240	554	—	—	5,438
Accumulated depreciation	(267)	(209)	(725)	(130)	(73)	—	—	(1,404)
Net book amount	589	311	2,543	110	481	—	—	4,034
Year ended 31 October 2006								
Opening net book amount	589	311	2,543	110	481	—	—	4,034
Additions	669	116	177	44	13	—	67,596	68,615
Acquisition of subsidiaries	341	55	—	—	—	—	1,559	1,955
Disposal	(129)	—	—	—	—	—	—	(129)
Depreciation	(247)	(105)	(340)	(50)	(115)	—	—	(857)
Translation differences	17	10	75	—	11	—	2,009	2,122
Closing net book amount	1,240	387	2,455	104	390	—	71,164	75,740
At 31 October 2006								
Cost	1,463	704	3,532	283	584	—	71,164	77,730
Accumulated depreciation	(223)	(317)	(1,077)	(179)	(194)	—	—	(1,990)
Net book amount	1,240	387	2,455	104	390	—	71,164	75,740
Year ended 31 October 2007								
Opening net book amount	1,240	387	2,455	104	390	—	71,164	75,740
Additions	202	91	217	1	—	—	40,032	40,543
Disposal	(213)	(16)	—	—	—	—	—	(229)
Transfer	—	—	29,638	—	—	81,558	(111,196)	—
Depreciation	(274)	(122)	(1,243)	(53)	(127)	(842)	—	(2,661)
Translation differences	23	16	1,522	—	15	3,741	—	5,317
Closing net book amount	**978**	**356**	**32,589**	**52**	**278**	**84,457**	**—**	**118,710**
At 31 October 2007								
Cost	1,481	798	34,961	284	604	85,299	—	123,427
Accumulated depreciation	(503)	(442)	(2,372)	(232)	(326)	(842)	—	(4,717)
Net book amount	**978**	**356**	**32,589**	**52**	**278**	**84,457**	**—**	**118,710**

15. LEASEHOLD INTEREST IN LAND — THE GROUP

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

	2007	2006
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	**5,074**	—
Additions	**—**	5,012
Amortisation charge for the year	**(104)**	(84)
Translation differences	**260**	146
Carrying amount at the end of the year	**5,230**	5,074

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

16. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Unlisted investments, at cost	**10,957**	10,957

16. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

Particulars of the subsidiaries of the Company as at 31 October 2007 are as follows:

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Directly held				
Eco-Tek (BVI) Investment Holdings Limited^	British Virgin Islands ("BVI"), limited liability company	30,000 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Indirectly held				
Asian Way International Limited ("Asian Way")^	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	42.5% *(note (b))*	Investment holding in Hong Kong
Eco-Tek Company Limited	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	100%	Marketing, sale servicing, research and development of environmental protection related products and services in Hong Kong
Eco-Tek Technology Limited^	BVI, limited liability company	101 ordinary shares of US$1 each	100%	Holding of intellectual properties in Hong Kong
East Miles International Limited^	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding in Hong Kong

16. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Indirectly held (Continued)				
Elegant Well Investment Limited ("Elegant Well")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Ningbo Tokawa Precision^ *(note (a))*	PRC, wholly foreign owned limited liability company	US$100,000	100%	Marketing and sales of industrial environmental products in the PRC
Skyidea International Limited*	BVI, limited liability company	2 ordinary shares of US$1	100%	Marketing and advertising business in Hong Kong
Tianjin Asian Way^	PRC, wholly foreign owned limited liability company	US$4,500,000	42.5% *(note (b))*	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%	Dormant
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

16. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

Company name	Place of incorporation/ establishment and kind of legal entity	Issued/ paid-up capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Indirectly held (Continued)				
Well Spread Investment Limited ("Well Spread")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Dongguan Kangli^ *(note (c))*	PRC, wholly foreign owned limited liability company	HK$4,820,000	100%	Production and sales of machinery and related spare parts in the PRC

* Newly incorporated during the year

^ Not audited by Grant Thornton International member firms

Note:

(a) Ningbo Tokawa Precision is a wholly foreign owned enterprise established by Tokawa Precision (Overseas) Co. Limited in the PRC for a period of 10 years commencing from the date of issuance of its business licence on 18 July 2002.

(b) Tianjin Asian Way is a wholly foreign owned enterprise in the PRC for a period of 30 years commencing from the date of issuance of its business licence on 7 August 2002. On 16 November 2005, Well Spread entered into a sale and purchase agreement to acquire 42.5% interest in Asian Way which holds 100% interest in Tianjin Asian Way. The Company had nominated 3 out of 5 directors to the board of directors of Asian Way which resulted in the Company having the power to govern the financial and operating policies of Asian Way and Tianjin Asian Way (collectively known as "Asian Way Group") so as to obtain benefits from their activities. Asian Way Group are, therefore, considered by the directors of the Company as subsidiaries because Asian Way Group are controlled by the Company. The Group's control over Asian Way Group will cease once all outstanding indebtedness relating to the secured loan of RMB60.0 million (equivalent to HK$62.5 million as at 31 October 2007) granted by one of the Group's subsidiary is fully repaid by Asian Way. One of the directors nominated by the Group will then resign and Asian Way Group will cease to be subsidiaries of the Company due to the loss of control over Asian Way Group. Following that, Asian Way Group will become associated companies of the Company and the Group will account for Asian Way Group using the equity method of accounting.

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

17. INTEREST IN A JOINTLY CONTROLLED ENTITY — THE GROUP

	2007	2006
	HK$'000	*HK$'000*
Unlisted investment, at cost	**2,385**	2,385
Share of post-acquisition results	**(618)**	(767)
	1,767	1,618

As at 31 October 2007, the Group had interest in the following jointly controlled entity:

Company name	Place of 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

17. INTEREST IN A JOINTLY CONTROLLED ENTITY — THE GROUP (Continued)

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

	Year ended 31 October	
	2007	2006
	HK$'000	*HK$'000*
Share of jointly-controlled entity's results		
Income	**1,150**	373
Expenses	**(1,001)**	(873)

	As at 31 October	
	2007	2006
	HK$'000	*HK$'000*
Share of jointly-controlled entity's assets and liabilities		
Non-current assets	**31**	35
Current assets	**2,236**	1,766
Current liabilities	**(500)**	(183)
	1,767	1,618

18. DEFERRED TAX ASSETS

The following are deferred tax assets recognised and the movements during the year:

	Group					Company
	Provision for warranty	Provision for doubtful debts	Provision for slow-moving inventories	Tax loss	Total	Tax loss
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 November 2005	1,078	552	971	—	2,601	—
Debited to the consolidated income statement	(201)	—	(36)	—	(237)	—
Translation differences	—	28	30	—	58	—
At 31 October 2006 and 1 November 2006	877	580	965	—	2,422	—
(Debited)/credited to the consolidated income statement	(293)	23	127	370	227	370
Lower enacted tax rate used for the recognition of deferred tax	—	(148)	(63)	—	(211)	—
Translation differences	—	8	53	—	61	—
At 31 October 2007	**584**	**463**	**1,082**	**370**	**2,499**	**370**

At 31 October 2006, income tax rate of 33% was adopted in the calculation of deferred tax assets. As mentioned in note 7, deferred taxes as at 31 October 2007 that are expected to be utilised in year 2008 onwards have been provided at an enacted corporate tax rate of 25%. The effect of lower enacted tax rate used in the calculation of deferred tax amounting to approximately HK$211,000 has been debited to the income statement during the year ended 31 October 2007.

18. DEFERRED TAX ASSETS (Continued)

Deferred tax assets are recognised to the extent the realisation of related tax benefits through the future taxable profits is probable. As at 31 October 2007, the Group has tax losses arising in Hong Kong of HK$6,000 (2006: HK$2,224,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2007, the tax losses arising in the PRC was amounted to HK$6,832,000 (2006: Nil) which are available for offsetting against future taxable profits of the companies will expire in 2012. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 October 2007, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries (2006: Nil).

19. INVENTORIES — THE GROUP

	2007	2006
	HK$'000	*HK$'000*
Finished goods	**31,946**	18,276
Provision for slow-moving inventories	**(3,730)**	(2,905)
	28,216	15,371

20. ACCOUNTS RECEIVABLE — THE GROUP

The Group has a policy of allowing an average credit period of 90 days to its trade customers, except for one customer. This customer's repayment term is to pay (i) 70%-80% of the invoice amount to the Group one month after the invoice date; (ii) another 10% of the invoice amount to the Group three months or twelve months after the invoice date; and (iii) the remaining 10%-20% of the invoice amount to the Group after expiry of warranty period if no complaints are received in respect of the products sold to the customer. An ageing analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Outstanding balances with ages:		
Within 90 days	**23,805**	17,437
91 — 180 days	**12,862**	7,135
181 — 365 days	**2,389**	4,501
Over 365 days	**17,145**	15,963
	56,201	45,036
Provision for impairment	**(1,847)**	(1,756)
	54,354	43,280
Carrying amount analysed for reporting purposes as		
Non-current *(note (a))*	**12,208**	15,408
Current	**42,146**	27,872
	54,354	43,280

(a) The balance shall be payable by the customer at the expiry of warranty period of five years from the date of performance of installation services.

(b) Accounts receivable with carrying amount of approximately HK$15,414,000 (2006: HK$18,836,000) was pledged to secure a bank loan of the Group (note 29(c)).

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

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

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**10,491**	5,534	**33**	55
Bank deposits	**9,020**	12,920	**—**	—
	19,511	18,454	**33**	55
Less: Pledged bank deposits for performance bond facilities *(notes 29(a))*	**(9,020)**	(9,020)	**—**	—
Cash and cash equivalents	**10,491**	9,434	**33**	55
Pledged deposits analysed for reporting purposes as non-current	**9,020**	9,020	**—**	—

The effective interest rate of pledged bank deposits was 3.70% (2006: 3.68%) per annum as at 31 October 2007, which was the variable rate prevailing at the date of transaction. These deposits had maturity of 31 days and were pledged to bank to secure the Group's performance bond facilities. The pledge will not be released within twelve months from the balance sheet date.

At 31 October 2006, the effective interest rate of short-term bank deposits of HK$3,900,000 was 4.54% per annum, which was the variable rate prevailing at the date of transaction. These deposits had maturity of 8 days and were eligible for immediate cancellation without receiving any interest for the last deposit period.

23. ACCOUNTS AND BILLS PAYABLE — THE GROUP

An ageing analysis of accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Outstanding balances with ages:		
Within 90 days	**40,440**	17,912
91 — 180 days	**8,763**	6,012
181 — 365 days	**3**	3,057
Over 365 days	**452**	393
	49,658	27,374

24. PROVISION FOR WARRANTY — THE GROUP

	2007 *HK$'000*	2006 *HK$'000*
At the beginning of the year	**5,014**	6,161
Provision for the year	**—**	414
Less: Unused amounts reversed	**(1,350)**	(1,028)
Amounts credited to the consolidated income statement	**(1,350)**	(614)
	3,664	5,547
Less: Amounts utilised	**(325)**	(533)
At the end of the year	**3,339**	5,014
Portion classified as current liability	**(1,748)**	(1,762)
Portion classified as non-current liability	**1,591**	3,252

24. PROVISION FOR WARRANTY — THE GROUP (Continued)

The provision for warranty was made for warranties granted to the eligible vehicle owners for the free-of-charge materials and workmanship of particulate removal devices and accessories, up to a period of five years from the date of installation.

Provision for warranty was made on an accrual basis by reference to the directors' best estimates of the expenditure required to settle the obligations, and was charged to the consolidated income statement in the period in which the related sales are made. The level of provision required was assessed by the directors annually.

25. BANK LOANS – THE GROUP

	2007	2006
	HK$'000	*HK$'000*
Bank loans repayable within one year		
— Unsecured	**13,600**	14,600
— Secured	**13,400**	12,000
	27,000	26,600

Bank loans were denominated in Hong Kong Dollars with interest at variable rate of 1.8% over one month HIBOR, which was 6.4% (2006: 5.7%) per annum at 31 October 2007. These bank loans have maturity of one to two months. Further details of securities for secured bank loans were set out in note 29 to the financial statements.

26. LOANS FROM MINORITY SHAREHOLDERS

The amounts due were unsecured, interest-free and not repayable within twelve months from the balance sheet date.

In accordance with HKAS 39, borrowings are initially recognised at fair value and subsequently stated at amortised cost. The principal amount of the loans is HK$27,430,000 (2006: HK$18,680,000). The fair value of the loans was calculated by reference to a market interest rate ("MIR") for an equivalent loan. The aggregate fair value of the loans at the respective grant date was approximately HK$23,621,000 (2006: HK$14,871,000), which was calculated using cash flows discounted at MIR of 5.9% (2006: 5.9%) per annum. The residual amount of HK$3,809,000 (2006: HK$3,809,000), representing the value of capital contribution from the minority shareholders, was included in the equity of the consolidated financial statements.

27. SHARE CAPITAL

	2007 *HK$'000*	2006 *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
At the beginning of the year,		
649,540,000 (2006: 552,800,000) ordinary shares		
of HK$0.01 each	**6,495**	5,528
Exercise of share options	**—**	967
At the end of the year, 649,540,000 (2006: 649,540,000)		
ordinary shares of HK$0.01 each	**6,495**	6,495

In November 2005, 96,740,000 ordinary shares of HK$0.01 each were issued upon the exercise of share options. Further details are set out in note 13(a) to the financial statements. The exercise price was HK$0.01 each per option share and a total of approximately HK$967,000 was raised.

28. RESERVES

(a) Group

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

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

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

The capital contribution reserve of the Group represents the contribution made by a minority shareholder shared by the Group (note 33(b)).

28. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 November 2005	30,537	—	1,499	3,248	35,284
2005 final dividend declared	—	—	—	(3,248)	(3,248)
Profit for the year	—	—	5,531	—	5,531
2006 proposed final dividend	—	—	(3,248)	3,248	—
At 31 October 2006 and 1 November 2006	30,537	—	3,782	3,248	37,567
2006 final dividend declared	—	—	—	(3,248)	(3,248)
Profit for the year	—	—	5,663	—	5,663
Employee share-based compensation benefit *(note 13(b))*	—	376	—	—	376
2007 proposed final dividend	—	—	(3,248)	3,248	—
At 31 October 2007	**30,537**	**376**	**6,197**	**3,248**	**40,358**

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

29. BANKING FACILITIES — THE GROUP

As at 31 October 2007, certain of the Group's banking facilities were secured by the followings:

(a) bank deposits of the Group amounting to approximately HK$9,020,000 (2006: HK$9,020,000) (note 22);

(b) corporate guarantees executed by the Company; and

(c) assignment of certain of the Group's receivables (note 20(b)).

30. FINANCIAL GUARANTEE CONTRACTS — THE COMPANY

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

	2007	2006
	HK$'000	*HK$'000*
Guarantee for banking facilities granted to subsidiaries	**24,281**	21,041

31. PERFORMANCE BONDS — THE GROUP

The Group concluded totally 7 (2006: 7) non-exclusive contracts with the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region ("the Government"). Pursuant to the terms of the contracts, the Group has procured a bank to provide 7 (2006: 7) performance bonds with an aggregate amount of approximately HK$9 million (2006: HK$9 million) to the Government for the performance of supply and installation of particulate removal devices to reduce particulate from the pre-Euro emission standard diesel vehicles. The aforesaid performance bond facilities were secured by the Group's pledged bank deposits (note 29(a)).

32. OPERATING LEASE COMMITMENTS

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**918**	1,067
In the second to fifth years, inclusive	**177**	928
	1,095	1,995

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

The Company has no operating lease commitment as at 31 October 2007 (2006: Nil).

33. CAPITAL COMMITMENTS

(a) Capital commitments of the Group in respect of construction and development of a water supply plant are as follows:

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for	**—**	11,218

The Company has no capital commitment as at 31 October 2007 (2006: Nil).

33. CAPITAL COMMITMENTS (Continued)

(b) On 16 November 2005, the Group entered into a legally binding memorandum of understanding and a sale and purchase agreement (collectively known as the "Agreements") in relation to the acquisition of 42.5% interest in Asian Way. According to the Agreements, the total construction fee for the water supply plant was estimated to be RMB80 million and any excess sum of construction fee should be solely borne by Mr. Tang Hin Lun ("Mr. Tang"), the minority shareholder of Asian Way. As at 31 October 2007, the total construction fee for the water supply plant was approximately RMB110,350,000 (equivalent to HK$114,948,000).

A confirmation ("Confirmation") was signed by Mr. Tang to the Group on 22 January 2008 to confirm the amount agreed between the Group and Mr. Tang under the Agreements. Pursuant to the Confirmation, the construction fee borne by the Group was amounted to approximately RMB85,218,000 (equivalent to HK$88,769,000) and the remaining amount of approximately RMB25,132,000 (equivalent to HK$26,179,000) was solely borne by Mr. Tang and this amount was reported as "amount due from a minority shareholder" under current assets and "capital contribution reserve" under equity as it was contribution from Mr. Tang.

As at 31 October 2007, the Group has an amount due to the main contractor of the water supply plant of approximately RMB25,132,000 (equivalent to HK$26,179,000) which was included in the consolidated balance sheet as "other payable". Pursuant to the Confirmation, Mr. Tang will settle this balance on behalf of the Group as his settlement on the amount due from him of RMB25,132,000 (equivalent to HK$26,179,000).

34. BUSINESS COMBINATION

There was no business combination for the year. For the year ended 31 October 2006, the Group acquired its equity interest in Asian Way. The acquisition had been accounted for using the acquisition method of accounting.

The assets and liabilities arising from the acquisition as at the date of acquisition were as follows:

	Fair value and carrying amount at 31 December 2005 *HK$'000*
Net assets acquired	
Cash and cash equivalents	1,374
Property, plant and equipment	1,955
Deposits, prepayments and other receivables	15,883
Payables	(3,973)
Borrowings	(11,871)
Net assets	3,368
Minority interest	(1,937)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition on *(note (a))*	(1,427)
Total consideration	4
Purchase consideration settled in cash	(4)
Cash and cash equivalents in subsidiaries acquired	1,374
Cash inflow on acquisition	1,370

34. BUSINESS COMBINATION (Continued)

Notes:

(a) The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition arising on the acquisition on was attributable to the anticipated future costs arising in respect of construction of water supply plant.

(b) Since the acquisition, no revenue was generated from Asian Way for the year ended 31 October 2006. Asian Way had contributed loss of HK$1,997,000 to the Group's profit for the year ended 31 October 2006.

Had the acquisition been completed on 1 November 2005, the revenue and the profit for the year ended 31 October 2006 of the Group would have been HK$91,941,000 and HK$11,583,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 November 2005, nor it is intended to be a projection of future results.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risks, including changes in interests 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. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

(a) Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of account and other receivables, and amount due from a minority shareholder represent the Group's maximum exposure to credit risk in relation to its financial assets. These financial assets are actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group's purchases are denominated in Euros, Sterling Pounds, Japanese Yen and US Dollars. The sales of the Group are predominantly in RMB and Hong Kong Dollars. The Group does not hedge its foreign currency risks. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(c) Interest rate risk

The Group has no significant interest bearing assets except bank balances (note 22). The Group's interest rate risk arises from bank borrowings. The interest rates and terms of repayment are disclosed in note 25.

(d) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity. The fair values of non-current liabilities were not disclosed because their carrying value is not materially different from their fair value.

(e) Liquidity risk

The Group ensures that it maintains sufficient cash, which is available to meet its liquidity requirements.

36. RELATED PARTY TRANSACTIONS

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

	2007 *HK$'000*	2006 *HK$'000*
Salaries, allowances and benefits in kind	**2,150**	2,638
Bonuses	**1,004**	—
Post-employment benefits	**60**	54
Employee share-based payment	**100**	—
	3,314	2,692

37. PLEDGE OF SHARES OF ASIAN WAY HELD BY MINORITY SHAREHOLDER

Pursuant to the agreements entered into on 16 November 2005 with Mr. Tang, 3,750 shares of Asian Way held by Mr. Tang, which represents 37.5% equity interest in Asian Way, were pledged to Well Spread as security on a loan facility of not exceeding RMB60.0 million (equivalent to HK$62.5 million as at 31 October 2007) granted to Asian Way by a subsidiary of the Group.

38. SUBSEQUENT EVENT

Pursuant to the announcement of the Company dated 17 January 2008, the board of directors (the "Board") of the Company announced that Mr. SHAH resigned as an executive director and chairman of the Company with effect from 17 January 2008 to concentrate on his own personal affairs. Mr. NG would act as the acting chairman of the Company with effect from the same day.

Mr. SHAH confirmed to the Board that he had no disagreement with the Board and there were no matters regarding his resignation which need to be brought to the attention of the shareholders of the Company. The Board has assessed the impact of Mr. SHAH's resignation and concluded that his resignation would have no significant impact to the Group's operational and financial activities or the future prospects.

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	31 October				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**115,909**	91,941	93,381	106,378	104,039
Cost of sales	**(90,123)**	(65,312)	(59,447)	(73,735)	(69,213)
Gross profit	**25,786**	26,629	33,934	32,643	34,826
Other income	**617**	2,191	642	313	353
Selling expenses	**(3,329)**	(2,884)	(2,443)	(2,265)	(1,695)
Administrative expenses	**(12,437)**	(13,692)	(10,655)	(10,954)	(10,026)
Other operating income/(expenses)	**1,350**	614	1,682	(2,459)	(7,621)
Profit from operations	**11,987**	12,858	23,160	17,278	15,837
Finance costs	**(387)**	—	—	—	—
Share of profit/(loss) of a jointly controlled entity	**149**	(500)	(267)	—	—
Taxation	**(225)**	(696)	(704)	906	(2,851)
Profit for the year	**11,524**	11,662	22,189	18,184	12,986

SUMMARY OF FINANCIAL INFORMATION

ASSETS AND LIABILITIES

	31 October				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**149,434**	109,282	29,647	16,151	13,267
Current assets	**114,892**	59,540	72,239	82,823	83,802
Current liabilities	**110,713**	62,630	22,771	33,680	44,914
Net current assets/(liabilities)	**4,179**	(3,090)	49,468	49,143	38,888
Non-current liabilities	**26,736**	18,885	4,675	4,889	3,577
Net assets	**126,877**	87,307	74,440	60,405	48,578

Notes:

1. The consolidated results of the Group for the years ended 31 October 2003, 2004 and 2005 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 2006 and 2007 are as set out on page 32 of the audited financial statements.

2. The consolidated balance sheets as at 31 October 2003, 2004 and 2005 are as set out in the annual reports of the Company for those years. The consolidated balance sheets as at 31 October 2006 and 2007 are as set out on page 33 of the audited financial statements.