



ECO-TEK HOLDINGS LIMITED

環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8169)

FINAL RESULTS ANNOUNCEMENT

For the year ended 31 October 2010

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospectus 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.

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This announcement, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purpose only

SUMMARY

- Turnover for the year ended 31 October 2010 amounted to approximately HK\$182 million (2009: HK\$129 million), representing an increase of approximately 41% as compared with preceding year.
- Profit attributable to equity holders of the Company for the year ended 31 October 2010 amounted to approximately HK\$13.1 million (2009: HK\$8.8 million) which represented approximately 49% increase as compared with last year.
- Basic earnings per share for the year ended 31 October 2010 amounted to approximately HK2.02 cents (2009: HK1.35 cents). No diluted earnings per share for the two years ended 31 October 2010 and 2009.

CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 October 2010 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Revenue	5	182,304	129,236
Cost of sales		(140,770)	(102,873)
Gross profit		41,534	26,363
Other income		925	5,092
Selling expenses		(2,890)	(2,291)
Administrative expenses		(21,756)	(19,008)
Other operating income		204	809
Profit from operations	6	18,017	10,965
Finance costs		(1,144)	(1,294)
Share of profit of a jointly controlled entity		318	972
Profit before taxation		17,191	10,643
Taxation	7	(3,610)	(1,936)
Profit for the year		13,581	8,707
Other comprehensive income for the year			
Exchange gain/(loss) on translation of financial statements of foreign operations		1,810	(2,723)
Total comprehensive income for the year		15,391	5,984
Profit for the year attributable to:			
Equity holders of the Company		13,145	8,786
Non-controlling interests		436	(79)
		13,581	8,707
Total comprehensive income for the year attributable to:			
Equity holders of the Company		13,945	7,060
Non-controlling interests		1,446	(1,076)
		15,391	5,984
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic	9	HK2.02 cents	HK1.35 cents
— Diluted		N/A	N/A
Dividends	8	3,897	1,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		133,148	130,814
Interest in leasehold land		5,464	5,462
Interest in a jointly controlled entity		2,910	2,592
Deferred tax assets		1,839	927
Accounts receivable	10	—	2,763
Pledged bank deposits		9,020	9,020
		<u>152,381</u>	<u>151,578</u>
Current assets			
Inventories		43,158	27,390
Accounts receivable	10	42,506	37,560
Deposits, prepayments and other receivables		7,638	9,481
Tax recoverable		1,755	1,755
Cash and cash equivalents		27,603	11,214
		<u>122,660</u>	<u>87,400</u>
Current liabilities			
Accounts and bills payable	11	56,804	42,987
Accrued liabilities and other payables		18,345	7,561
Provision for warranty		—	482
Loan from a shareholder		—	3,500
Provision for tax		3,140	1,548
Bank loans		8,514	8,664
		<u>86,803</u>	<u>64,742</u>
Net current assets		<u>35,857</u>	<u>22,658</u>
Total assets less current liabilities		<u>188,238</u>	<u>174,236</u>
Non-current liabilities			
Loan from a third party		14,779	—
Deferred tax liabilities		7,423	7,423
Loans from minority shareholders		9,526	23,745
		<u>31,728</u>	<u>31,168</u>
Net assets		<u>156,510</u>	<u>143,068</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
Exchange translation reserve		10,825	8,023
Capital contribution reserve		7,971	7,971
Share option reserve		—	326
Retained profits		102,283	87,376
Proposed final dividend	8	3,897	1,949
		<u>151,152</u>	<u>131,821</u>
Non-controlling interests		<u>5,358</u>	<u>11,247</u>
Total equity		<u>156,510</u>	<u>143,068</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2010

	Equity attributable to equity holders of the Company								Non-	Total	
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Capital contribution reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	controlling interests HK\$'000	equity HK\$'000
At 1 November 2008	6,495	19,586	95	9,749	11,126	326	80,539	3,897	131,813	16,591	148,404
Exchange difference recognised directly in equity	—	—	—	(1,726)	—	—	—	—	(1,726)	(997)	(2,723)
Profit for the year	—	—	—	—	—	—	8,786	—	8,786	(79)	8,707
Total comprehensive income for the year	—	—	—	(1,726)	—	—	8,786	—	7,060	(1,076)	5,984
Deferred taxation	—	—	—	—	(3,155)	—	—	—	(3,155)	(4,268)	(7,423)
2008 final dividend declared	—	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
2009 proposed final dividend	—	—	—	—	—	—	(1,949)	1,949	—	—	—
At 31 October 2009 and 1 November 2009	6,495	19,586	95	8,023	7,971	326	87,376	1,949	131,821	11,247	143,068
Exchange difference recognised directly in equity	—	—	—	800	—	—	—	—	800	1,010	1,810
Profit for the year	—	—	—	—	—	—	13,145	—	13,145	436	13,581
Total comprehensive income for the year	—	—	—	800	—	—	13,145	—	13,945	1,446	15,391
Reversal on expiry of share-based compensation benefit	—	—	—	—	—	(326)	326	—	—	—	—
Further acquisition of 37.5% share of a subsidiary from a minority shareholder	—	—	—	2,002	—	—	5,333	—	7,335	(7,335)	—
2009 final dividend declared	—	—	—	—	—	—	—	(1,949)	(1,949)	—	(1,949)
2010 proposed final dividend	—	—	—	—	—	—	(3,897)	3,897	—	—	—
At 31 October 2010	6,495	19,586	95	10,825	7,971	—	102,283	3,897	151,152	5,358	156,510

Notes:

1. GENERAL INFORMATION

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The Company’s shares are listed on the Growth Enterprises Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 5 December 2001.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the PRC whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 November 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

The adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

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

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group’s financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 October 2009.

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

It should be noted that accounting estimates and assumptions are used in preparation of the 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.

4. SEGMENT INFORMATION

The executive directors have identified the Group's four services lines as reportable segments as follows:

General environmental protection related products and services	:	Sale of particulate removal devices and related ancillary services
Production of machines	:	Manufacturing and sale of plastic injection moulding machine and other related accessories
Industrial environmental products	:	Sale of hydraulic components and other related accessories
Water Supply Plant	:	Supply of processed water in the PRC

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

	General environmental protection related products and services		Production of machines		Industrial environmental products		Water supply plant		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue from external customers	933	541	9,706	6,005	155,153	112,027	16,512	10,663	182,304	129,236
Reportable segment revenue	933	541	9,706	6,005	155,153	112,027	16,512	10,663	182,304	129,236
Reporting segment profit/(loss)	4	(88)	(1,590)	(1,732)	35,380	23,489	4,850	2,403	38,644	24,072
Interest income	23	41	—	—	13	9	18	—	54	50
Depreciation and amortisation	(172)	(165)	(1,533)	(624)	(215)	(272)	(6,442)	(6,262)	(8,362)	(7,323)
(Provision)/Write back for slow-moving inventories	17	81	(1,162)	—	(281)	145	—	—	(1,426)	226
Reportable segment assets	18,924	19,272	42,362	31,612	76,886	58,561	130,231	124,098	268,403	233,543
Additions to non-current segment assets	90	24	1,748	13,208	81	43	5,935	286	7,854	13,561
Reportable segment liabilities	9,306	8,831	4,465	4,499	64,022	44,828	5,562	4,252	83,355	62,410

4. SEGMENT INFORMATION *(continued)*

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment revenue	<u>182,304</u>	<u>129,236</u>
Group revenue	<u><u>182,304</u></u>	<u><u>129,236</u></u>
Reportable segment profit	38,644	24,072
Other corporate expenses	(20,627)	(13,107)
Finance costs	(1,144)	(1,294)
Share of profit from a jointly controlled entity	<u>318</u>	<u>972</u>
Profit before taxation	<u><u>17,191</u></u>	<u><u>10,643</u></u>
Reportable segment assets	268,403	233,543
Interest in a jointly controlled entity	2,910	2,592
Other corporate assets	<u>3,728</u>	<u>2,843</u>
Group assets	<u><u>275,041</u></u>	<u><u>238,978</u></u>
Reportable segment liabilities	83,355	62,410
Other corporate liabilities	<u>35,176</u>	<u>33,500</u>
Group liabilities	<u><u>118,531</u></u>	<u><u>95,910</u></u>

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

	Revenue from external customers		Non-current assets	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong (domicile)	15,785	25,134	9,648	12,678
PRC	165,358	100,458	140,886	137,969
Other	<u>1,161</u>	<u>3,644</u>	<u>8</u>	<u>4</u>
	<u><u>182,304</u></u>	<u><u>129,236</u></u>	<u><u>150,542</u></u>	<u><u>150,651</u></u>

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

4. SEGMENT INFORMATION *(continued)*

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 2009 and 2010.

5. REVENUE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of goods	165,792	118,573
Supply of water	16,512	10,663
	<u>182,304</u>	<u>129,236</u>

6. PROFIT FROM OPERATIONS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Auditors' remuneration	500	440
Amortisation of interest in leasehold land	121	118
Bad debts written off	—	45
Cost of inventories sold*	118,578	88,766
Depreciation	8,241	7,205
Exchange losses, net	3,203	986
Gain on disposal of property, plant and equipment	(6)	—
Operating lease charges in respect of land and buildings	1,674	2,002
Provision/(Write back) for slow-moving inventories	1,426	(226)
Write back of provision for accounts receivable	—	(2,001)
Write back of provision for warranty, net**	(204)	(809)
Staff costs (including directors' remuneration)		
— Wages and salaries	13,518	9,317
— Pension scheme contributions	157	143
	<u>13,675</u>	<u>9,460</u>
Interest income	<u>(54)</u>	<u>(50)</u>

* The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK\$14,081,000 (2009: HK\$9,944,000), relating to direct staff costs, depreciation, provision for 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 statement of comprehensive income.

7. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax		
— Hong Kong		
Tax for the year	1,601	40
Under provision in respect of prior years	<u>2,783</u>	<u>136</u>
	4,384	176
— The PRC		
Tax for the year	<u>126</u>	<u>950</u>
	4,510	1,126
Deferred tax	<u>(900)</u>	<u>810</u>
Total income tax	<u><u>3,610</u></u>	<u><u>1,936</u></u>

Hong Kong profits tax has been provided for at 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

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.

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 25% on operating expenses for the year (2009: 25%).

Ningbo Tokawa Precision Hydraulic Components Co. Ltd. (寧波東川精確液壓設備有限公司), a wholly-owned 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 25% on the estimated assessable profits arising in the PRC for the year (2009: 25%).

Dongguan Kangli Machinery Co. Ltd. (東莞康力機械有限公司), 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. PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC after the aforesaid tax holiday.

Tianjin Asian Way Estate Development Co., Ltd. (天津華永房地產開發有限公司), 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 25% on the estimated assessable profits arising in the PRC for the year (2009: 25%).

7. TAXATION (Continued)

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 2003. No Macau complementary profits tax was provided for the years ended 31 October 2009 and 2010 as this subsidiary was inactive during the years.

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 for the year ended 31 October 2010 (2009: Nil).

8. DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Proposed final dividend of HK0.60 cent (2009: HK0.30 cent) per ordinary share	<u>3,897</u>	<u>1,949</u>

The above final dividend was proposed after the reporting date and has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the years ended 31 October 2009 and 2010.

The proposed final dividend for the year ended 31 October 2010 is based on the 649,540,000 ordinary shares in issue as at 31 October 2010. The aforesaid 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 2009 was proposed on 21 January 2010. The proposed amount was based on 649,540,000 ordinary shares in issue as at 31 October 2009.

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\$13,145,000 (2009: HK\$8,786,000) and the weighted average of 649,540,000 (2009: 649,540,000) ordinary shares in issue during the year.

No diluted earnings per share is calculated for the years ended 31 October 2009 and 2010 since the exercise price of the Company's options was higher than the average market price for the years.

10. ACCOUNTS RECEIVABLE

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

The Group has a policy of allowing an average credit period of 90 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 classified as current portion as at the reporting date, based on invoice date, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	30,779	22,999
91 — 180 days	9,004	5,089
181 — 365 days	2,339	9,151
Over 365 days	384	321
	<u>42,506</u>	<u>37,560</u>
Provision for impairment	—	—
Included in current assets	<u>42,506</u>	<u>37,560</u>
Carrying amount analysed for reporting purposes as		
— Current	42,506	37,560
— Non-current (<i>note (a)</i>)	—	2,763
	<u>42,506</u>	<u>40,323</u>

- (a) The balance shall be payable by the Environmental Protection Department of the Government 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\$6,068,000 (2009: HK\$8,664,000) was pledged to secure a bank loan of the Group.

11. ACCOUNTS AND BILLS PAYABLE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	47,898	27,480
91 — 180 days	6,831	11,367
181 — 365 days	95	2,047
Over 365 days	1,980	2,093
	<u>56,804</u>	<u>42,987</u>

12. SHARE CAPITAL

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Authorised: 5,000,000,000 (2009: 5,000,000,000) ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid: 649,540,000 (2009: 649,540,000) ordinary shares of HK\$0.01 each	<u>6,495</u>	<u>6,495</u>

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

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

As at 31 October 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debt on a collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(b) Foreign currency risk

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

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.

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

	Assets		Liabilities	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Japanese Yen ("JPY")	589	3,414	32,306	26,492
Sterling Pounds ("GBP")	3,563	2,572	2,767	1,742
US Dollars ("USD")	11,641	5,888	6,861	1,962
Euro ("EUR")	45	12	10,409	138
Renminbi ("RMB")	5,727	4,667	—	—

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency sensitivity analysis

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

	2010					2009				
	HK\$'000					HK\$'000				
	USD	EUR	JPY	RMB	GBP	USD	EUR	JPY	RMB	GBP
Increase/decrease in foreign exchange rate	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%	+/-5%
Effect on profit for the year and retained earnings	219	(433)	(1,705)	217	35	175	(5)	(1,064)	177	34

(d) Interest rate risk

The Group has no significant interest bearing assets except bank balances. The Group borrows bank loans with floating interest rates. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's cash flow interest rate risk is minimal.

(e) Liquidity risk

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

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

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

	Less than 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
As at 31 October 2010					
Accounts and bills payable	47,898	8,906	—	56,804	56,804
Accrued liabilities and other payables	7,904	—	—	7,904	7,904
Bank loans	8,514	—	—	8,514	8,514
Loan from a third party	—	—	14,779	14,779	14,779
Loan from a minority shareholder	—	—	9,526	9,526	9,526
	<u>64,316</u>	<u>8,906</u>	<u>24,305</u>	<u>97,527</u>	<u>97,527</u>
As at 31 October 2009					
Accounts and bills payable	27,480	15,507	—	42,987	42,987
Accrued liabilities and other payables	5,754	—	—	5,754	5,754
Bank loans	—	8,664	—	8,664	8,664
Loan from a shareholder	—	3,500	—	3,500	3,500
Loan from a minority shareholder	—	—	23,745	23,745	23,745
	<u>33,234</u>	<u>27,671</u>	<u>23,745</u>	<u>84,650</u>	<u>84,650</u>

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Group		
Financial assets		
Loans and receivable:		
— Accounts receivable	42,506	40,323
— Deposits and other receivables	5,077	7,228
Pledged bank deposits	9,020	9,020
Cash and cash equivalents	27,603	11,214
	<u>84,206</u>	<u>67,785</u>
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	56,804	42,987
— Accrued liabilities and other payables	7,904	5,754
— Bank loans	8,514	8,664
— Loan from a shareholder	—	3,500
— Loan from a third party	14,779	—
— Loan from a minority shareholder	9,526	23,745
	<u>97,527</u>	<u>84,650</u>
Company		
Financial assets		
Loans and receivable:		
— Deposits and other receivables	5	1
— Amounts due from subsidiaries	44,201	53,604
Cash and cash equivalents	69	91
	<u>44,275</u>	<u>53,696</u>
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	271	266
— Amounts due to subsidiaries	12,749	23,255
	<u>13,020</u>	<u>23,521</u>

DIVIDEND

The directors recommend the payment of a final dividend of HK0.60 cent (2009: HK0.30 cent).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the year ended 31 October 2010 was HK\$182 million, an increase of 41% as compared with the last corresponding year (2009: HK\$129 million). It was mainly due to the increase in the business of industrial environmental products.

The Group recorded a net profit attributable to equity shareholders of the Company was approximately HK\$13.1 million (2009: HK\$8.8 million).

Gross margin

Gross profit for the year ended 31 October 2010 was HK\$41.5 million, representing an increase of 58% as compared with the last corresponding year (2009: HK\$26.3 million). The gross profit margin was 22.8% for the year ended 31 October 2010, representing an increase of 2.4% as compared with the last corresponding year (2009: 20.4%).

Expenses

The Group's administrative expenses for the year ended 31 October 2010 was HK\$21.8 million, representing an increase of 15% compared with the last corresponding year (2009: HK\$19 million). The Group's selling expenses for the year ended 31 October 2010 was HK\$2.9 million, representing an increase of 26% compared with the last corresponding year (2009: HK\$2.3 million). The Group's finance costs for the year ended was HK\$1.1 million, representing a decrease of 15% compared with the last corresponding year (2009: HK\$1.3 million).

Working capital management

As at 31 October 2010, the Group maintained bank balances and cash of approximately HK\$36.6 million (31 October 2009: HK\$20.2 million). The Group's average inventory turnover was about 91 days (31 October 2009: 112 days). The Group's average accounts receivable turnover was about 86 days (31 October 2009: 133 days).

Business Review

The Group is continuously engaged in the marketing, sales, servicing, research and development of environmental protection and quality health related products and services.

The Group had successfully recovered the turnover of the industrial environmental products to the pre-financial crisis. The demand of the industrial environmental products in both the machinery and the construction industries is increase rapidly in this financial year. In addition, the Group has established the Tokawa Precision Hydraulic Retail Shops in Foshan and Changsha in fourth quarter of 2010 in order to achieve higher market penetration of the industrial environmental protection related products in PRC.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City. During the financial year, the Group had completed the construction of new water supply pipes for the newly developed commercial and residential area in the Baodi District of Tainjin City. As a result, the revenue contributed by the plant in the second half of the financial year is increase gradually.

Since the purchases of the Group are mainly denominated in Japanese Yen, United States Dollars and Sterling Pounds, the Group expect the volatility of the foreign exchange currencies will continue to have adverse effect to the business and operation in the coming year. To reduce the effect of the appreciation of Japanese yen, the Group had negotiated with the suppliers for further discounts during the year.

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

As at 31 October 2010, 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 Securities and Future 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:

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 2010 were as follows:

Name	Date of grant	Exercise period	Numbers of Options Outstanding as at 1 November 2009	Number of Options expired during the period	Number of options outstanding as at 31 October 2010	Exercise price per share HK\$
<i>Executive Director and Chief Executive Officer</i>						
Mr. NG Chi Fai	13/8/2007	13/8/2007-12/8/2010	500,000	500,000	—	0.350
<i>Non-Executive Director and Chairman</i>						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007-1/10/2010	500,000	500,000	—	0.235
<i>Independent Non-Executive Directors</i>						
Ms. CHAN Siu Ping Rosa	2/4/2007	2/10/2007-1/10/2010	500,000	500,000	—	0.235
Mr. TAKEUCHI Yutaka	2/4/2007	2/10/2007-1/10/2010	500,000	500,000	—	0.235
Professor NI Jun	2/4/2007	2/10/2007-1/10/2010	500,000	500,000	—	0.235
			2,500,000	2,500,000	—	

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

As at 31 October 2010, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' 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 2010, 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 2010
<i>Substantial shareholders</i>			
Cititrust (Cayman) Limited	Through a unit trust and controlled corporation	344,941,200	53.11
Wide Sky Management (PTC) Limited	Through a controlled corporation	344,941,200	53.11
Team Drive Limited	Directly beneficially owned	344,941,200	53.11
The Hong Kong Polytechnic University	Through a controlled corporation	66,410,800	10.23
Advanced New Technology Limited	Directly beneficially owned	66,410,800	10.23
BOS Trust Company (Jersey) Limited	Through a controlled corporation	44,224,000	6.81
Crayne Company Limited	Directly beneficially owned	44,224,000	6.81
<i>Other shareholder</i>			
Mr. Lee Wai Man	Directly beneficially owned	35,620,000	5.49

Notes:

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year ended 31 October 2010. The Company had not redeemed any of its listed securities during the year ended 31 October 2010.

CODE OF CORPORATE GOVERNANCE PRACTICES

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 2010. 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.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during year ended 31 October 2010.

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 controls system of the Group. The audit committee comprises four members, Ms. Chan Siu Ping Rosa, Mr. TAKEUCHI Yutaka, Professor NI Jun and Mr. CHAU Kam Wing Donald, 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, 4 meetings were held during the year ended 31 October 2010 to review the operations.

The Group's results for the year ended 31 October 2010 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.

As at the date of this announcement, the directors of the Company are as follows:

Executive directors:

Mr. Ng Chi Fai (*Chief Executive Officer*)

Mr. Kwok Tsun Kee

Non-executive directors:

Ms. Hui Wai Man Shirley (*Chairman*)

Dr. Lui Sun Wing

Independent non-executive directors:

Mr. Chau Kam Wing Donald

Ms. Chan Siu Ping Rosa

Mr. Takeuchi Yutaka

Professor Ni Jun

By Order of the Board
Eco-Tek Holdings Limited
Hui Wai Man Shirley
Chairman

Hong Kong, 20 January 2011

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its publication.