



## **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 2012**

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

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

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

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

\* For identification purpose only

## SUMMARY

- Turnover for the year ended 31 October 2012 amounted to approximately HK\$120.9 million (2011: HK\$182.0 million), representing a decrease of approximately 33.6% as compared with preceding year.
- Loss attributable to owners of the Company for the year ended 31 October 2012 amounted to approximately HK\$9.1 million while profits attributable to equity holders of the Company for the year ended 31 October 2011 amounted to approximately HK\$5.8 million.
- Basic loss per share for the year ended 31 October 2012 amounted to approximately HK1.40 cents while basic earnings per share for the year ended 31 October 2011 amounted to approximately HK0.89 cent.

## 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 2012 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 October 2012*

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>120,929</b>	181,959
Cost of sales		<u>(96,282)</u>	<u>(147,757)</u>
<b>Gross profit</b>		<b>24,647</b>	34,202
Other income		<b>1,214</b>	2,915
Selling expenses		<b>(4,228)</b>	(4,685)
Administrative expenses		<b>(22,530)</b>	(21,956)
Other operating expenses		<u>(7,262)</u>	<u>(1,124)</u>
<b>(Loss)/profit from operations</b>	5	<b>(8,159)</b>	9,352
Finance costs		<b>(89)</b>	(95)
Share of profit/(loss) of a jointly controlled entity		<u>208</u>	<u>(692)</u>
<b>(Loss)/profit before taxation</b>		<b>(8,040)</b>	8,565
Taxation	6	<u>(851)</u>	<u>(2,344)</u>
<b>(Loss)/profit for the year</b>		<b>(8,891)</b>	6,221
<b>Other comprehensive income for the year</b>			
Exchange gain on translation of financial statements of foreign operations		<b>1,278</b>	8,209
Share of other comprehensive income of a jointly controlled entity		<u>601</u>	<u>–</u>
<b>Total comprehensive income for the year</b>		<u><b>(7,012)</b></u>	<u>14,430</u>

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(9,095)</b>	5,802
Non-controlling interests		<b>204</b>	419
		<u><b>(8,891)</b></u>	<u>6,221</u>
<b>Total comprehensive income</b>			
<b>for the year attributable to:</b>			
Owners of the Company		<b>(7,468)</b>	13,055
Non-controlling interests		<b>456</b>	1,375
		<u><b>(7,012)</b></u>	<u>14,430</u>
<b>(Loss)/earnings per share for (loss)/profit</b>			
<b>attributable to owners of the Company</b>			
<b>during the year</b>			
— Basic	8	<b>(HK1.40) cents</b>	HK0.89 cent
— Diluted		<u><b>N/A</b></u>	<u>N/A</u>
Dividends	7	<u><b>—</b></u>	<u>1,299</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		126,421	136,214
Interest in leasehold land		5,570	5,618
Interest in a jointly controlled entity		3,027	2,218
Deferred tax assets		1,250	1,435
Pledged bank deposits		9,020	9,020
		<u>145,288</u>	<u>154,505</u>
<b>Current assets</b>			
Inventories		38,288	49,028
Accounts receivable	9	26,414	34,842
Deposits, prepayments and other receivables		10,435	8,013
Tax recoverable		3,270	1,755
Cash and bank balances		7,956	11,642
		<u>86,363</u>	<u>105,280</u>
<b>Current liabilities</b>			
Accounts and bills payable	10	27,425	42,259
Accrued liabilities and other payables		16,289	14,861
Loan from a third party		7,440	–
Bank overdraft		1,287	–
Provision for tax		1,770	3,894
		<u>54,211</u>	<u>61,014</u>
<b>Net current assets</b>		<u>32,152</u>	<u>44,266</u>
<b>Total assets less current liabilities</b>		<u>177,440</u>	<u>198,771</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,423	7,423
Loan from a third party		1,759	14,779
Loans from a minority shareholder		9,526	9,526
		<u>18,708</u>	<u>31,728</u>
Net assets		<u>158,732</u>	<u>167,043</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
Exchange translation reserve		19,705	18,078
Capital contribution reserve		7,971	7,971
Retained profits		97,691	106,786
Proposed final dividend	7	–	1,299
		<u>151,543</u>	<u>160,310</u>
<b>Non-controlling interests</b>		<u>7,189</u>	<u>6,733</u>
<b>Total equity</b>		<u>158,732</u>	<u>167,043</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the year ended 31 October 2012*

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Retained profits	Proposed final dividend			
	HK\$'000 (Note 11)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At 1 November 2010</b>	6,495	19,586	95	10,825	7,971	102,283	3,897	151,152	5,358	156,510
Other comprehensive income	-	-	-	7,253	-	-	-	7,253	956	8,209
Profit for the year	-	-	-	-	-	5,802	-	5,802	419	6,221
Total comprehensive income for the year	-	-	-	7,253	-	5,802	-	13,055	1,375	14,430
2010 final dividend declared	-	-	-	-	-	-	(3,897)	(3,897)	-	(3,897)
2011 proposed final dividend	-	-	-	-	-	(1,299)	1,299	-	-	-
<b>At 31 October 2011 and 1 November 2011</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>18,078</b>	<b>7,971</b>	<b>106,786</b>	<b>1,299</b>	<b>160,310</b>	<b>6,733</b>	<b>167,043</b>
Other comprehensive income	-	-	-	1,627	-	-	-	1,627	252	1,879
(Loss)/profit for the year	-	-	-	-	-	(9,095)	-	(9,095)	204	(8,891)
Total comprehensive income for the year	-	-	-	1,627	-	(9,095)	-	(7,468)	456	(7,012)
2011 final dividend declared	-	-	-	-	-	-	(1,299)	(1,299)	-	(1,299)
<b>At 31 October 2012</b>	<b>6,495</b>	<b>19,586</b>	<b>95</b>	<b>19,705</b>	<b>7,971</b>	<b>97,691</b>	<b>-</b>	<b>151,543</b>	<b>7,189</b>	<b>158,732</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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 GEM of 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\$.

The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institutes of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules.

### 2. ADOPTION OF NEW OR AMENDED 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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 1	First-time adoption of HKFRSs — Severe Hyper inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HK(IFRIC)- Interpretation 14	Prepayments of a Minimum Funding Requirement
HKAS 24 (Revised)	Related Party Disclosure
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets

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 2011.

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 judgment of current events and actions, actual results may ultimately differ from those estimates.

#### 4. REVENUE AND SEGMENT REPORTING

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

	<b>2012</b> <b>HK\$'000</b>	2011 <b>HK\$'000</b>
Sales of goods	<b>100,337</b>	161,464
Supply of water	<b>20,592</b>	20,495
	<b><u>120,929</u></b>	<b><u>181,959</u></b>

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

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

	General environmental protection related products and services		Production of machines		Industrial environmental products		Water supply plant		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue from external customers	<u>1,197</u>	1,208	<u>6,717</u>	9,903	<u>92,423</u>	150,353	<u>20,592</u>	20,495	<u>120,929</u>	181,959
<b>Reportable segment revenue</b>	<b><u>1,197</u></b>	<b>1,208</b>	<b><u>6,717</u></b>	<b>9,903</b>	<b><u>92,423</u></b>	<b>150,353</b>	<b><u>20,592</u></b>	<b>20,495</b>	<b><u>120,929</u></b>	<b>181,959</b>
<b>Reportable segment profit/(loss)</b>	<b><u>214</u></b>	<b>216</b>	<b><u>(4,141)</u></b>	<b>(4,832)</b>	<b><u>19,732</u></b>	<b>28,835</b>	<b><u>4,613</u></b>	<b>5,298</b>	<b><u>20,418</u></b>	<b>29,517</b>
Interest income	1	2	–	–	58	45	9	9	68	56
Depreciation and amortisation	(145)	(168)	(1,704)	(1,498)	(220)	(212)	(7,124)	(6,781)	(9,193)	(8,659)
Impairment loss on property, plant and equipment	–	–	(3,429)	–	–	–	–	–	(3,429)	–
Write-down of inventories	–	–	(2,960)	–	–	–	–	–	(2,960)	–
(Provision for)/Write back slow-moving inventories	–	1	43	(514)	(429)	529	–	–	(386)	16
<b>Reportable segment assets</b>	<b>9,809</b>	<b>9,599</b>	<b>37,385</b>	<b>45,503</b>	<b>50,743</b>	<b>71,091</b>	<b>125,807</b>	<b>128,020</b>	<b>223,744</b>	<b>254,213</b>
Additions to non-current segment assets	420	22	80	3,259	29	257	253	1,546	782	5,084
Reportable segment liabilities	<u>404</u>	<u>535</u>	<u>838</u>	<u>995</u>	<u>33,880</u>	<u>48,995</u>	<u>9,201</u>	<u>6,094</u>	<u>44,323</u>	<u>56,619</u>

#### 4. REVENUE AND SEGMENT REPORTING (Continued)

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Reportable segment revenue	<u>120,929</u>	<u>181,959</u>
Group revenue	<u><u>120,929</u></u>	<u><u>181,959</u></u>
Reportable segment profit	<b>20,418</b>	29,517
Other corporate expenses	<b>(28,577)</b>	(20,165)
Finance costs	<b>(89)</b>	(95)
Share of profit/(loss) from a jointly controlled entity	<u><b>208</b></u>	<u>(692)</u>
(Loss)/profit before taxation	<u><b>(8,040)</b></u>	<u>8,565</u>
Reportable segment assets	<b>223,744</b>	254,213
Interest in a jointly controlled entity	<b>3,027</b>	2,218
Other corporate assets	<u><b>4,880</b></u>	<u>3,354</u>
Group assets	<u><u><b>231,651</b></u></u>	<u><u>259,785</u></u>
Reportable segment liabilities	<b>44,323</b>	56,619
Other corporate liabilities	<u><b>28,596</b></u>	<u>36,123</u>
Group liabilities	<u><u><b>72,919</b></u></u>	<u><u>92,742</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:

	<b>Revenue from</b>		<b>Non-current assets</b>	
	<b>external customers</b>			<b>Non-current assets</b>
	<b>2012</b>	2011	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile)	<b>29,092</b>	16,073	<b>2,969</b>	445
PRC	<b>84,211</b>	165,886	<b>128,509</b>	143,587
Other	<u><b>7,626</b></u>	<u>–</u>	<u><b>3,540</b></u>	<u>18</u>
	<u><u><b>120,929</b></u></u>	<u><u>181,959</u></u>	<u><u><b>135,018</b></u></u>	<u><u>144,050</u></u>

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

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 2011 and 2012.



## 5. (LOSS)/PROFIT FROM OPERATIONS

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	540	520
— Under-provision in prior year	–	134
Amortisation of interest in leasehold land	130	124
Bad debts written off	258	251
Cost of inventories sold*	72,745	124,645
Depreciation of property, plant and equipment	9,063	8,535
Exchange losses, net	167	764
Gain on disposal of property, plant and equipment	(40)	(50)
Impairment loss on property, plant and equipment**	3,429	–
Write-down of inventories**	2,960	–
Operating lease charges in respect of land and buildings	1,911	1,719
Provision for/(write back of) slow-moving inventories	386	(16)
(Reversal of)/provision for impairment of accounts receivable	(265)	256
Staff costs (including directors' remuneration)		
— Wages and salaries	13,272	12,908
— Pension scheme contributions	178	177
	<u>13,450</u>	<u>13,085</u>
Interest income	<u>(68)</u>	<u>(56)</u>

\* The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK\$9,173,000 (2011: HK\$11,074,000), 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.

\*\* Impairment loss on property, plant and equipment and write-down of inventories are included in other operating expenses for the year.

## 6. TAXATION

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
— Hong Kong		
Current tax for the year	–	799
Under provision in respect of prior years	–	384
	–	1,183
— The PRC		
Current tax for the year	651	690
	651	1,873
Deferred tax	200	471
Total income tax	<u>851</u>	<u>2,344</u>

## 6. TAXATION (Continued)

Hong Kong profits tax has been provided for at 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

The representative offices of certain group companies established in the PRC are subject to the PRC enterprise income tax at the rate of 25% on operating expenses for the year (2011: 25%).

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the year (2011: 25%).

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 2011 and 2012 according to the relevant laws and regulation in Macau.

## 7. DIVIDENDS

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Dividend paid of HK0.20 cent (2011: HK0.60 cent) per ordinary share	<b>1,299</b>	3,897
Proposed final dividend of Nil (2011: HK0.20 cent) per ordinary share	<u>—</u>	<u>1,299</u>

The directors do not recommend a final dividend for the year ended 31 October 2012.

## 8. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share for the year is calculated based on the consolidated loss attributable to owners of the Company for the year of HK\$9,095,000 (2011: profit of HK\$5,802,000) and the weighted average of 649,540,000 ordinary shares in issue during the year (2011: 649,540,000).

No diluted (loss)/earnings per share is calculated for the year ended 31 October 2012 and 31 October 2011 as there were no potential dilutive shares in existence.

## 9. 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 90–120 days to its trade customers. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>21,037</b>	25,821
91–180 days	<b>2,231</b>	6,422
181–365 days	<b>216</b>	1,541
Over 365 days	<b>2,930</b>	1,319
	<b>26,414</b>	35,103
Provision for impairment	–	(261)
Included in current assets	<b>26,414</b>	34,842

## 10. 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:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	<b>18,516</b>	22,611
91–180 days	<b>8,340</b>	18,992
181–365 days	<b>87</b>	192
Over 365 days	<b>482</b>	464
	<b>27,425</b>	42,259

## 11. SHARE CAPITAL

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2011: 5,000,000,000) ordinary shares of HK\$0.01 each	<b>50,000</b>	50,000
Issued and fully paid:		
649,540,000 (2011: 649,540,000) ordinary shares of HK\$0.01 each	<b>6,495</b>	6,495

## 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

## 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.

### (a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 10% (2011: 14%) and 40% (2011: 36%) of the total accounts receivable was due from the Group's largest customer and the five largest customers respectively.

### (b) Foreign currency risk

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

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

	Assets		Liabilities	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Japanese Yen ("JPY")	1,210	754	16,689	27,895
Sterling Pounds ("GBP")	914	3,695	782	2,738
US Dollars ("USD")	5,851	6,425	6,587	7,168
Euro ("EUR")	865	21	1,654	2,931

### 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 (loss)/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.

	2012			2011		
	EUR	HK\$'000 JPY	GBP	EUR	HK\$'000 JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%	5%	5%
Effect on (loss)/profit for the year and retained earnings	33	646	(6)	(123)	(1,261)	37

#### (d) Interest rate risk

The Group has no significant interest bearing assets except bank balances. The Group has bank overdraft with interest rate at the higher of HIBOR or prime rate as at 31 October 2012. 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.

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

#### (e) Liquidity risk

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

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

	Less than 3 months <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>
<b>Group</b>					
<b>As at 31 October 2012</b>					
Accounts and bills payable	18,516	8,909	–	27,425	27,425
Accrued liabilities and other payables	10,839	–	–	10,839	10,839
Loan from a third party	1,860	5,580	1,759	9,199	9,199
Loan from a minority shareholder	–	–	9,526	9,526	9,526
Bank overdraft	1,287	–	–	1,287	1,287
	<u>32,502</u>	<u>14,489</u>	<u>11,285</u>	<u>58,276</u>	<u>58,276</u>
<b>As at 31 October 2011</b>					
Accounts and bills payable	22,611	19,648	–	42,259	42,259
Accrued liabilities and other payables	8,507	–	–	8,507	8,507
Loan from a third party	–	–	14,779	14,779	14,779
Loan from a minority shareholder	–	–	9,526	9,526	9,526
	<u>31,118</u>	<u>19,648</u>	<u>24,305</u>	<u>75,071</u>	<u>75,071</u>
<b>Company</b>					
<b>As at 31 October 2012</b>					
Accrued liabilities and other payables	179	–	–	179	179
Amount due to a subsidiary	21,732	–	–	21,732	21,732
	<u>21,911</u>	<u>–</u>	<u>–</u>	<u>21,911</u>	<u>21,911</u>
Financial guarantees issued — Maximum amount guaranteed	<u>21,525</u>	<u>–</u>	<u>–</u>	<u>21,525</u>	<u>21,525</u>
<b>As at 31 October 2011</b>					
Accrued liabilities and other payables	501	–	–	501	501
Amount due to a subsidiary	18,504	–	–	18,504	18,504
	<u>19,005</u>	<u>–</u>	<u>–</u>	<u>19,005</u>	<u>19,005</u>
Financial guarantees issued — Maximum amount guaranteed	<u>40,062</u>	<u>–</u>	<u>–</u>	<u>40,062</u>	<u>40,062</u>

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

#### (f) Summary of financial assets and liabilities by category

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Group</b>		
<b>Financial assets</b>		
Loans and receivable:		
— Accounts receivable	26,414	34,842
— Deposits and other receivables	8,018	6,203
Pledged bank deposits	9,020	9,020
Cash and bank balances	7,956	11,642
	<u>51,408</u>	<u>61,707</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	27,425	42,259
— Accrued liabilities and other payables	10,839	8,507
— Bank overdraft	1,287	—
— Loan from a third party	9,199	14,779
— Loan from a minority shareholder	9,526	9,526
	<u>58,276</u>	<u>75,071</u>
<b>Company</b>		
<b>Financial assets</b>		
Loans and receivable:		
— Deposits and other receivables	23	25
— Amounts due from subsidiaries	49,558	49,426
Cash and bank balances	27	124
	<u>49,608</u>	<u>49,575</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	179	501
— Amounts due to subsidiaries	21,732	18,504
	<u>21,911</u>	<u>19,005</u>
<b>Financial guarantees issued</b>		
— Maximum amount guaranteed	<u>21,525</u>	<u>40,602</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

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

During this financial year, the worldwide economy was full of uncertainties. The sovereign debt crisis of European countries like Greece, Spain and Italy were not yet solved. The economy of the United State, though in slow recovery, faced its own “fiscal cliff”. All those were proved to be another disaster to an already-weakened Chinese export sector. Under decreasing export demands and cooling down domestic consumption, China’s economy deteriorated in this financial year. According to data released by National Bureau of Statistics of China, the profits of state-owned and state-holding industrial enterprises above designated size decrease 9.2% from January to October 2012. Meanwhile, China’s manufacturing purchasing manager index (“PMI”) kept on falling below the threshold to 49.2% and 49.8% in August and September 2012, indicating the industrial market was retracting. Although PMI was back to 50.2% in October 2012, sustainability of such rebound was questioned.

As global and domestic economic climate clouded with various uncertainties, our customers in the manufacturing sector reduced their orders significantly and resulted in decrease in the turnover of the Group. To address the situations, we have started lowering our operation costs, speeding up market penetration through our retail shops network as well as sourcing supply of new industrial environment products from Europe. However, it takes time for those mentioned activates to generate positive impacts to the Group’s financial results. Enhancing value added services to existing industrial environmental products and exploring opportunities in new industrial products market remain the strategies of the Group, although we will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable conditions.

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

### Financial Review

The Group’s turnover for the year ended 31 October 2012 was HK\$120.9 million, a decrease of 33.6% as compared with the last corresponding year (2011: HK\$182.0 million). It was mainly due to our customers in manufacturing sector reduced their orders significantly as global and domestic economic climate clouded with various uncertainties.

The Group recorded a loss attributable to equity holders of the Company amounted to approximately HK\$9.1 million for the year ended 31 October 2012 while it recorded a profits attributable to owners of the Company amounted to approximately HK\$5.8 million for the year ended 31 October 2011.



### *Gross margin*

Gross profit for the year ended 31 October 2012 was amounted to approximately HK\$24.6 million, representing a decrease of 28.1% as compared with the last corresponding year (2011: HK\$34.2 million). The gross profit margin of the Group for the year ended 31 October 2012 was amounted to approximately 20.3% (2011: 18.8%).

### *Expenses*

The Group's administrative expenses for the year ended 31 October 2012 was amounted to approximately HK\$22.5 million, representing of an increase of 2.3% compared with the last corresponding year (2011: HK\$22.0 million). The Group's selling expenses for the year ended 31 October 2012 was amounted to approximately HK\$4.2 million, representing a decrease of 10.6% compared with the last corresponding year (2011: HK\$4.7 million). The Group's other operating expense for the year ended 31 October 2012 was amounted to approximately HK\$7.3 million (2011: HK\$1.1 million) which included impairment loss HK\$3.4 million on fixed assets and write-down of HK\$3.0 million on inventories for production of machines segments.

### **Liquidity and Finance Resources**

During the year under the review, the Group financed its operations by internally generated cash flow and banking facilities provided by banks. As at 31 October 2012, the Group had net current assets of approximately HK\$32.2 million (31 October 2011: HK\$44.3 million) including bank balances and cash of approximately HK\$8.0 million (31 October 2011: HK\$11.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 as at 31 October 2012 (31 October 2011: 1.7). The Group's inventory turnover was about 145 days (31 October 2011: 121 days). The Group's accounts receivable turnover was about 80 days (31 October 2011: 70 days). The increase in both inventory turnover and accounts receivable turnover were due to slow down of customer orders under deteriorated worldwide and domestic economies.

### **Capital Structure**

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

### **Gearing ratio**

The gearing ratio (define as the total borrowing over total equity, including minority interests) fell from 14.6% as at 31 October 2011 to 12.6% as at 31 October 2012. The decrease was resulted from partial repayment of loan from a third party during the year.

## **Treasury policies**

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

## **Foreign Exchange Exposure**

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

## **Charge on Group assets and contingent liabilities**

As at 31 October 2012, the Group had pledged its bank deposits of approximately HK\$9 million (31 October 2011: HK\$9 million) to secure its banking facilities. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2012.

## **Information on Employees**

As at 31 October 2012, the Group had 93 employees (2011: 95) working in Hong Kong and PRC. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the year ended 31 October 2012 amounted to approximately HK\$13.5 million (2011: 13.1 million). The dedication and hard work of the Group's staff during the year ended 31 October 2012 are generally appreciated and recognized.

## **Contingent liabilities**

The Group had no material contingent liabilities at 31 October 2012 (2011: Nil).

## **Material Acquisitions, Disposal of subsidiaries and affiliated companies**

During the year ended 31 October 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## **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 2012. The Company had not redeemed any of its listed securities during the year ended 31 October 2012.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 October 2012 save and except for non-executive directors were not appointed for a specific term before 16 October 2012. The Company and its all non-executive directors have entered into service agreements with specific terms on 16 October 2012.

## **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 2012.

## **REMUNERATION COMMITTEE**

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include Mr. CHAU Kam Wing Donald and Professional NI Jun, all of them are independent non-executive directors of the Company.

## **NOMINATION COMMITTEE**

The Company established a nomination committee in February 2006. The principal duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the directors and board succession. The chairman of the remuneration committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professional NI Jun, all of them are independent non-executive directors of the Company.

## **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 chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professional NI Jun, all of them are 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 2012 to review the operations.

The Group's results for the year ended 31 October 2012 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.

## **DIVIDEND**

The directors do not recommended a final dividend for the year ended 31 October 2012.

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

The 2013 AGM is scheduled to be held on Friday, 26 April 2013. For determining the entitlement to attend and vote at 2013 AGM, the register of members of the Company will be closed from Wednesday, 24 April 2013 to Friday, 26 April 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2013 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 23 April 2013.

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

Hong Kong, 21 January 2013

*As at the date of this announcement, the Board of Directors comprises Mr. NG Chi Fai and Mr. KWOK Tsun Kee as executive directors; Ms. HUI Wai Man Shirley and Dr. LUI Sun Wing as non-executive directors; Ms. CHAN Siu Ping Rosa, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive directors.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for 7 days from the date of publication and on the Company's website at [www.eco-tek.com.hk](http://www.eco-tek.com.hk).*