Annual Report 2009

環康科技

Eco-Tek Holdings Limited

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

HEALTHY environment
Quality life

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

GEM has been position 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.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibilities for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

NG Chi Fai *(Chief Executive Officer)*
HAN Ka Lun
KWOK Tsun Kee

Non-executive directors

HUI Wai Man Shirley *(Chairman)*
LUI Sun Wing
YOUNG Meng Cheung Andrew

Independent non-executive directors

CHAU Kam Wing Donald
CHAN Siu Ping Rosa
NI Jun
TAKEUCHI Yutaka

COMPLIANCE OFFICER

NG Chi Fai

COMPANY SECRETARY

LO Kam Fan

CAYMAN ISLANDS ASSISTANT SECRETARY

Codan Trust Company (Cayman) Limited

AUDIT COMMITTEE

CHAU Kam Wing Donald
CHAN Siu Ping Rosa
NI Jun
TAKEUCHI Yutaka

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
18/F., Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road, Wanchai,
Hong Kong

PRINCIPAL BANKERS

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

GEM STOCK CODE

8169

WEBSITE ADDRESS

www.eco-tek.com.hk

Chairman's Statement

I am pleased to report to our valued shareholders and investors the results of Eco-Tek Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the financial year ended 31 October 2009.

FINANCIAL HIGHLIGHTS

During the year under review, the Group recorded a turnover of approximately HK$129 million for the year ended 31 October 2009, a 26.7% decrease as compared to approximately HK$176 million turnover last year. Profit attributable to shareholders of the Company decreased 52% from approximately HK$18.5 million for the year ended 31 October 2008 to approximately HK$8.8 million for the year ended 31 October 2009.

The board of directors (the "Directors") of the Company recommend a payment of final dividend of HK0.30 cent for the year ended 31 October 2009 to shareholders whose names appear on the Register of Members of the Company on 22 February 2010. The dividend will be paid on 1 April 2010.

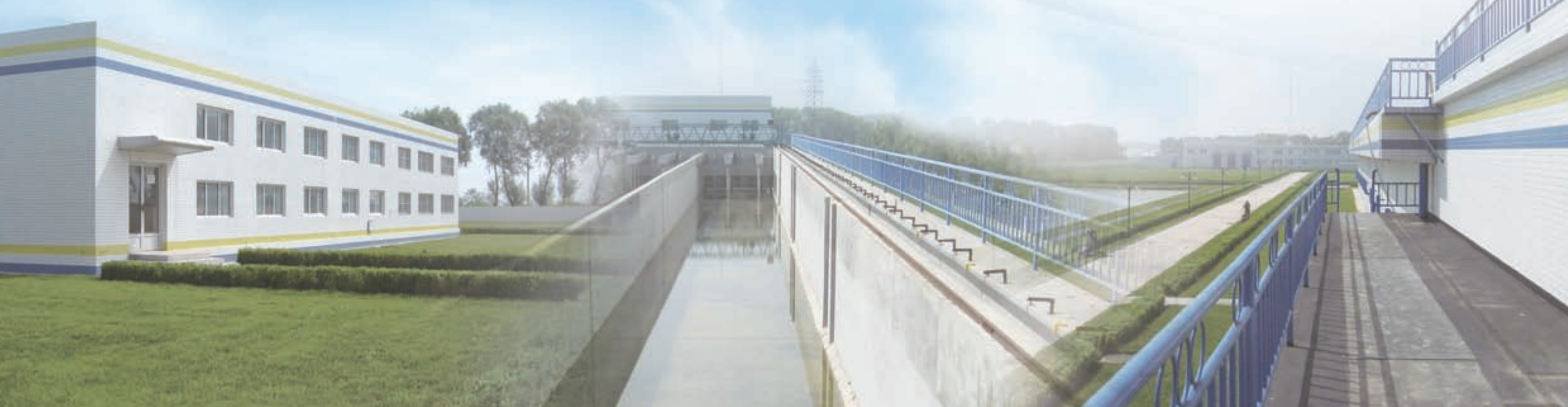
BUSINESS OVERVIEW

This year's financial tsunami that swept the global economy sparked a wave of company shutdowns around the world. To address the situation, the Group put in place a series of emergency measures – which included reducing operating expenses and inventory, and the tightening credit to customers.

During this time, the Group continued its marketing works in the promotion of its industrial environment protection related projects in the PRC through the representative offices in Changsha, Ningbo, Shanghai, Shunde and Chengdu. The Group was also successful in expanding its customer base from processing equipment into the marine construction industry.

The Group also engaged in the operation of a water supply plant with daily maximum purification capacity of 50,000 tons in the Baodi District of Tianjin City. The water supply plant started to supply water to the Baodi District in the middle of 2007. With the continued development of the Baodi District, the daily water supply of the plant continues to increase. The Group has confidence that revenue generated from the plant will have a positive contribution to the Group.

Our jointly-controlled venture in the Jiangsu Province has successfully concluded contracts to supply and install a highly efficient small-size wastewater treatment system known as the "Compact Wastewater Treatment System (CWT-M) in several rural towns of Kunshan City.



Chairman's Statement

PROSPECTS

In 2008, the Group faced a rapidly deteriorating business climate due to the financial tsunami. Most economic viewpoints were pessimistic with the situation expected to last several years. However, governments around World quickly responded with financial revival plans that abated the credit crisis in short term. The PRC government proactively implemented various economic stimulus packages and industry support policies toward a primary target of "8%" GDP growth. At the same time, the PRC Government has endeavored to promote energy saving and environmental protection. As a result, the China domestic market started exhibiting signs of recovery since the middle of 2009. The domestic consumption has picked up, which in turn created internal demand for the industrial environment protection related products for processing equipment and marine construction. The Group will continue to promote existing industrial environment protection related products in the PRC and explore and introduce new products. The Group will also continue to open additional new representative offices in other locations in the PRC.

Although the global economy has started to turn positive at the end of 2009, there are many factors that can still impact the recovery. The Group will continue to closely monitor the situation and maintain a cautiously active approach.

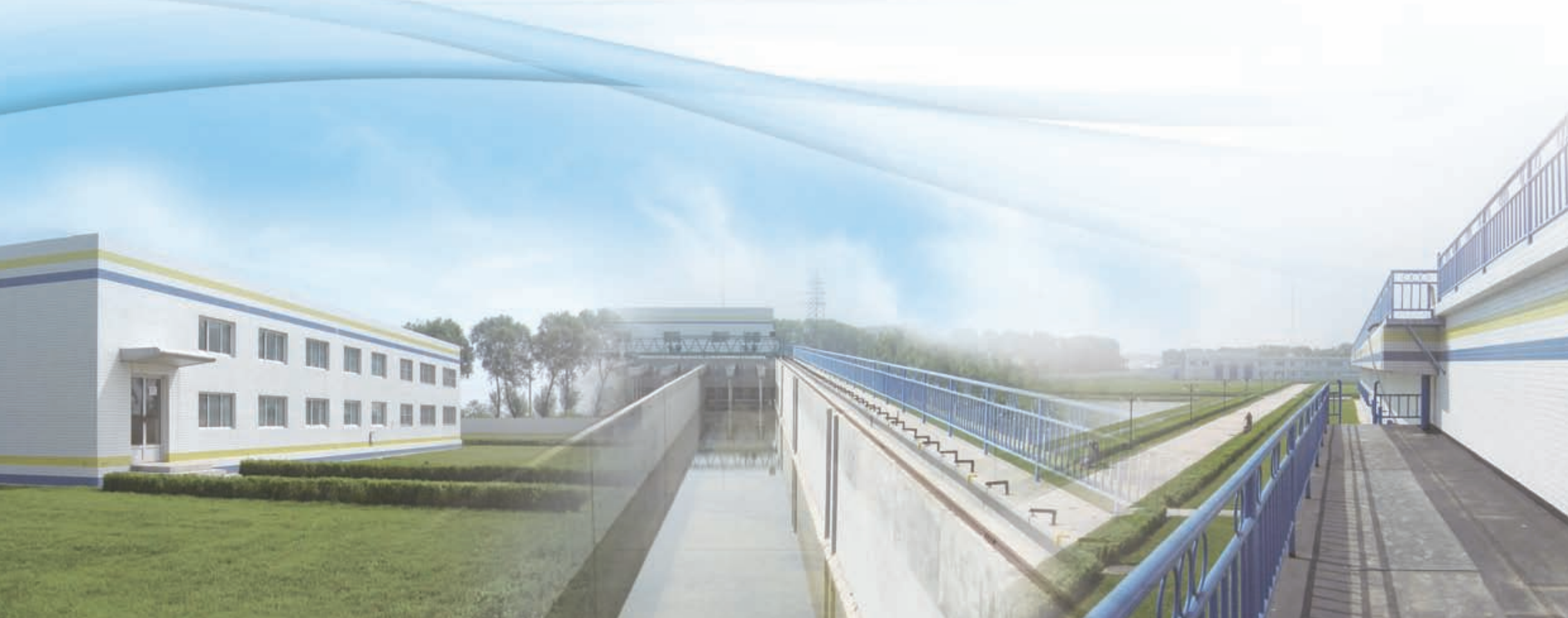
APPRECIATION

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

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

HUI Wai Man, Shirley
Chairman

Hong Kong, 21 January 2010



Biographical Details of the Directors and Senior Management

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

CHAIRMAN

Ms. HUI Wai Man Shirley, aged 42, is the Chairman and non-executive Director. She has over 21 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.

CHIEF EXECUTIVE OFFICER

Mr. NG Chi Fai, aged 36, is the chief executive officer and the executive Director. Mr. Ng graduated from the Hong Kong Polytechnic University with a Bachelor of Arts degree in accountancy in 1995. He has over 12 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 was appointed as an executive Director of the Company on 24 March 2006.

EXECUTIVE DIRECTORS

Mr. NG Chi Fai — Please refer to the paragraph under "CHIEF EXECUTIVE OFFICER" above for his profile.

Mr. HAN Ka Lun, aged 48, 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 19 years management experience in container transport and logistics business in both Hong Kong and the PRC. Mr. Han joined the Company in October 2004.

Mr. KWOK Tsun Kee, aged 72, is the executive Director of the Company and is responsible for Greater China business development. Mr. Kwok holds a master degree of Philosophy and he is the College Tutor of Shaw College of The Chinese University of Hong Kong. He has over 40 years of extensive experience with academic and technology fields. Mr. Kwok joined the Company in November 2009.

NON-EXECUTIVE DIRECTORS

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

Dr. LUI Sun Wing, aged 59, is the non-executive Director. He is a Vice-President of The Hong Kong Polytechnic University responsible for partnership development. Dr. Lui is also the chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the Hong Kong Enterprise Limited. Prior to joining the Hong Kong Polytechnic University, Dr. Lui was the Branch Director of the Hong Kong Productivity Council in charge of the Materials and Process Branch which provides R & D, consultancy and training services in new materials, advanced manufacturing and environmental technologies to the industry. Dr. Lui obtained his degree of doctor of philosophy in mechanical engineering from the University of Birmingham in UK. He is the Founding Chairman of the Society of Automotive Engineers — HK, Past President of the Hong Kong Association for the Advancement of Science and Technology as well as Honorary Presidents and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui also sits as an independent and non-executive director on the board of several listed companies in Hong Kong. Dr. Lui was appointed as a non-executive director of the Company on 16 January 2001.

Mr. YOUNG Meng Cheung Andrew, aged 50, is the non-executive Director. Mr. Young has over 21 years of experience in technology management, engineering consultation and management consulting industry. He has worked for The Hong Kong Polytechnic University since 1998 and is currently the Director of Partnership Development. Mr. Young obtained a Master degree in business administration from the University of South Australia and 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Kam Wing Donald, aged 46, is an independent non-executive Director. He has obtained a Master Degree in Business Administration from the University of San Francisco and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He has over 21 years of experience in auditing, taxation, and financial management of listed companies. Mr. CHAU is now practicing as a Certified Public Accountant in Hong Kong and is a council member of the Society of Chinese Accountants & Auditors of Hong Kong. He joined the Company in March 2008. He is also the Chairman of the audit, and nomination committee and a member of the remuneration committee of the Company.

Ms. CHAN Siu Ping Rosa, aged 50, is an independent non-executive Director. She has over 22 years of experience in management, production and marketing in manufacturing industry. Ms. Chan holds directorship in several private companies. Ms. Chan obtained her Bachelor of Arts degree majoring in business administration from the Simon Fraser University in Canada. She joined the Company in August 2002. She is also the chairman of the remuneration committee and a member of the nomination committee and the audit committee of the Company.

Mr. TAKEUCHI Yutaka, aged 59, is an independent non-executive Director. He has more than 22 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 47, 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.

SENIOR MANAGEMENT

Mr. LO Kam Fan, aged 35, is the company secretary and the financial controller of the Group and is responsible for the financial management, reporting and secretarial matters of the Group. He has over 12 years experience in auditing, taxation and finance fields. He obtained a Master of Finance from Curtin University of Technology Australia. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he worked in a Red Chip company listed on the Main Board of The Stock Exchange of Hong Kong Limited for years.

Dr. ZHAO Zhen, aged 33, is the marketing manager 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 Hong Kong Polytechnic University before joining the Group in October 2007.

FINANCIAL REVIEW

The Group's turnover for the year ended 31 October 2009 was HK$129 million, a decrease of 26.7% as compared with the last corresponding year (2008: HK$176 million). It was mainly due to the decrease in the business of industrial environmental products.

Sales of industrial environmental products accounted for 86.7% of the Group's turnover for the year ended 31 October 2009, representing a decrease of 4.4% over the last corresponding year, and are the Group's core business.

The Group recorded a net profit attributable to equity shareholders of the Company was approximately HK$8.8 million (2008: HK$18.5 million).

Gross margin

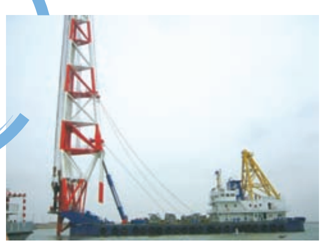
Gross profit for the year ended 31 October 2009 was HK$26.3 million, representing a decrease of 28.5% as compared with the last corresponding year (2008: HK$36.8 million). The gross profit margin was 20.4% for the year ended 31 October 2009 which maintained stable compared with the last corresponding year.

Expenses

The Group's administrative expenses for the year ended 31 October 2009 was HK$19 million (2008: HK$19.2 million). The Group's selling expenses for the year ended 31 October 2009 was HK$2.3 million, representing a decrease of 21% compared with the last corresponding year (2008: HK$2.9 million). The Group's finance costs decreased to HK$1.3 million (2008: HK$1.8 million) as the outstanding bank loans have been decreased by 58% as compared with the last corresponding financial year.

Working capital management

As at 31 October 2009, the Group maintained bank balances and cash of approximately HK$20.2 million (31 October 2008: HK$31.2 million). The Group's average inventory turnover was about 97 days (31 October 2008: 94 days). The Group's average accounts receivable turnover was about 133 days (31 October 2008: 114 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.

For the industrial and environmental products, the Group is success in expanding its customers base from processing equipments to marine and construction industries and by its organic growth, the result for the year was accomplishing. In addition, the Group has explored and introduced new industrial environmental protection related products to the customers.

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. Management expected the plant to contribute stable revenue to the Group.

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.

FINANCING AND CAPITAL STRUCTURE

For the year under review, the Group financed its operations with its own available funding, the Group has repaid HK$11.9 million bank loans during the year. 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 POLICY

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.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Sales of the Group are mainly denominated in Hong Kong dollars, United States dollars, Japanese yen, Sterling Pounds and PRC Renminbi, forward exchange contracts were used for hedging payment in certain volatile foreign currencies during the year. As at 31 October 2009, the Group had no outstanding hedging instruments.

EMPLOYEE INFORMATION

As at 31 October 2009, the Group had 74 employees (2008: 171 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$8.2 million (2008: HK$9.0 million). The dedication and hard work of the Group's staff during the year ended 31 October 2009 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 in 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 INVESTMENT

For the year ended 31 October 2009, the Company has no significant investments during the year.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 October 2009, 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$8.7 million to secure a bank loan of the Group. Further details are set out in notes 21, 23, 31 and 33 to the financial statements.

Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2009.

GEARING RATIO

As at 31 October 2009, the Group has a healthy financial position with net assets amounted to approximately HK$143 million. There is a net current asset of around HK$22.7 million with current ratio of approximately 1.35 (2008: 1.21).

The Group's gearing ratio (defined as the total borrowings over total equity, including minority interests) fell from 31% as at 31 October 2008 to 25% as at 31 October 2009.

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 2009. 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 2009, he had fully complied with the required standard of dealings and there was no event of noncompliance.

THE BOARD OF DIRECTORS

Composition

The Board of directors, which currently comprises 10 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 2009, 4 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	
NG Chi Fai *(Chief Executive Officer)*	4/4
HAN Ka Lun	4/4
KWOK Tsun Kee *(appointed on 1 November 2009)*	—
Non-executive Directors	
HUI Wai Man Shirley *(Chairman)*	4/4
LUI Sun Wing	4/4
YOUNG Meng Cheung Andrew	4/4
Independent Non-executive Directors	
CHAU Kam Wing Donald	4/4
CHAN Siu Ping Rosa	3/4
TAKEUCHI Yutaka	1/4
NI Jun	1/4

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

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

The 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 Sin Ping Rosa, an independent non-executive Director, and other members include Mr. CHAU Kam Wing Donald, 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 2009, a meeting of the remuneration committee were held in October 2009. Details of the attendance of the remuneration committee meetings are as follows:

Members	Number of meetings attended/total
CHAU Kam Wing Donald	1/1
CHAN Siu Ping Rosa	1/1
TAKEUCHI Yutaka	1/1
NI Jun	1/1

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 Mr. CHAU Kam Wing Donald 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 2009, a meeting of the nomination committee was held in October 2009. Details of the attendance of the meeting are as follows:

Members	**Number of meetings attended/total**
CHAU Kam Wing Donald	1/1
CHAN Siu Ping Rosa	1/1
TAKEUCHI Yutaka	1/1
NI Jun	1/1

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. CHAU Kam Wing Donald, 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 Mr. CHAU Kam Wing Donald.

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

Members	Number of meetings attended/total
CHAU Kam Wing Donald	4/4
CHAN Siu Ping Rosa	4/4
TAKEUCHI Yutaka	1/4
NI Jun	1/4

The Group's unaudited quarterly and interim results and audited annual results for the year ended 31 October 2009 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 2009 is set out on page 52 of this annual report. No other significant fee was incurred for non-audit services 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

In addition to perform internal controls review periodically by Finance Department on different operations of the Group, the Company has also conducted a review of its system of internal controls by an independent CPA firm since November 2008 to ensure the effective and adequate internal control system. The Company also convened meetings periodically to discuss financial, operational and risk management control.

Directors' Report

The directors present their report and the audited financial statements of Eco-Tek Holdings Limited (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 October 2009.

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 2009 is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 October 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 80.

The directors recommend the payment of a final dividend of HK0.30 cent per ordinary share in respect of the year, to the shareholders whose names appear on the register of members of the Company on 22 February 2010. The register of members of the Company will be closed from 23 to 25 February 2010, both days inclusive during which period no transfer of shares of the Company will be effected. In order to qualify for this final dividend, shareholders must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18 Floor, Fook Lee Commercial Centre, 33 Lockhart Road Wanchai, Hong Kong for registration not later than 4:00 p.m. on 22 February 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 9 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 in pages 81 to 82 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 15 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 14 and 29 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 October 2009, the Company's reserves available for distribution, calculated in accordance with the Company's Law of the Cayman Islands, amounted to HK$34,838,000. This includes the Company's share premium in the amount of HK$30,537,000 at 31 October 2009, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 46.2% in aggregate for the Group's total turnover for the year. The largest customer of the Group accounted for approximately 13.2% of the Group's total turnover.

Purchases from the Group's five largest suppliers accounted for approximately 98.3% in aggregate for the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 59.5% of the Group's total purchases.

None of the directors of the Company, or any of its 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. NG Chi Fai *(Chief Executive Officer)*
Mr. HAN Ka Lun
Mr. KWOK Tsun Kee *(appointed on 1 November 2009)*

Non-executive directors

Ms. HUI Wai Man Shirley *(Chairman)*
Dr. LUI Sun Wing
Mr. YOUNG Meng Cheung Andrew

Independent non-executive directors

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

In accordance with the Company's articles of association, Mr. NG Chi Fai, Mr. KWOK Tsun Kee and Ms. CHAN Siu Ping Rosa will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. HAN Ka Lun has decided not to stand for re-election.

DIRECTORS' 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 7 of the annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 12 and 13 to the 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. Mr. KWOK Tsun Kee, the executive director, has entered into a service contract with the Company for a term of 2 years which commenced from 1 November 2009 and shall be entitled to terminate the contract thereafter without cause by giving not less than three months' prior written notice to the Company.

The 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 3 months' 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 which is not determinable by the company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

As at 31 October 2009, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

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

As at 31 October 2009, 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 2009 were as follows:

Name	Date of grant	Exercise period	Numbers of Options Outstanding as at 1 November 2008	Number of Options Granted during the period	Number of options outstanding as at 31 October 2009	Exercise price per share
						HK$
Executive Director and Chief Executive Officer						
Mr. NG Chi Fai	13/8/2007	13/8/2007-1/10/2010	500,000	–	500,000	0.350
Non-Executive Director and Chairman						
Ms. HUI Wai Man Shirley	2/4/2007	2/10/2007-1/10/2010	500,000	–	500,000	0.235
Independent Non-Executive Directors						
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

Name	Total Number of ordinary shares held as at 31 October 2009	Number of options held and outstanding as at 31 October 2009	Aggregate in number as at 31 October 2009	Percentage of the Company's Issued share Capital as at 31 October 2009
Executive Director and Chief Executive Officer				
Mr. NG Chi Fai	—	500,000	500,000	0.08
Non-Executive Director and Chairman				
Ms. HUI Wai Man Shirley	—	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
		2,500,000	2,500,000	0.40

Save as disclosed above, as at 31 October 2009, 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 registered required to be kept by the Company pursuant to Section 352 of the SFO, or which ere 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 "Director's and chief executives' interests and short positions in shares, underlying shares and debentures" above and the share option scheme disclosures in note 14 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST 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 2009, 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 2009
Substantial shareholders			
Cititrust (Cayman) Limited *(Note 1)*	Through a unit trust and controlled corporation	344,941,200	53.11
Wide Sky Management (PTC) Limited *(Note 1)*	Through a controlled corporation	344,941,200	53.11
Team Drive Limited *(Note 1)*	Directly beneficially owned	344,941,200	53.11
The Hong Kong Polytechnic University *(Note 2)*	Through a controlled corporation	66,410,800	10.23
Advanced New Technology Limited *(Note 2)*	Directly beneficially owned	66,410,800	10.23
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	5.49

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 ING 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 2009. The Company had not redeemed any of its listed securities during the year ended 31 October 2009.

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 2009.

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 2009 to review the operations.

The Group's results for the year ended 31 October 2009 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 2009 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

Ms. HUI Wai Man, Shirley
Chairman

Hong Kong, 21 January 2010

Grant Thornton
均富

Member of Grant Thornton International Ltd

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 26 to 80, which comprise the consolidated and company balance sheets as at 31 October 2009, 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' judgement, 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 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

21 January 2010

Consolidated Income Statement

For the year ended 31 October 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**129,236**	175,982
Cost of sales		**(102,873)**	(139,221)
Gross profit		**26,363**	36,761
Other income		**5,092**	6,672
Selling expenses		**(2,291)**	(2,943)
Administrative expenses		**(19,008)**	(19,249)
Other operating income		**809**	1,441
Profit from operations	6	**10,965**	22,682
Finance costs	7	**(1,294)**	(1,813)
Share of profit/(loss) of a jointly controlled entity		**972**	(147)
Profit before taxation		**10,643**	20,722
Taxation	8	**(1,936)**	(3,336)
Profit for the year		**8,707**	17,386
Attributable to:			
Equity holders of the Company	11	**8,786**	18,523
Minority interest		**(79)**	(1,137)
Profit for the year		**8,707**	17,386
Dividends	9	**1,949**	3,897
Earnings per share	10		
— Basic		**HK1.35 cents**	HK2.85 cents
— Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 October 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	130,814	123,730
Interest in leasehold land	16	5,462	5,547
Interest in a jointly controlled entity	18	2,592	1,620
Deferred tax assets	19	927	1,734
Accounts receivable	21	2,763	9,092
Pledged bank deposits	23	9,020	9,020
		151,578	150,743
Current assets			
Inventories	20	27,390	35,829
Accounts receivable	21	37,560	45,962
Deposits, prepayments and other receivables		9,481	12,877
Amount due from a minority shareholder	36	—	26,179
Tax recoverable		1,755	1,835
Cash and cash equivalents	23	11,214	22,184
		87,400	144,866
Current liabilities			
Accounts and bills payable	24	42,987	59,281
Accrued liabilities and other payables		7,561	38,373
Provision for warranty	25	482	1,109
Loan from a shareholder	26	3,500	—
Provision for tax		1,548	1,971
Bank loans	27	8,664	19,000
		64,742	119,734
Net current assets		22,658	25,132
Total assets less current liabilities		174,236	175,875
Non-current liabilities			
Bank loans	27	—	1,500
Provision for warranty	25	—	482
Deferred tax liabilities	19	7,423	—
Loans from minority shareholders	28	23,745	25,489
		31,168	27,471
Net assets		143,068	148,404

Consolidated Balance Sheet

As at 31 October 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	**6,495**	6,495
Share premium	30(a)	**19,586**	19,586
Capital reserve	30(a)	**95**	95
Exchange translation reserve	30(a)	**8,023**	9,749
Capital contribution reserve	30(a)	**7,971**	11,126
Share option reserve		**326**	326
Retained profits		**87,376**	80,539
Proposed final dividend	9	**1,949**	3,897
		131,821	131,813
Minority interest		**11,247**	16,591
Total equity		**143,068**	148,404

On behalf of the Board

Mr. NG Chi Fai
Director

Mr. HAN Ka Lun
Director

Balance Sheet

As at 31 October 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**10,957**	10,957
Deferred tax assets	19	**169**	370
		11,126	11,327
Current assets			
Deposits, prepayments and other receivables		**33**	12
Amounts due from subsidiaries	22	**53,604**	52,185
Cash and cash equivalents	23	**91**	150
		53,728	52,347
Current liabilities			
Accrued liabilities and other payables		**266**	738
Amounts due to subsidiaries	22	**23,255**	18,500
		23,521	19,238
Net current assets		**30,207**	33,109
Net assets		**41,333**	44,436
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	29	**6,495**	6,495
Share premium	30(b)	**30,537**	30,537
Share option reserve	30(b)	**326**	326
Retained profits	30(b)	**2,026**	3,181
Proposed final dividend	9	**1,949**	3,897
Total equity		**41,333**	44,436

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 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before taxation		**10,643**	20,722
Adjustments for :			
Interest income	6	**(50)**	(210)
Interest expense	7	**1,294**	1,813
Share of (profit)/loss of a jointly controlled entity		**(972)**	147
Depreciation of property, plant and equipment	6	**7,205**	6,912
Loss on disposal of property, plant and equipment	6	**—**	4
Amortisation of interest in leasehold land	6	**118**	115
(Write back)/provision for slow-moving inventories	6	**(226)**	4,969
Write back of provision for accounts receivable	6	**(2,001)**	—
Bad debts written off	6	**45**	—
Write back of provision for warranty, net	6	**(809)**	(1,441)
Exchange loss/(gain), net	6	**986**	(3,929)
Operating profit before working capital changes		**16,233**	29,102
Decrease/(Increase) in inventories		**8,665**	(4,485)
Decrease/(Increase) in accounts receivable		**10,804**	(10,037)
Decrease/(Increase) in deposits, prepayments and other receivables		**3,396**	(6,818)
(Decrease)/Increase in accounts and bills payable		**(19,502)**	9,623
(Decrease)/Increase in accrued liabilities and other payables		**(4,633)**	7,566
Utilisation of warranty provision	25	**(300)**	(307)
Cash generated from operations		**14,663**	24,644
Tax paid		**(1,469)**	(2,055)
Net cash generated from operating activities		**13,194**	22,589
Cash flows from investing activities			
Purchases of property, plant and equipment		**(7,678)**	(1,417)
Proceeds from disposal of property, plant and equipment		**—**	1
Interest received		**50**	210
Net cash used in investing activities		**(7,628)**	(1,206)
Cash flows from financing activities			
Repayment of bank loans		**(11,836)**	(6,500)
Repayment of loans from minority shareholders		**(2,506)**	(417)
Advance from a shareholder		**3,500**	—
Interest paid		**(532)**	(1,051)
Dividend paid		**(3,897)**	(3,248)
Net cash used in financing activities		**(15,271)**	(11,216)
(Decrease)/Increase in cash and cash equivalents		**(9,705)**	10,167
Effect of foreign exchange rate changes		**(1,265)**	1,526
Cash and cash equivalents at beginning of year		**22,184**	10,491
Cash and cash equivalents at end of year		**11,214**	22,184

MAJOR NON-CASH TRANSACTIONS

During the year ended 31 October 2009, other payables of approximately HK$26,179,000 (2008: Nil) were assigned and settled by a minority shareholder of the Company.

During the year ended 31 October 2009, the purchases of property, plant and equipment from a customer of approximately HK$5,883,000 (2008: property, plant and equipment and inventories of approximately HK$1,086,000 and HK$8,097,000 respectively) had been offset with the accounts receivable account with that customer.

Consolidated Statement of Changes in Equity

For the year ended 31 October 2009

	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note 30(a))	Capital reserve HK$'000 (Note 30(a))	Exchange translation reserve HK$'000 (Note 30(a))	Capital contribution reserve HK$'000 (Note 30(a))	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
	Equity attributable to equity holders of the Company										
At 1 November 2007	6,495	19,586	95	6,426	11,126	376	65,863	3,248	113,215	13,662	126,877
Exchange difference, net income recognised directly in equity	–	–	–	3,323	–	–	–	–	3,323	4,066	7,389
Profit/(loss) for the year	–	–	–	–	–	–	18,523	–	18,523	(1,137)	17,386
Total recognised income and expense for the year	–	–	–	3,323	–	–	18,523	–	21,846	2,929	24,775
2007 final dividend declared	–	–	–	–	–	–	–	(3,248)	(3,248)	–	(3,248)
2008 proposed final dividend	–	–	–	–	–	–	(3,897)	3,897	–	–	–
Reversal on expiry of share-based compensation benefit	–	–	–	–	–	(50)	50	–	–	–	–
At 31 October 2008 and 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/(loss) for the year	–	–	–	–	–	–	8,786	–	8,786	(79)	8,707
Total recognised income and expense for the year	–	–	–	(1,726)	–	–	8,786	–	7,060	(1,076)	5,984
Deferred taxation *(note 19)*	–	–	–	–	(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	**6,495**	**19,586**	**95**	**8,023**	**7,971**	**326**	**87,376**	**1,949**	**131,821**	**11,247**	**143,068**

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 and water supply operation in Tianjin, the People's Republic of China.

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

The financial statements on pages 26 to 80 are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 October 2009 were approved for issue by the board of directors on 21 January 2010.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new amendment issued by HKICPA, which is relevant to and effective for the Group's financial statements during the year.

HKAS 39 (Amendments)	Reclassification of Financial Assets

The new amendment had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

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

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 24 (Revised)	Related Party Disclosures[8]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 32 (Amendment)	Classification of Right Issues[6]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[4]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008[5]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Reporting Standards[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Share-Based Payment Vesting Conditions and Cancellation[1]
HKFRS 2 (Amendments)	Group Cash-Settled Share-Based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement[8]
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) — Int 17	Distribution of Non-Cash Assets to Owners[2]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 January 2010 except for the amendments to HKAS 38, HKFRS 2, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16, effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
6 Effective for annual periods beginning on or after 1 February 2010
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 January 2011
9 Effective for annual periods beginning on or after 1 July 2010

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.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial positions or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Basis of consolidation

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

(b) 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 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 estimation of 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 interest 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries (Continued)

Minority interests are presented in the consolidated balance sheet within equity, separate 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.

(c) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(d) 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 when incurred.

(e) Revenue recognition

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

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

(ii) consultancy fee income and advertising fee income is recognised at the time when the services are rendered;

(iii) interest income is recognised on a time-proportion basis using the effective interest rate applicable; and

(iv) revenue arising from water supply is recognised based on water supplied as recorded by meters read.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(f) Property, plant and equipment (Continued)

(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.

(g) 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 valued 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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 has the right to use of assets held under operating leases, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(ii) Interest in leasehold land

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

(i) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(i) Employee benefits (Continued)

(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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(j) Inventories

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

(k) 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 subsidiary, and cash and cash equivalents. The Group's financial assets are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, reevaluates this designation at every reporting date.

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

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

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

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

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost 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.

(l) Financial liabilities

The Group's financial liabilities include bank loans, accounts and bills payable, accrued liabilities and other payables, loans from minority shareholders and a shareholder.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(l) Financial liabilities (Continued)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings 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.

(m) 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 of the amount of the obligation 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.

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 uncertain 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.

(n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(n) Income tax (Continued)

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, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

(o) 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.

(p) Share capital

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(q) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(r) Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company. The functional currency of subsidiaries incorporated in the PRC is Renminbi (RMB).

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(r) Foreign currencies (Continued)

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.

(s) 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.

(t) 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 include corporate expenses and other expense that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of property, plant and equipment, leasehold interest in land, inventories, accounts receivable, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting (Continued)

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 based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

(u) 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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Depreciation

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

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.

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.

Provision for warranty

Provision for warranty 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.

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.

5. REVENUE AND SEGMENT INFORMATION

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

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**118,573**	168,880
Supply of water	**10,663**	7,102
	129,236	175,982

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 production of machines segment refers to the manufacturing and sale of plastic injection moulding machine and other related accessories;

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

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

5. 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		Production of machines		Industrial environments products		Water supply plant		Unallocated*		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	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	541	897	6,005	7,663	112,027	160,320	10,663	7,102	–	–	129,236	175,982
Segment results	(88)	(1,330)	(1,732)	3,193	23,489	31,566	2,403	569	–	(180)	24,072	33,818
Interest income											50	210
Unallocated expenses											(13,157)	(11,346)
Profit from operations											10,965	22,682
Finance costs											(1,294)	(1,813)
Share of profit/(loss) of a jointly controlled entity	972	(147)	–	–	–	–	–	–	–	–	972	(147)
Profit before taxation											10,643	20,722
Taxation											(1,936)	(3,336)
Profit for the year											8,707	17,386

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	General environmental protection related products and services		Production of machines		Industrial environments products		Water supply plant		Unallocated**		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	19,272	24,142	31,612	28,868	58,258	93,213	124,098	117,361	18	169	233,258	263,753
Interest in a jointly controlled entity	2,592	1,620	–	–	–	–	–	–	–	–	2,592	1,620
Tax assets											2,682	3,569
Unallocated assets											446	26,667
Total assets											238,978	295,609
Segment liabilities	649	2,745	4,499	8,621	41,329	55,841	3,691	5,647	37	165	50,205	73,019
Tax liabilities											8,971	1,971
Unallocated liabilities											36,734	72,215
Total liabilities											95,910	147,205
Other segment information												
Depreciation	165	195	624	527	272	194	6,144	5,996	–	–	7,205	6,912
Amortisation of leasehold interest in land	–	–	–	–	–	–	118	115	–	–	118	115
Capital expenditure	24	97	13,208	1,530	43	749	286	127	–	–	13,561	2,503
(Write back)/Provision for slow-moving inventories	(80)	1,062	–	–	(146)	3,907	–	–	–	–	(226)	4,969
Write back of provision for accounts receivable	–	–	–	–	(2,001)	–	–	–	–	–	(2,001)	–
Bad debts written off	–	–	–	–	–	–	–	–	45	–	45	–
Loss on disposal of property, plant and equipment	–	–	–	–	–	4	–	–	–	–	–	4
Write back of provision for warranty, net *(note 25)*	(809)	(1,441)	–	–	–	–	–	–	–	–	(809)	(1,441)

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	Hong Kong		PRC		Others#		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**25,134**	24,884	**100,458**	151,098	**3,644**	–	**129,236**	175,982
Other segment information:								
Segment assets	**36,940**	74,290	**189,728**	205,757	**7,036**	10,373	**233,704**	290,420
Interest in a jointly controlled entity							**2,592**	1,620
Tax assets							**2,682**	3,569
							238,978	295,609
Capital expenditure	**52**	824	**13,507**	1,677	**2**	2	**13,561**	2,503

Others represent unallocated items.

6. PROFIT FROM OPERATIONS

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

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	440	455
Amortisation of interest in leasehold land	118	115
Bad debts written off	45	—
Cost of inventories sold*	88,766	115,361
Depreciation	7,205	6,912
Exchange loss/(gain), net	986	(3,929)
Loss on disposal of property, plant and equipment	—	4
Operating lease charges in respect of land and buildings	2,002	3,673
(Write back)/provision for slow-moving inventories***	(226)	4,969
Write back of provision for accounts receivable***	(2,001)	—
Write back of provision for warranty, net**	(809)	(1,441)
Staff costs (including directors' emoluments *(note 12)*)		
Wages and salaries	8,117	8,902
Pension scheme contributions	143	135
	8,260	9,037
Interest income	(50)	(210)

* *The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK$9,944,000 (2008: HK$10,367,000), 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 income statement.*

*** *The amounts are included in "Other Income"/"Administrative expenses" on the face of the consolidated income statement.*

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest charges on:		
Bank loans wholly repayable within five years	532	1,051
Imputed interest expense on loans from minority shareholders	762	762
	1,294	1,813

8. TAXATION

	2009 HK$'000	2008 HK$'000
Current tax		
— Hong Kong		
Tax for the year	40	470
Under/(over) provision in respect of prior years	136	(34)
	176	436
— PRC		
Tax for the year	950	2,056
	1,126	2,492
Deferred tax *(note 19)*	810	844
Total income tax	1,936	3,336

Hong Kong profits tax has been provided for at 16.5% (2008: 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 (2008: 33% for the two months ended 31 December 2007 and 25% for the remaining ten months).

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 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 (2008: 33% for the two months ended 31 December 2007 and 25% for the remaining ten months).

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.

English translation only

8. 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 2008 and 2009 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 2009 (2008: Nil).

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:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**10,643**	20,722
Tax at the domestic rates applicable to profits in the jurisdictions concerned	**2,471**	3,440
Tax effect of non-taxable revenue	**(3,715)**	(3,783)
Tax effect of non-deductible expenses	**1,948**	2,867
Utilisation of tax losses previously not recognised	**—**	(917)
Tax effect of decrease in tax rate used for the recognition of deferred tax *(note 19)*	**—**	33
Tax losses not recognised	**837**	1,016
Under/(over) provision in prior years	**136**	(34)
Others	**259**	714
Tax charge at the effective tax rate	**1,936**	3,336

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Proposed final dividend of HK0.3 cent (2008: HK0.6 cent) per ordinary share	**1,949**	3,897

The above final dividends were proposed after the balance sheet date and have not been recognised as liabilities as at the balance sheet date, but reflected as an appropriation of retained profits for the years ended 31 October 2008 and 2009.

The proposed final dividend amount for the year ended 31 October 2009 is based on the 649,540,000 ordinary shares in issue as at 31 October 2009. 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 2008 was proposed on 15 January 2009. The proposed amount was based on the 649,540,000 ordinary shares in issue as at 31 October 2008.

10. 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$8,786,000 (2008: HK$18,523,000) and the weighted average of 649,540,000 (2008: 649,540,000) ordinary shares in issue during the year.

No diluted earnings per share is calculated for the years ended 31 October 2008 and 2009 since the exercise price of the Company's options was higher than the average market price for the years.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of approximately HK$8,786,000 (2008: HK$18,523,000), a profit of approximately HK$794,000 (2008: HK$831,000) has been dealt with in the financial statements of the Company.

12. DIRECTORS' EMOLUMENTS

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

	Fees	Salaries	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Executive directors:				
Mr. NG Chi Fai	–	840	12	852
Mr. HAN Ka Lun	40	–	–	40
Mr. KWOK Tsun Kee *(note (a))*	–	–	–	–
Non-executive directors:				
Dr. LUI Sun Wing	100	–	–	100
Mr. YOUNG Meng Cheung Andrew	100	–	–	100
Ms HUI Wai Man Shirley	150	–	–	150
Independent non-executive directors:				
Ms. CHAN Siu Ping Rosa	–	–	–	–
Mr. TAKEUCHI Yutaka	–	–	–	–
Professor NI Jun	–	–	–	–
Mr. CHAU Kam Wing Donald	100	–	–	100
	490	840	12	1,342

Note (a): The director was appointed on 1 November 2009.

12. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2008					
Executive directors:					
Mr. NG Chi Fai	–	733	852	12	1,597
Mr. HAN Ka Lun	40	–	–	–	40
Non-executive directors:					
Dr. LUI Sun Wing	100	–	–	–	100
Mr. YOUNG Meng Cheung Andrew	100	–	–	–	100
Ms HUI Wai Man Shirley *(note (a))*	99	–	–	–	99
Independent non-executive directors:					
Ms. CHAN Siu Ping Rosa	–	–	–	–	–
Mr. TAKEUCHI Yutaka	–	–	–	–	–
Professor NI Jun	–	–	–	–	–
Mr. CHAU Kam Wing Donald *(note (b))*	63	–	–	–	63
	402	733	852	12	1,999

Notes (a): The director was re-designated from independent non-executive director to non-executive director with effect from 5 March 2008.

(b): The director was appointed on 5 March 2008.

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 (2008: Nil). None of the directors has waived or agreed to waive any emoluments during the year (2008: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one director (2008: one director), details of whose remuneration are set out in note 12 above. Details of the remuneration of the remaining four (2008: four) non-director, highest paid employees of the Group for the year are as follows:

	2009	2008
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	2,861	2,230
Pension scheme contributions	36	42
	2,897	2,272

The emoluments of three of the remaining non-director, highest paid individuals fell within the band of nil to HK$1,000,000, and one fell within the band of HK$1,000,001 to HK$1,500,000 (2008: three highest paid individuals fell within the band of nil to HK$1,000,000, and one fell within the band of HK$1,000,001 to HK$1,500,000).

During the year, no emolument was paid by the Group to any of the remaining non-director, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

14. SHARE OPTION SCHEME

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

	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 2007	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000
Lapsed during the year	–	–	–	–	(500,000)	–	(500,000)
At 31 October 2008 and 31 October 2009	**500,000**	**500,000**	**500,000**	**500,000**	**–**	**500,000**	**2,500,000**

14. SHARE OPTION SCHEME (Continued)

On 21 November 2001, a share option scheme (the "Scheme") was approved pursuant to a written resolution of all shareholders of the Company. The purpose of the Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The board of directors may, at 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 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 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 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 Scheme remains in force for a period of 10 years with effect from 21 November 2001.

The options vest after three years from the date of grant. All share options will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Company did not grant any share options of the Scheme during the year ended 31 October 2009 (2008: Nil). No options were exercised pursuant to the Scheme during the year ended 31 October 2009 (2008: Nil). The Company has 2,500,000 number of share options exercisable at the end of the year ended 31 October 2009 (2008: 2,500,000).

During the year ended 31 October 2008, options to subscribe for 500,000 ordinary shares were lapsed.

15. 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	Total HK$'000
At 1 November 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
Year ended 31 October 2008							
Opening net book amount	978	356	32,589	52	278	84,457	118,710
Additions	206	248	1,526	523	–	–	2,503
Disposal	(5)	–	–	–	–	–	(5)
Depreciation	(313)	(155)	(3,444)	(66)	(131)	(2,803)	(6,912)
Translation differences	35	26	2,508	–	21	6,844	9,434
Closing net book amount	901	475	33,179	509	168	88,498	123,730
At 31 October 2008							
Cost	1,719	1,074	39,052	807	627	92,143	135,422
Accumulated depreciation	(818)	(599)	(5,873)	(298)	(459)	(3,645)	(11,692)
Net book amount	901	475	33,179	509	168	88,498	123,730
Year ended 31 October 2009							
Opening net book amount	901	475	33,179	509	168	88,498	123,730
Additions	–	75	13,340	13	–	133	13,561
Depreciation	(326)	(157)	(3,607)	(116)	(133)	(2,866)	(7,205)
Translation differences	–	3	212	–	1	512	728
Closing net book amount	**575**	**396**	**43,124**	**406**	**36**	**86,277**	**130,814**
At 31 October 2009							
Cost	1,719	1,152	52,607	820	628	92,791	149,717
Accumulated depreciation	(1,144)	(756)	(9,483)	(414)	(592)	(6,514)	(18,903)
Net book amount	**575**	**396**	**43,124**	**406**	**36**	**86,277**	**130,814**

16. INTEREST IN LEASEHOLD LAND — THE GROUP

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

	2009 HK$'000	2008 HK$'000
Carrying amount at the beginning of the year	5,547	5,230
Amortisation charge for the year	(118)	(115)
Translation differences	33	432
Carrying amount at the end of the year	5,462	5,547

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

17. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	10,957	10,957

Particulars of the subsidiaries of the Company as at 31 October 2009 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") *(note (b))*	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	42.5%	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

17. 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)				
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
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 each	100%	Marketing and advertising business in Hong Kong
Tianjin Asian Way^ *(note (b))*	PRC, wholly foreign owned limited liability company	US$4,500,000	42.5%	Operation of a water supply plant in the PRC
Tokawa Precision (Overseas) Co. Limited^	BVI, limited liability company	1 ordinary share of US$1	100%	Investment holding
Tokawa Precision Co. Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	100%	Marketing and sales of industrial environmental products in Hong Kong
Tokawa Precision (Overseas) Company Limited — Macao Commercial Offshore^	Macau, limited liability company	MOP100,000	100%	Marketing and sales of environmental protection related products in Macau
Well Spread Investment Limited ("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

^ *Not audited by Grant Thornton International member firms*

17. INVESTMENTS IN SUBSIDIARIES — THE COMPANY (Continued)

Notes:

(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 million (equivalent to HK$68.1 million as at 31 October 2009 which bears interest at prevailing prime rate plus 5.5% per annum and repayable every year from profit generating from operation of Tianjin Asian Way) granted by one of the Group’s subsidiaries is fully repaid. 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 associate 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.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY — THE GROUP

	2009	2008
	HK$’000	HK$’000
Unlisted investment, at cost	2,385	2,385
Share of post-acquisition results	207	(765)
	2,592	1,620

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

As at 31 October 2009, the Group has interest in the following jointly controlled entity:

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
Jiangsu Kangyuan Environmental Protection Technology Co. Limited# (江蘇康源環保科技有限公司) ("Jiangsu Kangyuan")	PRC, limited liability company	RMB5,000,000	50%	Provision of environmental protection related solutions in the PRC

English translation only

The 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	
	2009	2008
	HK$'000	*HK$'000*
Share of jointly-controlled entity's results		
Income	**4,647**	446
Expenses	**(3,675)**	(593)

	As at 31 October	
	2009	2008
	HK$'000	*HK$'000*
Share of jointly-controlled entity's assets and liabilities		
Non-current assets	**26**	35
Current assets	**4,660**	2,351
Current liabilities	**(2,094)**	(766)
	2,592	1,620

19. DEFERRED TAXATION

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

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

	Group						Company
	Provision for warranty *HK$'000*	Provision for accounts receivable *HK$'000*	Provision for slow-moving inventories *HK$'000*	Tax loss *HK$'000*	Capital contribution from a minority shareholder *HK$'000*	Total *HK$'000*	Tax loss *HK$'000*
At 1 November 2007	584	463	1,082	370	–	2,499	370
Debited to the consolidated income statement	(288)	–	(523)	–	–	(811)	–
Lower enacted tax rate used for the recognition of deferred tax	(33)	–	–	–	–	(33)	–
Translation differences	–	37	42	–	–	79	–
At 31 October 2008 and 1 November	263	500	601	370	–	1,734	370
Debited to the consolidated income statement	(183)	(500)	–	(127)	–	(810)	(201)
Debited to capital contribution reserve	–	–	–	–	(3,155)	(3,155)	–
Debited to minority interest	–	–	–	–	(4,268)	(4,268)	–
Translation differences	–	–	3	–	–	3	–
At 31 October 2009	**80**	**–**	**604**	**243**	**(7,423)**	**(6,496)**	**169**

The effect of lower enacted tax rate used in the calculation of deferred tax amounting to approximately HK$33,000 has been debited to the consolidated income statement during the year ended 31 October 2008.

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 2009, the Group has tax losses arising in Hong Kong of approximately HK$416,000 (2008: HK$237,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 October 2009, the tax losses arising in the PRC was amounted to HK$4,824,000 (2008: HK$3,912,000) which are available for offsetting against future taxable profits of the companies will expire in 2014. 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 2009, deferred tax liabilities of approximately HK$7,423,000 (2008: Nil) have been established for the taxation that would be payable in relation to the capital contribution made by a minority shareholder. No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of certain subsidiaries because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

19. DEFERRED TAXATION (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred tax assets	**927**	1,734	**169**	370
Deferred tax liabilities	**(7,423)**	—	**—**	—
	(6,496)	1,734	**169**	370

20. INVENTORIES — THE GROUP

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**7,014**	5,550
Work in progress	**2,240**	2,845
Finished goods	**26,609**	36,133
	35,863	44,528
Provision for slow-moving inventories	**(8,473)**	(8,699)
	27,390	35,829

21. ACCOUNTS RECEIVABLE — THE GROUP

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

The Group has a policy of allowing an average credit period of 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 balance sheet date, based on invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**22,999**	30,127
91 — 180 days	**5,089**	7,732
181 — 365 days	**9,151**	3,389
Over 365 days	**321**	6,715
	37,560	47,963
Provision for impairment	**—**	(2,001)
Included in current assets	**37,560**	45,962
Carrying amount analysed for reporting purposes as		
Current	**37,560**	45,962
Non-current *(note (a))*	**2,763**	9,092
	40,323	55,054

(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$8,664,000 (2008: HK$13,008,000) was pledged to secure a bank loan of the Group (note 31(c)).

21. ACCOUNTS RECEIVABLE — THE GROUP (Continued)

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly. Based on this assessment, the bad debts written off against accounts receivable directly during the year are approximately HK$45,000 (2008: Nil). The movement in the allowance for doubtful debts during the year is as follows:

	2009 HK$'000	2008 HK$'000
At beginning of year	2,001	1,847
Write back of provision for accounts receivable	(2,001)	—
Exchange difference debited to the consolidated income statement	—	154
At end of year	—	2,001

Accounts receivable that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

The ageing analysis of the Group's accounts receivable that were past due as at the balance sheet date but not impaired, based on due date is as follows:

	2009 HK$'000	2008 HK$'000
Not more than 90 days past due	5,089	7,732
91 to 180 days past due	3,400	2,475
181 to 360 days past due	2,895	2,285
Over 360 days past due	3,177	3,343
	14,561	15,835
Neither past due nor impaired	25,762	39,219
	40,323	55,054

Accounts receivable that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of accounts receivable past due but not impaired.

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

The amounts due from/(to) subsidiaries were unsecured, interest-free and repayable on demand except for one subsidiary, in which the amount due from this subsidiary with principal amount of HK$19,200,000 (2008: HK$19,200,000) bore interest at prevailing prime rate plus 5.5% per annum (2008: interest at prevailing prime rate plus 5.5% per annum) as at 31 October 2009.

23. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**11,214**	22,184	**91**	150
Bank deposits	**9,020**	9,020	**—**	—
	20,234	31,204	**91**	150
Less: Pledged bank deposits for performance bond facilities *(note 33)*	**(9,020)**	(9,020)	**—**	—
Cash and cash equivalents	**11,214**	22,184	**91**	150
Pledged deposits analysed for reporting purposes as non-current	**9,020**	9,020	**—**	—

The effective interest rates of pledged bank deposits were ranging from 1.50% to 2.00% (2008: 1.50%) per annum as at 31 October 2009. These deposits had no maturity date and were pledged to bank to secure the Group's performance bond facilities (note 31(a)). The pledge will not be released within twelve months from the balance sheet date.

24. 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:

	2009 *HK$'000*	2008 *HK$'000*
Outstanding balances with ages:		
Within 90 days	**27,480**	34,433
91 — 180 days	**11,367**	21,097
181 — 365 days	**2,047**	3,200
Over 365 days	**2,093**	551
	42,987	59,281

25. PROVISION FOR WARRANTY — THE GROUP

	2009 *HK$'000*	2008 *HK$'000*
At beginning of year	**1,591**	3,339
Less: Unused amounts reversed and credited to the consolidated income statement	**(809)**	(1,441)
	782	1,898
Less: Amounts utilised	**(300)**	(307)
At end of year	**482**	1,591
Portion classified as current liability	**(482)**	(1,109)
Portion classified as non-current liability	**—**	482

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.

26. LOAN FROM A SHAREHOLDER

The loan from a shareholder was unsecured, repayable before March 2010 and bore interest at the higher of prevailing prime rate plus 1% or 6% per annum.

27. BANK LOANS — THE GROUP

	2009	2008
	HK$'000	*HK$'000*
Bank loan repayable within one year		
— Unsecured	**–**	6,000
— Secured	**8,664**	13,000
	8,664	19,000
Bank loan repayable in the second year		
— Unsecured	**–**	1,500
	8,664	20,500
Less: Portion due within one year included under current liabilities	**(8,664)**	(19,000)
Non-current portion included under non-current liabilities	**–**	1,500

Bank loans were denominated in Hong Kong Dollars and bore interests at variable rates ranging from 1.75% to 3.25% over 1 to 3 months HIBOR (2008: 1.5% to 3.25% over 1 to 6 months HIBOR) per annum at 31 October 2009. Further details of securities were set out in note 31 to the financial statements.

28. LOANS FROM MINORITY SHAREHOLDERS — THE GROUP

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

The principal amount of the loans was HK$24,508,000 (2008: HK$27,013,000). The fair value of the loans was calculated using cash flows discounted by reference to a market interest rate of 5.9% (2008: 5.9%) per annum.

29. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 (2008: 5,000,000,000)		
ordinary shares of HK$0.01 each	50,000	50,000
Issued and fully paid:		
649,540,000 (2008: 649,540,000)		
ordinary shares of HK$0.01 each	6,495	6,495

30. 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 therefore.

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

The capital contribution reserve of the Group represents the contribution made by a minority shareholder shared by the Group (note 36).

30. 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 2007	30,537	376	6,197	3,248	40,358
Profit for the year	—	—	831	—	831
2007 final dividend declared	—	—	—	(3,248)	(3,248)
2008 proposed final dividend	—	—	(3,897)	3,897	—
Reversal on expiry of share based compensation benefit	—	(50)	50	—	—
At 31 October 2008 and 1 November 2008	30,537	326	3,181	3,897	37,941
Profit for the year	—	—	794	—	794
2008 final dividend declared	—	—	—	(3,897)	(3,897)
2009 proposed final dividend	—	—	(1,949)	1,949	—
At 31 October 2009	**30,537**	**326**	**2,026**	**1,949**	**34,838**

The share premium account of the Company includes: (i) the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium; and (ii) the excess of the consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefore. 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.

31. BANKING FACILITIES — THE GROUP

As at 31 October 2009, 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 (2008: HK$9,020,000) (note 23);

(b) corporate guarantees executed by the Company (note 32); and

(c) assignment of certain of the Group's accounts receivable (note 21(b)).

32. FINANCIAL GUARANTEE CONTRACTS — THE COMPANY

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

	2009	2008
	HK$'000	*HK$'000*
Guarantee for banking facilities granted to subsidiaries	**34,125**	47,311

33. PERFORMANCE BONDS — THE GROUP

The Group concluded totally 7 (2008: 7) non-exclusive contracts with the Environmental Protection Department of the Government. Pursuant to the terms of the contracts, the Group has procured a bank to provide 7 (2008: 7) performance bonds with an aggregate amount of approximately HK$9 million (2008: 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 31(a)).

34. 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:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**839**	1,998
In the second to fifth years, inclusive	**468**	1,873
	1,307	3,871

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2008: one to three years), without any option to renew the lease terms at the expiry date and do not include contingent rentals.

35. RELATED PARTY TRANSACTIONS

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

	2009 HK$'000	2008 HK$'000
Salaries, allowances and benefits in kind	4,008	2,962
Bonuses	—	951
Pension scheme contributions	60	54
	4,068	3,967

36. AMOUNT DUE FROM A MINORITY SHAREHOLDER AND PLEDGE OF SHARES OF ASIAN WAY HELD BY A MINORITY SHAREHOLDER

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 by 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 born by Mr. Tang and this amount was reported as "amount due from a minority shareholder" under current assets and "capital contribution reserve" under equity in the consolidated financial statements as it was contribution from Mr. Tang.

On 13 November 2008, Mr. Tang settled the amount of RMB25,132,000 directly to the construction company. This amount was offset between other payables and amount due from a minority shareholder during the year ended 31 October 2009 pursuant to the Agreements.

37. SUBSEQUENT EVENT

Pursuant to the Agreements, 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 RMB60 million (equivalent to HK$68.1 million as at 31 October 2009) granted to Asian Way by a subsidiary of the Group.

On 14 December 2009, the above pledged shares have been enforced by the Group as a result of continuing default in payment of loan interest by Asian Way under the loan agreements dated 16 November 2005 in respect of which Mr. Tang acted as a warrantor thereunder. After the enforcement, the Group has become the legal and beneficial owner of a total of 8,000 shares in Asian Way, representing 80% of its entire issued share capital.

38. RISK MANAGEMENT OBJECTICES 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.

As at 31 October 2009, 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 balance sheet. 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 balance sheet 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.

38. RISK MANAGEMENT OBJECTICES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Japanese Yen	**3,414**	1,564	**26,492**	25,361
Sterling Pounds	**2,572**	7,210	**1,742**	5,223
US Dollars	**5,888**	12,654	**1,962**	8,067
Renminbi	**4,667**	5,937	**—**	6,334

(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.

	2009				2008			
	HK$'000				*HK$'000*			
	USD	**JPY**	**RMB**	**GBP**	USD	JPY	RMB	GBP
Increase/decrease in foreign exchange rate	**+/-5%**	**+/-5%**	**+/-5%**	**+/-5%**	+/-5%	+/-5%	+/-5%	+/-5%
Effect on profit for the year and retained earnings	**175**	**(1,064)**	**177**	**34**	177	(1,130)	166	143

38. RISK MANAGEMENT OBJECTICES AND POLICIES (Continued)

(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.

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

	Less than 3 months	3 months to 1 year	Over 1 year	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As 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 – floating-rate	**–**	**8,664**	**–**	**8,664**	**8,664**
Loan from a shareholder	**–**	**3,500**	**–**	**3,500**	**3,500**
Loans from minority shareholders	**–**	**–**	**23,745**	**23,745**	**23,745**
	33,234	**27,671**	**23,745**	**84,650**	**84,650**
As 31 October 2008					
Accounts and bills payable	34,432	24,298	551	59,281	59,281
Accrued liabilities and other payables	38,373	–	–	38,373	38,373
Bank loans – floating-rate	14,500	4,500	1,500	20,500	20,500
Loans from minority shareholders	–	–	25,489	25,489	25,489
	87,305	28,798	27,540	143,643	143,643

38. RISK MANAGEMENT OBJECTICES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

Group	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivable:		
— Pledged bank deposits	9,020	9,020
— Accounts receivable	40,323	55,054
— Deposits and other receivables	7,228	10,581
— Cash and cash equivalents	11,214	22,184
— Amount due from a minority shareholder	—	26,179
	67,785	123,018
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	42,987	59,281
— Accrued liabilities and other payables	5,754	38,373
— Bank loans	8,664	20,500
— Loan from a shareholder	3,500	—
— Loans from minority shareholders	23,745	25,489
	84,650	143,643

Company	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivable:		
— Deposits and other receivables	1	1
— Cash and cash equivalents	91	150
— Amounts due from subsidiaries	53,604	52,185
	53,696	52,336
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	266	738
— Amounts due to subsidiaries	23,255	18,500
	23,521	19,238

39. CAPITAL MANAGEMENT

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

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

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

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

	2009	2008
	HK$'000	*HK$'000*
Capital		
Total equity	**143,068**	148,404
Overall financing		
Bank loans		
— Current	**8,664**	19,000
— Non-current	**—**	1,500
Loan from a shareholder	**3,500**	—
Loans from minority shareholders	**23,745**	25,489
	35,909	45,989
Capital-to-overall financing ratio	**3.98 times**	3.23 times

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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**129,236**	175,982	115,909	91,941	93,381
Cost of sales	**(102,873)**	(139,221)	(90,123)	(65,312)	(59,447)
Gross profit	**26,363**	36,761	25,786	26,629	33,934
Other income	**5,092**	6,672	3,277	2,191	642
Selling expenses	**(2,291)**	(2,943)	(3,329)	(2,884)	(2,443)
Administrative expenses	**(19,008)**	(19,249)	(15,097)	(13,692)	(10,655)
Other operating income	**809**	1,441	1,350	614	1,682
Profit from operations	**10,965**	22,682	11,987	12,858	23,160
Finance costs	**(1,294)**	(1,813)	(387)	—	—
Share of profit/(loss) of a jointly controlled entity	**972**	(147)	149	(500)	(267)
Profit before taxation	**10,643**	20,722	11,749	12,358	22,893
Taxation	**(1,936)**	(3,336)	(225)	(696)	(704)
Profit for the year	**8,707**	17,386	11,524	11,662	22,189

ASSETS AND LIABILTIES

	31 October				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets	**151,578**	150,743	149,434	109,282	29,647
Current assets	**87,400**	144,866	114,892	59,540	72,239
Current liabilities	**64,742**	119,734	110,713	62,630	22,771
Net current assets/(liabilities)	**22,658**	25,132	4,179	(3,090)	49,468
Non-current liabilities	**31,168**	27,471	26,736	18,885	4,675
Net assets	**143,068**	148,404	126,877	87,307	74,440

Notes:

1. The consolidated results of the Group for the years ended 31 October 2005, 2006 and 2007 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 2008 and 2009 are as set out on page 26 of the audited consolidated financial statements.

2. The consolidated balance sheets as at 31 October 2005, 2006 and 2007 are as set out in the annual reports of the Company for those years. The consolidated balance sheets as at 31 October 2008 and 2009 are as set out on pages 27 to 28 of the audited consolidated financial statements.