



ECO-TEK HOLDINGS LIMITED
環康集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8169)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 OCTOBER 2011

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

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

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

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This announcement, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

SUMMARY

- Turnover for the year ended 31 October 2011 amounted to approximately HK\$182.0 million (2010: HK\$182.3 million), representing a slightly decrease of approximately 0.2% as compared with preceding year.
- Profit attributable to equity holders of the Company for the year ended 31 October 2011 amounted to approximately HK\$5.8 million (2010: HK\$13.1 million) which represented approximately 55.7% decrease as compared with last year.
- Basic earnings per share for the year ended 31 October 2011 amounted to approximately HK0.89 cents (2010: HK2.02 cents). No diluted earnings per share for the two years ended 31 October 2011 and 2010.

CONSOLIDATED RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 October 2011 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Revenue	5	181,959	182,304
Cost of sales		<u>(147,757)</u>	<u>(140,770)</u>
Gross profit		34,202	41,534
Other income		2,915	925
Selling expenses		(4,685)	(2,890)
Administrative expenses		(23,080)	(21,756)
Other operating income		—	204
Profit from operations	6	9,352	18,017
Finance costs		(95)	(1,144)
Share of (loss)/profit of a jointly controlled entity		(692)	318
Profit before taxation		8,565	17,191
Taxation	7	(2,344)	(3,610)
Profit for the year		6,221	13,581
Other comprehensive income for the year			
Exchange gain on translation of financial statements of foreign operations		8,209	1,810
Total comprehensive income for the year		14,430	15,391
Profit for the year attributable to:			
Equity holders of the Company		5,802	13,145
Non-controlling interests		419	436
		6,221	13,581
Total comprehensive income for the year attributable to:			
Equity holders of the Company		13,055	13,945
Non-controlling interests		1,375	1,446
		14,430	15,391
Earnings per share for profit attributable to equity holders of the Company during the year	9		
— Basic		HK0.89 cents	HK2.02 cents
— Diluted		N/A	N/A
Dividends	8	1,299	3,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		136,214	133,148
Interest in leasehold land		5,618	5,464
Interest in a jointly controlled entity		2,218	2,910
Deferred tax assets		1,435	1,839
Pledged bank deposits		9,020	9,020
		154,505	152,381
Current assets			
Inventories		49,028	43,158
Accounts receivable	10	34,842	42,506
Deposits, prepayments and other receivables		8,013	7,638
Tax recoverable		1,755	1,755
Cash and cash equivalents		11,642	27,603
		105,280	122,660
Current liabilities			
Accounts and bills payable	11	42,259	56,804
Accrued liabilities and other payables		14,861	18,345
Provision for tax		3,894	3,140
Bank loans		—	8,514
		61,014	86,803
Net current assets		44,266	35,857
Total assets less current liabilities		198,771	188,238
Non-current liabilities			
Deferred tax liabilities		7,423	7,423
Loan from a third party		14,779	14,779
Loan from a minority shareholder		9,526	9,526
		31,728	31,728
Net assets		167,043	156,510
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	6,495	6,495
Share premium		19,586	19,586
Capital reserve		95	95
Exchange translation reserve		18,078	10,825
Capital contribution reserve		7,971	7,971
Retained profits		106,786	102,283
Proposed final dividend	8	1,299	3,897
		160,310	151,152
Non-controlling interests		6,733	5,358
Total equity		167,043	156,510

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2011

	Equity attributable to equity holders of the Company								Non-	Total	
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Capital contribution reserve	Share option reserve	Retained profits	Proposed final dividend	controlling interests	equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 November 2009	6,495	19,586	95	8,023	7,971	326	87,376	1,949	131,821	11,247	143,068
Exchange differences	—	—	—	800	—	—	—	—	800	1,010	1,810
Profit for the year	—	—	—	—	—	—	13,145	—	13,145	436	13,581
Total comprehensive income for the year	—	—	—	800	—	—	13,145	—	13,945	1,446	15,391
Reversal on expiry of share-based compensation benefit	—	—	—	—	—	(326)	326	—	—	—	—
Further acquisition of 37.5% share of a subsidiary from a minority shareholder	—	—	—	2,002	—	—	5,333	—	7,335	(7,335)	—
2009 final dividend declared	—	—	—	—	—	—	—	(1,949)	(1,949)	—	(1,949)
2010 proposed final dividend	—	—	—	—	—	—	(3,897)	3,897	—	—	—
At 31 October 2010 and 1 November 2010	6,495	19,586	95	10,825	7,971	—	102,283	3,897	151,152	5,358	156,510
Exchange differences	—	—	—	7,253	—	—	—	—	7,253	956	8,209
Profit for the year	—	—	—	—	—	—	5,802	—	5,802	419	6,221
Total comprehensive income for the year	—	—	—	7,253	—	—	5,802	—	13,055	1,375	14,430
2010 final dividend declared	—	—	—	—	—	—	—	(3,897)	(3,897)	—	(3,897)
2011 proposed final dividend	—	—	—	—	—	—	(1,299)	1,299	—	—	—
At 31 October 2011	6,495	19,586	95	18,078	7,971	—	106,786	1,299	160,310	6,733	167,043

Notes:

1. GENERAL INFORMATION

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

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

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

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 November 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Limited Exceptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32	Classification of Rights Issues
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 October 2010.

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

4. SEGMENT INFORMATION

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

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

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

	General environmental protection related products and services		Production of machines		Industrial environmental products		Water supply plant		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,208</u>	<u>933</u>	<u>9,903</u>	<u>9,706</u>	<u>150,353</u>	<u>155,153</u>	<u>20,495</u>	<u>16,512</u>	<u>181,959</u>	<u>182,304</u>
Reportable segment revenue	1,208	933	9,903	9,706	150,353	155,153	20,495	16,512	181,959	182,304
Reporting segment profit/(loss)	<u>216</u>	<u>4</u>	<u>(4,832)</u>	<u>(1,590)</u>	<u>28,835</u>	<u>35,380</u>	<u>5,298</u>	<u>4,850</u>	<u>29,517</u>	<u>38,644</u>
Interest income	2	23	—	—	45	13	9	18	56	54
Depreciation and amortisation	(168)	(172)	(1,498)	(1,533)	(212)	(215)	(6,781)	(6,442)	(8,659)	(8,362)
Write back of/(Provision for) slow-moving inventories	<u>1</u>	<u>17</u>	<u>(514)</u>	<u>(1,162)</u>	<u>529</u>	<u>(281)</u>	<u>—</u>	<u>—</u>	<u>16</u>	<u>(1,426)</u>
Reportable segment assets	9,599	18,924	45,503	42,362	71,091	76,886	128,020	130,231	254,213	268,403
Additions to non-current segment assets	22	90	3,259	1,748	257	81	1,546	5,935	5,084	7,854
Reportable segment liabilities	<u>535</u>	<u>9,306</u>	<u>995</u>	<u>4,465</u>	<u>48,995</u>	<u>64,022</u>	<u>6,094</u>	<u>5,562</u>	<u>56,619</u>	<u>83,355</u>

4. SEGMENT INFORMATION (continued)

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Reportable segment revenue	<u>181,959</u>	<u>182,304</u>
Group revenue	<u><u>181,959</u></u>	<u><u>182,304</u></u>
Reportable segment profit	29,517	38,644
Other corporate expenses	(20,165)	(20,627)
Finance costs	(95)	(1,144)
Share of (loss)/profit of a jointly controlled entity	(692)	318
Profit before taxation	<u><u>8,565</u></u>	<u><u>17,191</u></u>
Reportable segment assets	254,213	268,403
Interest in a jointly controlled entity	2,218	2,910
Other corporate assets	3,354	3,728
Group assets	<u><u>259,785</u></u>	<u><u>275,041</u></u>
Reportable segment liabilities	56,619	83,355
Other corporate liabilities	36,123	35,176
Group liabilities	<u><u>92,742</u></u>	<u><u>118,531</u></u>

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

	Revenue from		Non-current assets	
	external customers			
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile)	16,073	15,785	445	628
PRC	165,886	165,358	143,587	140,886
Other	—	1,161	18	8
	<u><u>181,959</u></u>	<u><u>182,304</u></u>	<u><u>144,050</u></u>	<u><u>141,522</u></u>

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

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

The Group has a large number of customers and there is no significant revenue derived from specific external customers for the years ended 2010 and 2011.

5. REVENUE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sales of goods	161,464	165,792
Supply of water	20,495	16,512
	<u>181,959</u>	<u>182,304</u>

6. PROFIT FROM OPERATIONS

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Auditor's remuneration		
— Provision for the year	520	500
— Under-provision in prior year	134	—
Amortisation of interest in leasehold land	124	121
Bad debts written off	251	—
Cost of inventories sold*	124,645	118,578
Depreciation of property, plant and equipment	8,535	8,241
Exchange losses, net	764	3,203
Gain on disposal of property, plant and equipment	(50)	(6)
Operating lease charges in respect of land and buildings	1,719	1,674
(Write back of)/Provision for slow-moving inventories	(16)	1,426
Provision for accounts receivable	256	—
Write back of provision for warranty, net**	—	(204)
Staff costs (including directors' remuneration)		
— Wages and salaries	12,908	13,518
— Pension scheme contributions	177	157
	<u>13,085</u>	<u>13,675</u>
Interest income	<u>(56)</u>	<u>(54)</u>

* The costs of inventories sold is included in cost of sales for the year which includes a total amount of approximately HK\$11,074,000 (2010: HK\$14,081,000), 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 was included in "Other operating income" on the face of the consolidated statement of comprehensive income.

7. TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax		
— Hong Kong		
Tax for the year	799	1,601
Under provision in respect of prior years	384	2,783
	<u>1,183</u>	<u>4,384</u>
— The PRC		
Tax for the year	690	126
	<u>1,873</u>	<u>4,510</u>
Deferred tax	<u>471</u>	<u>(900)</u>
Total income tax	<u><u>2,344</u></u>	<u><u>3,610</u></u>

Hong Kong profits tax has been provided for at 16.5% (2010: 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 (2010: 25%).

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprises income tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the year (2010: 25%).

Dongguan Kangli Machinery Co. Ltd.[#] (東莞康力機械有限公司), a wholly-owned subsidiary of the Company established in the PRC, is entitled to full exemption from PRC enterprise income tax for the first two profitable years of operations, followed by a 50% reduction in the profits tax rate for the next three years. The subsidiary has applied the year ended 31 December 2005 as the first profit-making year for the aforesaid tax holiday. PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC after the aforesaid tax holiday.

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 years ended 31 October 2010 and 2011 according to the relevant laws and regulations in Macau.

[#] *English translation only*

8. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividend paid of HK0.60 cent (2010: HK0.30 cent) per ordinary share	3,897	1,949
Proposed final dividend of HK0.20 cent (2010: HK0.60 cent) per ordinary share	1,299	3,897

The directors recommend a final dividend of HK0.20 cent per ordinary share for the year ended 31 October 2011, amounting to approximately HK\$1,299,080, and is subject to approval by the shareholders in the forthcoming annual general meeting.

The above final dividends were proposed after the reporting dates and have not been recognised as a liability at the reporting dates, but reflected as an appropriation of retained profits for the years ended 31 October 2010 and 2011.

9. EARNINGS PER SHARE

The basic earnings per share for the year is calculated based on the consolidated profit attributable to equity holders of the Company for the year of HK\$5,802,000 (2010: HK\$13,145,000) and the weighted average of 649,540,000 (2010: 649,540,000) ordinary shares in issue during the year.

No diluted earnings per share is calculated for the year ended 31 October 2011 as there were no potential dilutive share outstanding during the year.

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

10. ACCOUNTS RECEIVABLE

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

The Group has a policy of allowing an average credit period of 90 days to 120 days to its trade customers, except for one customer. This customer's repayment term is to pay (i) 70%–80% of the invoice amount to the Group one month after the invoice date; (ii) another 10% of the invoice amount to the Group three months or twelve months after the invoice date; and (iii) the remaining 10%–20% of the invoice amount to the Group after expiry of warranty period if no complaints are received in respect of the products sold to the customer. An ageing analysis of accounts receivable as at the reporting date, based on invoice date, is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	25,821	30,779
91–180 days	6,422	9,004
181–365 days	1,541	2,339
Over 365 days	1,319	384
	<u>35,103</u>	<u>42,506</u>
Provision for impairment	(261)	—
	<u><u>34,842</u></u>	<u><u>42,506</u></u>

Note: No accounts receivable (2010: approximately HK\$6,068,000) was pledged to secure a bank loan of the Group as at 31 October 2011.

11. ACCOUNTS AND BILLS PAYABLE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	22,611	47,898
91–180 days	18,992	6,831
181–365 days	192	95
Over 365 days	464	1,980
	<u>42,259</u>	<u>56,804</u>

12. SHARE CAPITAL

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Authorised: 5,000,000,000 (2010: 5,000,000,000) ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid: 649,540,000 (2010: 649,540,000) ordinary shares of HK\$0.01 each	<u>6,495</u>	<u>6,495</u>

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(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 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debt on a collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

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

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

	Assets		Liabilities	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Japanese Yen ("JPY")	754	589	27,895	32,306
Sterling Pounds ("GBP")	3,695	3,563	2,738	2,767
US Dollars ("USD")	6,425	11,641	7,168	6,861
Euro ("EUR")	21	45	2,931	10,409

(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.

	2011 HK\$'000			2010 HK\$'000		
	EUR	JPY	GBP	EUR	JPY	GBP
Increase in foreign exchange rate	5%	5%	5%	5%	5%	5%
Effect on profit for the year and retained earnings	(123)	(1,261)	37	(433)	(1,705)	35

(d) Interest rate risk

The Group has no significant interest bearing assets except bank balances. The Group borrowed bank loans with floating interest rates as at 31 October 2010. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's cash flow interest rate risk is minimal.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk

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

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

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Group					
As at 31 October 2011					
Accounts and bills payable	22,611	19,648	—	42,259	42,259
Accrued liabilities and other payables	8,507	—	—	8,507	8,507
Loan from a third party	—	—	14,779	14,779	14,779
Loan from a minority shareholder	—	—	9,526	9,526	9,526
	<u>31,118</u>	<u>19,648</u>	<u>24,305</u>	<u>75,071</u>	<u>75,071</u>
As at 31 October 2010					
Accounts and bills payable	47,898	8,906	—	56,804	56,804
Accrued liabilities and other payables	7,904	—	—	7,904	7,904
Bank loans	8,514	—	—	8,514	8,514
Loan from a third party	—	—	14,779	14,779	14,779
Loan from a minority shareholder	—	—	9,526	9,526	9,526
	<u>64,316</u>	<u>8,906</u>	<u>24,305</u>	<u>97,527</u>	<u>97,527</u>
Company					
As at 31 October 2011					
Accrued liabilities and other payables	501	—	—	501	501
Amount due to a subsidiary	18,504	—	—	18,504	18,504
	<u>19,005</u>	<u>—</u>	<u>—</u>	<u>19,005</u>	<u>19,005</u>
Financial guarantees issued					
— Maximum amount guaranteed	<u>40,062</u>	<u>—</u>	<u>—</u>	<u>40,062</u>	<u>—</u>
As at 31 October 2010					
Accrued liabilities and other payables	271	—	—	271	271
Amount due to a subsidiary	12,749	—	—	12,749	12,749
	<u>13,020</u>	<u>—</u>	<u>—</u>	<u>13,020</u>	<u>13,020</u>
Financial guarantees issued					
— Maximum amount guaranteed	<u>44,587</u>	<u>—</u>	<u>—</u>	<u>44,587</u>	<u>—</u>

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Summary of financial assets and liabilities by category

	2011 HK\$'000	2010 HK\$'000
Group		
Financial assets		
Loans and receivable:		
— Accounts receivable	34,842	42,506
— Deposits and other receivables	6,203	5,077
Pledged bank deposits	9,020	9,020
Cash and cash equivalents	11,642	27,603
	<u>61,707</u>	<u>84,206</u>
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Accounts and bills payable	42,259	56,804
— Accrued liabilities and other payables	8,507	7,904
— Bank loans	—	8,514
— Loan from a third party	14,779	14,779
— Loan from a minority shareholder	9,526	9,526
	<u>75,071</u>	<u>97,527</u>
Company		
Financial assets		
Loans and receivable:		
— Deposits and other receivables	25	5
— Amounts due from subsidiaries	49,426	44,201
Cash and cash equivalents	124	69
	<u>49,575</u>	<u>44,275</u>
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Accrued liabilities and other payables	501	271
— Amounts due to subsidiaries	18,504	12,749
	<u>19,005</u>	<u>13,020</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Sales of our industrial and environmental products to the machinery and construction industries fell in 2011, as a result of a series of monetary policies and administrative restrictions to hedge against China's overheating economy and a potential asset bubble in year 2011. The tightening of these policies together with a subsequent credit crunch put many PRC domestic manufacturing enterprises in a tight liquidity squeeze and inflation that increased the cost of labour and rental costs affected the Group's industrial environmental products customers. Market condition during the second half of this financial year was significantly deteriorated. Sluggishness in the U.S. economic recovery and escalating sovereign debt crisis in Europe cast a gloomy shadow over international economy.

A sharp appreciation of the Japanese Yen negatively impacted our profits. The Yen is one of the primary currencies that we use for purchase. We had taken actions to alleviate its effect including hedging, negotiating discounts from our suppliers in Japan and sourcing supply of new industrial environmental products from the Europe to reduce the Group's concentration in Japanese Yen purchase. The massive earthquake and subsequent radiation issues affected the production and supply chains of our key industrial environmental product suppliers in Japan during mid-March 2011. Fortunately, the production capacities of our suppliers in Japan have resumed their pre-disaster levels.

Our Tokawa Precision Hydraulic Retailers Shops in Foshan and Changsha have commenced business at the end of 2010 and the Group will continue to examine other prime locations to promote and penetrate the industrial environmental products market in PRC.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City. As development in the Baodi District of Tianjin City continues, the revenue generated from our water supply plant there continued to increase in the reporting period. The Group has confidence that this growth will continue.

Prospects

In year 2011, the appreciation of the Japanese Yen, the Europe sovereign debt crisis and sluggishness in the U.S. economic recovery, together with inflation in China and austerity measures adopted by the PRC Government, had affected our business significantly. The Group expects 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, we will continue to take actions including negotiating further discounts from our suppliers in Japan and sourcing supply of new industrial environmental products from the Europe to reduce the Group's concentration in Japanese Yen purchase. Recently, it appears that the PRC government may finally be relaxing credit. Nevertheless, with global economic climate clouded with various uncertainties, the Group remains prudent in planning its future strategies and will continue to promote existing industrial environment protection related

products through extending the network of our retail shops and explore opportunities in new products markets in PRC. We will monitor the situation cautiously and adjust our development plan accordingly. Under China's 12th Five-Year Plan, an area of 16 square kilometers near Baodi District and within our water supply plant's coverage area was strategically planned to be established as the financial service backup and outsourcing centers to provide services for major financial institutes located in Beijing and Tianjin cities. The Group has confidence that it will have a positive contribution to our water supply plant's future revenue.

Financial review

The Group's turnover for the year ended 31 October 2011 was HK\$182.0 million, a slight decrease of 0.2% as compared with the last corresponding year (2010: HK\$182.3 million). It was mainly due to the decrease in the business of industrial environmental products.

The Group recorded a net profit attributable to equity shareholders of the Company was approximately HK\$5.8 million (2010: HK\$13.1 million).

Gross margin

Gross profit for the year ended 31 October 2011 was HK\$34.2 million, representing a decrease of 17.6% as compared with the last corresponding year (2010: HK\$41.5 million). The gross profit margin was 18.8% for the year ended 31 October 2011, representing a decrease of 17.5% as compared with the last corresponding year (2010: 22.8%). It was mainly attributable to the appreciation of the Japanese Yen which is one of the primary currencies for the Group's purchasing transactions.

Expenses

The Group's administrative expenses for the year ended 31 October 2011 was HK\$23.1 million, representing an increase of 6.0% compared with the last corresponding year (2010: HK\$21.8 million). The Group's selling expenses for the year ended 31 October 2011 was HK\$4.7 million, representing an increase of 62.1% compared with the last corresponding year (2010: HK\$2.9 million) due to increase in expense to acquire business under unfavorable market conditions such as commission. The Group's finance costs for the year ended was HK\$0.1 million, representing a decrease of 90.9% compared with the last corresponding year (2010: HK\$1.1 million) due to the full repayment of bank loans during the year.

Liquidity and finance resources

During the year under the review, the Group financed its operations by internally generated cash flow and banking facilities provided by banks. As at 31 October 2011, the Group had net current assets of approximately HK\$44.3 million (31 October 2010: HK\$35.9 million) including bank balances and cash of approximately HK\$20.7 million (31 October 2010: HK\$36.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.7 as at 31 October 2011 (31 October 2010: 1.4). The Group's inventory turnover was about 121 days (31 October 2010: 112 days per last year). The increase was due to slow down of customer orders under deteriorated market condition in the second half of year 2011. The Group's accounts receivable turnover was about 70 days (31 October 2010: 85 days per last year). The decrease was attributable to tightening credit to customers.

Capital structure

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

Gearing ratio

The gearing ratio (defined as the total borrowing over total equity, including minority interests) fell from 21.0% as at 31 October 2010 to 14.6% as at 31 October 2011. The decrease was resulted from the full repayment of bank loans that granted in previous financial year.

Treasury policies

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

Foreign exchange exposure

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

Charge on Group assets and contingent liabilities

As at 31 October 2011, the Group had pledged its bank deposits of approximately HK\$9.0 million (31 October 2010: HK\$9.0 million) to secure its banking facilities. Since the fully repayment of the bank loan during the year, no accounts receivable as at 31 October 2011 (31 October 2010: HK\$6.1 million) was pledged to secure a bank loan of the Group. Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 October 2011.

Information on employees

As at 31 October 2011, the Group had 92 employees (2010: 125) working in Hong Kong and PRC. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the year ended 31 October 2011 amounted to approximately HK\$13.1 million (2010: HK\$13.7 million). The dedication and hard work of the Group's staff during the year ended 31 October 2011 are generally appreciated and recognized.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 October 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 October 2011. The Company had not redeemed any of its listed securities during the year ended 31 October 2011.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules, save and except for Code Provision A.4.1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Except for non-executive director, Dr. LUI Sun Wing, 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, there is no service contract with other non-executive director. As all directors will retire by rotation, and being eligible, offer themselves for re-election at the annual general meeting under the Article of Association of the Company, the re-election of non-executive director at regular interval will not be affected by no service contract with them.

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 2011.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company established a nomination committee in February 2006. The principal duties of the nomination committee are formulating nomination policy and making recommendations, to the Board on nomination and appointment of directors and board succession. The nomination committee comprises four members, Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa, Mr. TAKEUCHI Yutaka and Professor NI Jun, all of them are independent non-executive directors of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control 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 independent non-executive directors of the Company.

The audit committee held four meetings during the year. The Group's results for the year ended 31 October 2011 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.

PROPOSED FINAL DIVIDEND

The directors recommended the payment of a dividend of HK0.20 cent per ordinary share to shareholders, whose names appear in the register of members of the Company on 7 May 2012 (the "Proposed Final Dividend"). Subject to the passing of the necessary resolution at the forthcoming annual general meeting to be held on Thursday, 26 April 2012 (the "2012 AGM"), the Proposed Final Dividend will be payable on or before 23 May 2012.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2012 AGM

The 2012 AGM is scheduled to be held on Thursday, 26 April 2012. For determining the entitlement to attend and vote at 2012 AGM, the register of members of the Company will be closed from Tuesday, 24 April 2012 to Thursday, 26 April 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2012 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 23 April 2012.

(b) For determining the entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of shareholders at the 2012 AGM. For determining the entitlement to the Proposed Final Dividend for the year ended 31 October 2011, the register of members of the Company will also be closed from Monday, 7 May 2012 to Wednesday, 9 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 4 May 2012.

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

Executive directors:

Mr. Ng Chi Fai (*Chief Executive Officer*)
Mr. Kwok Tsun Kee

Non-executive directors:

Ms. Hui Wai Man Shirley (*Chairman*)
Dr. Lui Sun Wing

Independent non-executive directors:

Mr. Chau Kam Wing Donald
Ms. Chan Siu Ping Rosa
Mr. Takeuchi Yutaka
Professor Ni Jun

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

Hong Kong, 19 January 2012

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