

Annual Report

General cleaning services

Buildings repairs and maintenance services

Environment protection

Green revolution

Pest control and disinfection services

External wall cleaning services

a healthy living environment



LO'S ENVIRO-PRO HOLDINGS LIMITED

勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2004/2005

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Lo Kou Hong
(Chairman and Managing Director)
Ko Lok Ping, Maria Genoveffa
Leung Tai Tsan, Charles
Cheung Pui Keung, James

INDEPENDENT NON-EXECUTIVE DIRECTORS

Poon Kwok Kiu
Cheng Kai Tai, Allen
Chiu Wai Piu

AUDIT COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Poon Kwok Kiu
Chiu Wai Piu

REMUNERATION COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Poon Kwok Kiu
Chiu Wai Piu
Lo Kou Hong
Leung Tai Tsan, Charles

COMPANY SECRETARY

Leung Tai Tsan, Charles

QUALIFIED ACCOUNTANT

Leung Tai Tsan, Charles

AUDITORS

Ernst & Young

SOLICITORS

Alfred Lam, Keung & Ko

REGISTERED OFFICE

P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F Caltex House
258 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Bank of Butterfield International
(Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited

STOCK CODE

309

COMPANY'S WEBSITE

www.losgroup.com

Chairman's Statement



Lo's Cleaning Services Ltd, a wholly-owned subsidiary of Lo's Enviro-Pro Holdings Ltd, was awarded "Caring Company 2004/05" by The Hong Kong Council of Social Service.

Dear Shareholders,

On behalf of the Board of Directors (the "Board" or "the Directors") of Lo's Enviro-Pro Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 March 2005 (FY2005).

FY2005 represents a year of consolidation and re-positioning for the Group. The expiry of the Airport cleaning contract coupled with the severely keen competition in the cleaning services market contributed to a difficult business environment for the Group. The furious competition among the ever-increasing volume of cleaning services providers, the increase in labour costs as a result of the reviving economy and the change in attitudes of customers who are now more price-oriented than looking for a certain standard of services, resulted in weakening the Group's overall profit margin because the Group would try to maintain its market share.

As a progressively growing company in the market, the Group accepts the difficult operating environment that it is facing in the general cleaning services market. However, the Group always believes that sustainable growth is built upon continual innovation. Consequently, the Group started to re-position itself to focus on the development of the niche market of professional cleaning services, where the Group believes that its sophisticated strength in technical cleaning can be fully leveraged and can create a better business opportunity thereby improving profit margin. The Group's new strategy was somewhat rewarded in FY2005 with the gaining of a number of professional cleaning services contracts among the industry including external wall cleaning contracts and a warewash and soaking contract for one of the biggest flight-kitchens in Hong Kong. I am optimistic on the Group's development in the future.

To reciprocate the enduring supports of the shareholders, the Board recommends the payment of a final dividend of HK1 cent per share for the year ended 31 March 2005.

Chairman's Statement

Since November 2000, the Buildings Department has launched a "Coordinated Maintenance of Buildings Scheme" in various districts throughout Hong Kong to assist building owners and owners' corporations in pursuing a comprehensive building management and maintenance program and the issue of the ruling on the compensation for the victims in the Albert House accident forcing several owners and the Incorporated Owners of the building into bankruptcy, further boiled up the social anxiety of the problem of lack of maintenance of dilapidated buildings. The social alertness of building maintenance produces a positive impact on the Group as reflected in the Group's fast accumulating orders and enquiries on external wall cleaning and buildings repairing services. According to the Buildings Department, there are 42,000 private buildings territory-wide in which approximately 11,400 are 20 to 40 years old and are more susceptible to maintenance problems, particularly those without proper management. In order to capture the potential room for expansion in the buildings renovation and maintenance market, the Group has established a subsidiary, Mak Tai Construction & Engineering Limited, specializing in carrying out building maintenance and renovation work with two experienced surveyor and engineer in February 2005 to further leverage the Group's existing external wall cleaning customers network and resources. The Group is poised to reap rewards from this set up and current signs are promising.

In FY2005, general cleaning services were still the main drive of revenue, but external wall cleaning services expanded at a satisfactory pace. The efficient completion of external wall cleaning work of totally 31 blocks in Phases 1, 2 and 4 at Laguna City in as short as 250 days in the reviewing year marked a new industry record and marked a significant milestone for the Group. New contracts acquired in the reviewing year included 17 blocks at Sceneway Garden, 14 blocks at Kenswood Court of Kingswood Villa and 7 blocks at Laguna City Phase 3. These contracts are expected to be completed between the third quarter of 2005 and the end of 2005.

Looking into the future, the Group will focus on enhancing the profitability of its business by exploring more on high-end cleaning services with larger profit margins such as external wall cleaning and maintenance, old buildings maintenance and restoration works, pest control treatments, stone care, maintenance and restoration and implementing effective cost control strategies such as to speed up the mechanization of labour intensive cleaning tasks.

Finally, I would like to express my greatest appreciation to our shareholders and customers for their continuous support and to our board of directors and all the staff for their earnest effort in bolstering the Group for long-term growth.

Lo Kou Hong
Chairman

12 July 2005



Management Discussion and Analysis

OPERATING ENVIRONMENT

The Hong Kong economy as a whole recovered strongly in the year under review. The healthy growth in tourism, due partly to the success of the individual travel visa scheme, supplemented by a beneficial operating environment for businesses with relatively steady and low interest rates, low operating costs and a reversal of a deflationary environment which had been with Hong Kong for the past few years, sparked a general improvement in investors' as well as consumers' sentiments. The property market in Hong Kong made a dramatic turnaround resulting in a significant increase not just in the volume of transactions but also in price appreciations. As business improved overall for the majority of the companies in Hong Kong, the job market improved. All these factors led to a lower unemployment rate and a greater demand for higher wages by the workers. In addition, the competition in the provision of general cleaning services industry is fierce because of its low entry barrier level. As each company will try to maintain its market share, contracts are therefore tendered at cut-throat prices, which undoubtedly has squeezed the profit margins. The Group has been affected by this industry trend. It is expected that competition will remain fierce.

However, the Group will make concerted efforts to obtain more businesses on providing professional specialized cleaning services, such as external wall cleaning and maintenance, pest control treatments, stone care maintenance and restoration, where the profit margins are higher.

OPERATING RESULTS

For the year ended 31 March 2005, the Group's turnover and net profit from ordinary activities attributable to shareholders amounted to HK\$178,285,000 and HK\$1,917,000 respectively, representing a 17.9% and 83.7% decrease as compared with the previous year. The expiry of the Airport cleaning contract in January 2004 and the thinning profit margins of general cleaning contracts resulted in the decrease in turnover and net profit. Total operating expenses decreased by approximately 13% as a result of the reduction in turnover and cost cutting exercises. In view of the difficult operating environment that the Group faces, continuous measures will be taken by the Group to try to reduce and contain costs.

BUSINESS REVIEW

The past year had been a year of consolidation and re-positioning for the Group. The expiry of the Airport cleaning contract coupled with the severely keen competition in the cleaning services market led to a drop in the Group's turnover by 17.9% to HK\$178,285,000 for the financial year ended 31 March 2005. The furious competition among the ever-increasing volume of cleaning services providers, the increase in labour costs as a result of the reviving economy and the change in attitudes of customers who are now more price-oriented than looking for a certain standard of services, resulted in weakening the Group's overall profit margin because the Group would have to adapt in order to maintain its market share. As a result, net profit from ordinary activities attributable to shareholders of the Company for the year ended 31 March 2005 was down by 83.7% to HK\$1,917,000.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

As a progressively growing company in the market, the Group accepts the difficult operating environment that it is facing in the general cleaning services market. However, the Group always believes that sustainable growth is built upon continual innovation. Consequently, the Group started to re-position itself to focus on the development of the niche market of professional cleaning services, where the Group believes that its sophisticated strength in technical cleaning can be fully leveraged and can create a better business opportunity which can in turn improve the Group's profit margin. The Group's new strategy was somewhat rewarded in the year under review with the gaining of a number of professional cleaning services contracts among the industry including external wall cleaning contracts and a warewash and soaking contract for one of the biggest flight-kitchens in Hong Kong. The management is optimistic on the Group's development in the future.

Since November 2000, the Buildings Department has launched a "Coordinated Maintenance of Buildings Scheme" in various districts throughout Hong Kong to assist building owners and owners' corporations in pursuing a comprehensive building management and maintenance program. The issue of the ruling on the compensation for the victims in the Albert House accident had forced several owners and the Incorporated Owners of the building into bankruptcy and this further boiled up the social anxiety of the problem of lack of maintenance of dilapidated buildings. The social alertness of building maintenance produces a positive impact on the Group which has been reflected in the Group's fast accumulating orders and enquiries on external wall cleaning and buildings repairing services. According to the Buildings Department, there are 42,000 private buildings territory-wide of which approximately 11,400 are 20 to 40 years old and are more susceptible to maintenance problems, particularly those without proper management. In order to capture the potential room for expansion in the buildings renovation and maintenance market, the Group has established a 60% owned subsidiary, Mak Tai Construction & Engineering Limited ("Mak Tai"), specializing in carrying out building maintenance and renovation work with two experienced surveyor and engineer in February 2005 to further leverage the Group's existing external wall cleaning customers network and resources. The Group is poised to reap rewards from this set up and current signs are promising.

In the year under review, income from the provision of general cleaning services was still the main drive of the Group's revenue, while external wall cleaning services expanded at a satisfactory pace. The efficient completion of external wall cleaning work of totally 31 blocks in Phases 1, 2 and 4 at Laguna City in as short as 250 days in the reviewing year marked a new industry record and marked a significant milestone for the Group. New contracts acquired in the reviewing year included 17 blocks at Sceneway Garden, 14 blocks at Kenswood Court of Kingswood Villa and 7 blocks at Laguna City Phase 3. The contracts for Sceneway Garden are expected to be completed by the third quarter of 2005 and those for Kenswood Court and Laguna City by the end of 2005.



Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group enjoyed a healthy financial position with a current ratio of 5.2 as at 31 March 2005 (2004: 5.1). The cash and bank balance as at 31 March 2005 was approximately HK\$65.6 million (2004: approximately HK\$70.7 million). Given a strong cash position, the Group did not have any bank borrowing as at 31 March 2005 and therefore, the Group's gearing ratio was nil (2004: nil). The bank borrowing for HK\$15.3 million previously mentioned in the 2004/05 interim report, which was entirely used for the investment in overseas unlisted debt securities, had been repaid when the investment was redeemed on 5 November 2004. The Group's shareholder's equity amounted to HK\$78,332,000 as at 31 March 2005 (2004: HK\$86,915,000).

During the year under review, the Group carried out its transactions mostly in the currency of Hong Kong dollars. In addition, the Group's borrowings and cash and bank balances were primarily denominated in Hong Kong and United States dollars. As such, the Group has no significant exposure to fluctuations in exchange rates.

As at 31 March 2005, the Group's banking facilities were secured by the Group's time deposits of HK\$18,995,000 (2004: HK\$23,748,000). The facilities have not been utilized as at 31 March 2005. Save as disclosed above, the Group did not have any charges on any of its assets as at 31 March 2005.

CONTINGENT LIABILITIES

At 31 March 2005, the Group had contingent liabilities as follows:

- (a) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$7,118,000 (2004: HK\$10,300,000) in respect of certain services provided to various customers by the Group.
- (b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$3,035,000 as at 31 March 2005 (2004: HK\$3,600,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,632,000 (2004: HK\$1,949,000) in respect of such possible payments has been made in the consolidated balance sheet as at 31 March 2005.
- (c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2004 and 2005.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2005 was 2,273 (2004: 2,533). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK\$148,944,000 (2004: HK\$164,153,000). The Group provides training programmes for its employees.

Remunerations are commensurate with the nature of jobs, experience and market conditions, and performance related bonuses are granted to some of the employees on a discretionary basis. In addition, all employees of the Group, including directors, are eligible to participate in the Company's share option scheme.

USE OF PROCEEDS FROM NEW ISSUE

The Company's shares became listed on the Stock Exchange on 25 July 2003 after its successful placing and issue of 90 million offer shares at an offer price of HK\$0.56 per share. With half of the offer shares being new issue, the Group raised net proceeds of approximately HK\$20.1 million. As at the end of the year under review, the Group had applied HK\$8.2 million to external wall cleaning business and HK\$0.2 million to stone care and maintenance business. The balance of approximately HK\$11.7 million was placed into fixed deposit and savings account and is expected to be applied to the businesses set out in the Company's prospectus dated 15 July 2003 if and when tenders for such business are successful or when negotiations are finalized.

PROSPECTS

Looking into the future, the Group will focus on enhancing the profitability of its business by exploring more on high-end cleaning services with larger profit margins such as external wall cleaning and maintenance, old buildings maintenance and restoration works, pest control treatments and stone care, maintenance and restoration and by implementing effective cost control strategies such as to speed up the mechanization of labour intensive cleaning tasks.

The Group has been keen to seek for growth by vertical integration in order to serve customers with value added services and improve competitive strengths. The establishment of Mak Tai was a maiden step in this direction. The expertise of Mak Tai's surveyor and engineer in building construction and engineering would differentiate and distinguish the Group from its competitors, and would open up a new avenue for the Group in the years to come.



Biographical Information of Directors and Senior Management

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Dr. Lo Kou Hong, aged 62, is the founder, Chairman and Managing Director of the Group. Prior to establishing Lo's Cleaning Services Limited in 1975, he served as a manager at a local property management company. He received his secondary education in Hong Kong. He was appointed as a vice president of the Friends of Scouting in 2001. He was awarded an honorary doctorate degree in Business Management in 2003 by Burkes University in Turks & Caicos Islands in the British West Indies.

Ms. Ko Lok Ping, Maria Genoveffa, aged 58, is the co-founder and Director responsible for overall planning and administration of the Group's activities. She has been involved in the Group's business since it was first established in 1975. She is the wife of Dr. Lo.

Mr. Leung Tai Tsan, Charles, aged 52, is the Finance Director and Company Secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He has over 20 years of experience in accounting, auditing and financial management.

Mr. Cheung Pui Keung, James, aged 28, is the Executive Director responsible for the overall operation of the Group. He has over 5 years of experience in cleaning and related services. He holds a Bachelor of Business Administration degree from the Lingnan University, Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Kwok Kiu, aged 57, is an independent non-executive Director and a member of the audit committee of the Company. Other than that, he does not hold any position with the Company or any member of the Group. Mr. Poon previously served in textile, public transport, property management and metal manufacturing industries for over 30 years. Mr. Poon currently acts as a director of Corporate Management Limited which provides training and consultancy services; serves the Institute for Supply Management ("ISM") in Tempe, Arizona, USA as the Senior Consultant and Far East Director; serves the Center for Advanced Purchasing Studies in Tempe, Arizona, USA as the Director of CAPS Research – Asia; and serves the Hong Kong Institute of Vocational Education as External Examiner in Supply Management Courses. Prior to the current activities, Mr. Poon served as the Director – Marketing in Program Contractors Limited and as an Executive Manager in MTR Corporation Limited. Mr. Poon holds a MBA from University of Dubuque, Dubuque, Iowa, USA. He attended Executive Development Programs in Hong Kong and in overseas institutions including Ashridge Management College in London, UCLA and Michigan University in USA. He is a lifetime Certified Purchasing Manager of ISM USA; a member of Chartered Institute of Purchasing and Supply in UK and was an associate member of The Institute of Chartered Secretaries and Administrators in UK from 1976 to 2001.

Biographical Information of Directors and Senior Management

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (continued) **INDEPENDENT NON-EXECUTIVE DIRECTORS** (continued)

Mr. Cheng Kai Tai, Allen, aged 41, is an independent non-executive Director and the chairman of the audit committee of the Company. Other than that, he does not hold any position with the Company or any member of the Group. Mr. Cheng is a qualified accountant and a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has practiced as a Certified Accountant in Hong Kong for over 10 years. Mr. Cheng has extensive professional experience in audit, taxation, financial management, corporate recovery and restructuring. He also holds a Master degree of accountancy in Jinan University in the PRC, and is now acting as a consultant of a number of international companies with business interests in textile, retailing, metal trading and manufacturing in PRC.

Mr. Chiu Wai Piu, aged 58, is an independent non-executive Director and a member of the audit committee of the Company. Other than that, he does not hold any position with the Company or any member of the Group. Mr. Chiu is a very experienced and reputable journalist and has over 30 years experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Currently, Mr. Chiu is the assistant editor-in-chief in Hong Kong "Wen Wei Po". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2004, he was elected as the vice-chairman in the new session of re-election of committee members of the "Hong Kong Federation of Journalists" and at the same time he is an executive member of the "Hong Kong Press Council". Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His great contribution in this field is highly praised and recognized.

SENIOR MANAGEMENT

Mr. Li Hau Cheung, aged 57, is Deputy General Manager of Operations of the Group. He joined the Group in 2003 and has over 17 years of experience in the cleaning services business and 14 years in property management services. Mr. Li received his matriculation education in Hong Kong.

Ms. Kwok Wai Yee, Edith, aged 43, Deputy General Manager of Operations, is responsible for developing the Group's new businesses and she heads the Group's marketing team. She has over 20 years of experience in accounting, marketing and management.

Mr. Ko Yam Ping, aged 59, is Senior Operations Manager of the Group. He joined the Group in 1978.

Mr. Wu Yiu Fai, Eddie, aged 49, is the Senior Operation Manager of the Group. He joined the Group in 1983. Mr. Wu received his secondary education in Hong Kong.

Biographical Information of Directors and Senior Management

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (continued)

SENIOR MANAGEMENT (continued)

Mr. Leung Kai Keung, Ronny, aged 46, is the Senior Operations Manager of the Group. He has been with the Group since 1993 and has over 10 years of experience in the cleaning and related services industry.

Ms. Lee Pui Ching, Joanna, aged 35, is the Chief Accountant. Ms. Lee joined the Group in 2004. She holds a Bachelor of Accounting degree and is an associate member of Certified Public Accountant of Australia. She has over 13 years of experience in finance and accounting.

Ms. Tam Yik Ka, Michelle, aged 40, is Deputy General Manager of Administration. She joined the Group in 2001 and has over 10 years of experience in administration and personnel management. She holds a Bachelor of Arts degree from the University of Western Ontario, Canada.

Ms. Fok Mun Ying, Susanna, aged 40, is the Sales and Customer Services Manager responsible for liaising with the Group's clients and has over 13 years of experience in overseeing the Group's sales and customer services activities. She joined the Group in 1984.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 51.

An interim dividend of HK1 cent per ordinary share was paid on 24 January 2005. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, to shareholders on the register of members on 25 August 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 25 August 2005, the said final dividend will be paid to the Company's shareholders around 8 September 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 August 2005 to Thursday, 25 August 2005 (both dates 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 for the year ended 31 March 2005 and for attending the annual general meeting of the Company to be held on Thursday, 25 August 2005, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 August 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published consolidated/combined results and assets and liabilities of the Group for the last five financial years is set out on page 52. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised or issued share capital and share options during the year. Details of movements in the Company's share capital during the year ended 31 March 2004, together with the reasons therefor, are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2002 Revision) of the Cayman Islands, amounted to HK\$63,664,000, of which HK\$3,000,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$17,138,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, service fee income from the Group's five largest customers accounted for approximately 64% of the total service fee income for the year and service fee income from the largest customer included therein amounted to approximately 29%.

Purchases from the Group's five largest suppliers accounted for approximately 40% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 12%.

None of the directors of the Company or any of their associates or any 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.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Dr. Lo Kou Hong (*Chairman*)
Ms. Ko Lok Ping, Maria Genoveffa
Mr. Leung Tai Tsan, Charles
Mr. Cheung Pui Keung, James

Independent non-executive directors:

Mr. Poon Kwok Kiu	(appointed on 26 August 2004)
Mr. Cheng Kai Tai, Allen	(appointed on 26 August 2004)
Mr. Chiu Wai Piu	(appointed on 30 September 2004)
Dr. Wong Sai Wing, James	(resigned on 26 August 2004)
Dr. Ho Chung Tai, Raymond	(resigned on 26 August 2004)

In accordance with Article 95 of the Company's articles of association, Mr. Poon Kwok Kiu, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu who were appointed by the board of directors of the Company during the year, will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

In accordance with Article 112 of the Company's articles of association, Ms. Ko Lok Ping, Maria Genoveffa, the existing director of the Company, will retire as a director of the Company by rotation at the forthcoming annual general meeting and, being eligible, will offer herself for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Poon Kwok Kiu, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.



Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company, except for Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing on 1 February 2003, until terminated by not less than three/six months' notice in writing served by either party.

Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing from 13 January 2004 until terminated by not less than three months' notice in writing served by either party.

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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, 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, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31 March 2005, the interests and short positions of the directors of the Company in the shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) The Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	210,000,000 (Note)	70%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	210,000,000 (Note)	70%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	140,000	0.047%

Note: These shares were owned by The Lo's Family Limited as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members.

Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, and Ms. Ko Lok Ping, Maria Genoveffa, as one of the beneficiaries of The Lo's Family Trust, were deemed to be interested in the shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (continued)

(2) Associated corporation – Lo's Cleaning Services Limited (“Lo's Cleaning”), an indirect wholly-owned subsidiary of the Company

Name of director	Long/Short position	Capacity	Number and class of shares in Lo's Cleaning	Percentage of Lo's Cleaning's issued share capital of that class
Dr. Lo Kou Hong	Long and short	Interest of corporation	2,676,399 non-voting deferred (Note)	99.99%

Note: The 2,676,399 non-voting deferred shares in Lo's Cleaning were owned by Ikari Holdings Limited (“Ikari”), which was a controlled corporation of Dr. Lo Kou Hong, and as such, Dr. Lo Kou Hong was deemed to have a long position in such shares under Part XV of the SFO.

Pursuant to an Option Deed dated 24 April 2003, Ikari granted to Sinopoint Corporation, a subsidiary of the Company, an option to purchase from it the afore-mentioned 2,676,399 non-voting deferred shares in Lo's Cleaning. Accordingly, Dr. Lo Kou Hong was deemed to have a short position in such non-voting deferred shares.

In addition to the above, as at 31 March 2005, certain director(s) of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 25 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 March 2005, the following interests of 5% or more in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
The Lo's Family Limited	Long	Trustee	210,000,000 (Note)	70%
Equity Trustee Limited	Long	Trustee	210,000,000 (Note)	70%

Note: These shares were owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust, of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust.

Such interest was also disclosed as the interest of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests and short positions in the shares of the Company and its associated corporation".

Save as disclosed above, as at 31 March 2005, no person, other than the Company's directors whose interests and short positions are set out in the above section headed "Directors' interests and short positions in the shares of the Company and its associated corporation", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 30 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.



Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force prior to the accounting period commencing on 1 January 2005, throughout the accounting year covered by the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (the "Audit Committee") on 12 March 2003 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee were revised on 12 July 2005 in terms substantially the same as the provisions set out in the Code on Corporate Governance Practices.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company. The Audit Committee comprises three members, Mr. Cheng Kai Tai, Allen (Chairman of the Audit Committee), Mr. Poon Kwok Kiu and Mr. Chiu Wai Piu, who are the independent non-executive directors of the Company. The Audit Committee had reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the Company's consolidated financial statements for the year ended 31 March 2005.

Report of the Directors

REMUNERATION COMMITTEE

The Company set up a remuneration committee (the "Remuneration Committee") on 12 July 2005 with specific written terms of reference in accordance with the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The Remuneration Committee comprises two executive directors of the Company, namely Dr. Lo Kou Hong and Mr. Leung Tai Tsan, Charles and three independent non-executive directors of the Company, namely Mr. Cheng Kai Tai, Allen (Chairman of the Remuneration Committee), Mr. Poon Kwok Kiu and Mr. Chiu Wai Piu.

The main duties of the Remuneration Committee include making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

EXECUTIVE COMMITTEE

The Company set up an executive committee (the "Executive Committee") on 12 July 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company with Dr. Lo Kou Hong acting as the Chairman thereof. The principal duties of the Executive Committee include overseeing the Company's strategic plans and operations of all business units of the Company and making decisions on matters relating to the management and operations of the Company.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lo Kou Hong
Chairman

Hong Kong
12 July 2005



Report of the Auditors

To the members

Lo's Enviro-Pro Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 22 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

12 July 2005

Consolidated Profit and Loss Account Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
TURNOVER	5	178,285	217,072
Other revenue and gain	5	2,026	1,823
Staff costs		(148,944)	(164,153)
Depreciation		(1,247)	(1,505)
Operating expenses		(27,733)	(38,920)
PROFIT FROM OPERATING ACTIVITIES	7	2,387	14,317
Finance costs	8	(190)	–
PROFIT BEFORE TAX		2,197	14,317
Tax	11	(280)	(2,551)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	1,917	11,766
DIVIDENDS	13		
Interim		3,000	39,298
Proposed final		3,000	7,500
		6,000	46,798
EARNINGS PER SHARE	14		
Basic		HK0.64 cents	HK4.11 cents



Consolidated Balance Sheet 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	15	4,228	4,700
Pledged time deposits	20	–	3,883
		4,228	8,583
CURRENT ASSETS			
Other investments	17	142	142
Prepayments, deposits and other receivables		1,654	4,209
Contract work in progress	18	971	–
Trade receivables	19	23,688	27,744
Tax recoverable		1,850	1,231
Pledged time deposits	20	18,995	19,865
Cash and cash equivalents	20	46,600	46,929
		93,900	100,120
CURRENT LIABILITIES			
Trade payables	21	1,531	1,641
Other payables and accrued liabilities		16,323	17,593
Tax payable		40	281
		17,894	19,515
NET CURRENT ASSETS			
		76,006	80,605
TOTAL ASSETS LESS CURRENT LIABILITIES			
		80,234	89,188
NON-CURRENT LIABILITIES			
Deferred tax	22	270	324
Provision for long service payments	23	1,632	1,949
		1,902	2,273
		78,332	86,915
CAPITAL AND RESERVES			
Issued capital	24	3,000	3,000
Reserves	26(a)	72,332	76,415
Proposed final dividend	13	3,000	7,500
		78,332	86,915

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

Consolidated Statement of Changes in Equity Year ended 31 March 2005

	Notes	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 April 2003		10	-	26,758	67,551	-	94,319
Issue of shares	24	450	24,750	-	-	-	25,200
Capitalisation of share premium	24	2,540	(2,540)	-	-	-	-
Share issue expenses	24	-	(5,072)	-	-	-	(5,072)
Net profit for the year		-	-	-	11,766	-	11,766
Interim 2004 dividends	13	-	-	-	(39,298)	-	(39,298)
Proposed final 2004 dividend	13	-	-	-	(7,500)	7,500	-
At 31 March 2004 and 1 April 2004		3,000	17,138	26,758	32,519	7,500	86,915
Final 2004 dividend declared		-	-	-	-	(7,500)	(7,500)
Net profit for the year		-	-	-	1,917	-	1,917
Interim 2005 dividend	13	-	-	-	(3,000)	-	(3,000)
Proposed final 2005 dividend	13	-	-	-	(3,000)	3,000	-
		3,000	17,138*	26,758*	28,436*	3,000	78,332

* These reserve accounts comprise the consolidated reserves of HK\$72,332,000 (2004: HK\$76,415,000) in the consolidated balance sheet.



Consolidated Cash Flow Statement

Year ended 31 March 2005

Notes	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,197	14,317
Adjustments for:		
Finance costs	8	–
Depreciation	1,247	1,505
Interest income	5	(282)
Gain on disposal of fixed assets	5, 7	–
Provision for doubtful debts and bad debts written off	7	133
	2,921	15,673
Operating profit before working capital changes		
Decrease in prepayments, deposits and other receivables	2,555	826
Increase in contract work in progress	(971)	–
Decrease in trade receivables	3,828	861
Decrease in trade payables	(110)	(611)
Decrease in other payables and accrued liabilities	(1,270)	(1,241)
Decrease in provision for long service payments	(317)	(2,709)
	6,636	12,799
Cash generated from operations		
Hong Kong profits tax paid	(1,194)	(3,112)
Dividends paid	(10,500)	(39,298)
	(5,058)	(29,611)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	15	(2,317)
Proceeds from disposal of fixed assets	61	–
Interest received	932	282
Decrease in pledged time deposits	4,753	1,263
	4,919	(772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(190)	–
Proceeds from issue of share capital	–	25,200
Share issue expenses	–	(5,072)
	(190)	20,128
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	46,929	57,184
	46,600	46,929
CASH AND CASH EQUIVALENTS AT END OF YEAR		

Consolidated Cash Flow Statement

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	38,017	31,678
Non-pledged time deposits with original maturity of less than three months when acquired	20	8,583	15,251
		46,600	46,929



Balance Sheet 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	82,572	77,146
CURRENT ASSETS			
Cash and cash equivalents	20	1,389	10,068
CURRENT LIABILITIES			
Other payables and accrued liabilities		142	—
Tax payable		17	—
		159	—
NET CURRENT ASSETS		1,230	10,068
		83,802	87,214
CAPITAL AND RESERVES			
Issued capital	24	3,000	3,000
Reserves	26(b)	77,802	76,714
Proposed final dividend	13	3,000	7,500
		83,802	87,214

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

Notes to Financial Statements 31 March 2005

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2002 under the Companies Law (2002 Revision) of the Cayman Islands.

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 July 2003, the Company became the holding company of the companies now comprising the Group on 24 April 2003. This was accomplished by acquiring the entire issued share capital of Sinopoint Corporation, the then holding company of the other subsidiaries set out in note 16 to the financial statements, in consideration of and in exchange for the allotment and issue of 999,999 ordinary shares of HK\$0.01 each of the Company, credited as fully paid, to the former shareholders of Sinopoint Corporation. Further details of the Group Reorganisation are set out in the Company's prospectus dated 15 July 2003.

2. CORPORATE INFORMATION

The registered office of the Company is located at P.O. Box 309 GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business of the Company is located at 3rd Floor, Caltex House, No. 258 Hennessy Road, Wanchai, Hong Kong.

During the year, the Group was involved in the provision of cleaning and related services and the provision of repair and maintenance services for external walls and buildings.

In the opinion of the directors, the ultimate holding company is The Lo's Family Limited, which is incorporated in the British Virgin Islands.

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.



Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The Group Reorganisation during the year ended 31 March 2004 involved companies under common control. The consolidated financial statements for the year ended 31 March 2004 have therefore been prepared using the merger basis of accounting as a result of the completion of the Group Reorganisation on 24 April 2003. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented, rather than from the date of its acquisition of subsidiaries on 24 April 2003. Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2004 include the results of the Company and its subsidiaries with effect from 1 April 2003 or since their respective dates of incorporation, where this is a shorter period.

In the opinion of the directors, the consolidated financial statements for the year ended 31 March 2004 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant transactions and balances within the Group are eliminated on consolidation.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of other investments, as further explained below.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.



Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and equipment	20%
Motor vehicles	25%
Tools and machinery	10% – 33 $\frac{1}{3}$ %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Other investments

Investments in listed securities held for trading purposes are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Contract work in progress

Contract work in progress is stated at cost, plus attributable profits less provisions for any anticipated losses, and invoiced progress payments received and receivable.

Revenue from fixed price contracts is recognised when the construction works are completed under the terms of the relevant contracts.

A negative contract work in progress balance arises where the invoiced progress payments received and receivable plus provisions for any anticipated losses exceed the cost incurred to date plus attributable profits.

Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss, while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the rendering of services, when the services are provided;
- (b) from construction contracts, on completion method, as further explained in the accounting policy for "Contract work in progress"; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

Employee benefits

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.

Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

A contingent liability is disclosed in respect of the full possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A full provision has not been recognised in respect of such possible payments as it is not considered probable that they will all result in a future outflow of resources from the Group.

Retirement benefits schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules 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.

Employees have the option to join either one of the above schemes.

Notes to Financial Statements 31 March 2005

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Employee benefits** (continued)*Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

5. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents the net invoiced value of services rendered. An analysis of the Group's turnover, other revenue and gain is as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Service fee income	178,285	217,072
Other revenue and gain		
Interest income	932	282
Management fee received	930	1,230
Gain on disposal of fixed assets	9	–
Sundry income	155	311
	2,026	1,823

6. SEGMENT INFORMATION

As the turnover and the net profit from ordinary activities of the Group for the year are wholly generated from the provision of cleaning and related services in Hong Kong, no analysis of segment information by business activity and geographical area is presented.

Notes to Financial Statements 31 March 2005

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Cost of services rendered*	152,604	178,292
Auditors' remuneration	380	365
Minimum lease payments under operating leases in respect of land and buildings	1,317	1,182
Staff costs (including directors' remuneration (note 9)):		
Wages, salaries and other benefits	147,272	161,000
Retirement benefits scheme contributions	4,766	4,907
Forfeited contributions	(4,681)	(2,332)
Net retirement benefits scheme contributions	85	2,575
Provision for long service payments – net (note 23)	611	318
Provision for untaken paid leave	976	260
	148,944	164,153
Provision for doubtful debts and bad debts written off	228	133
Gain on disposal of fixed assets	(9)	–

* The cost of services rendered included staff costs of HK\$137,641,000 (2004: HK\$152,928,000) incurred for the provision of services which have been included in the staff costs above.

At 31 March 2005, the Group had forfeited contributions of HK\$242,000 available to reduce its contributions to the retirement benefits schemes in future years (2004: HK\$983,000).

Notes to Financial Statements 31 March 2005

8. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on a bank loan wholly repayable within five years	190	–

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees	301	880
Other emoluments:		
Salaries and allowances	5,204	5,465
Retirement benefits scheme contributions	418	427
	5,622	5,892
	5,923	6,772

Fees include HK\$301,000 (2004: HK\$880,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,000,001 to HK\$2,500,000	1	1
	9	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements 31 March 2005

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Salaries and allowances	431	466
Retirement benefits scheme contributions	11	15
	442	481

The remuneration of the remaining non-director, highest paid individual fell within the band of nil to HK\$1,000,000.

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005 HK\$'000	2004 HK\$'000
Group:		
Provision for the year	312	2,387
Underprovision/(overprovision) in prior years	22	(35)
Deferred (note 22)	(54)	199
Tax charge for the year	280	2,551



Notes to Financial Statements 31 March 2005

11. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Profit before tax	2,197	14,317
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	384	2,505
Adjustments in respect of current tax of previous periods	22	(35)
Income not subject to tax	(173)	(51)
Expenses not deductible for tax	51	78
Others	(4)	54
Tax charge at the Group's effective rate of 12.7% (2004: 17.8%)	280	2,551

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company, was HK\$7,088,000 (2004: HK\$12,065,000) (note 26(b)).

13. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim – HK1 cent (2004: HK1.5 cents) per ordinary share	3,000	4,500
Interim dividends paid by a subsidiary of the Company to its then shareholders (Note)	–	34,798
Proposed final – HK1 cent (2004: HK2.5 cents) per ordinary share	3,000	7,500
	6,000	46,798

Note: During the year ended 31 March 2004, interim dividends of HK\$34,798,000 were paid by a subsidiary of the Company to its then shareholders prior to the listing of the Company's shares on the Stock Exchange as set out in note 1 to the financial statements. The rates of dividends and number of shares ranking for these dividends were not presented as the directors considered that such information was not meaningful for the purpose of these financial statements.

Notes to Financial Statements 31 March 2005

13. DIVIDENDS (continued)

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of HK\$1,917,000 (2004: HK\$11,766,000), and the weighted average of 300,000,000 (2004: 285,983,607) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2004 included the pro forma issued share capital of the Company on the assumption that the Group Reorganisation and the capitalisation issue of 254,000,000 shares of the Company had been effective on 1 April 2003.

No diluted earnings per share amounts have been presented as the Company did not have any dilutive potential ordinary shares during the year (2004: Nil).

15. FIXED ASSETS

Group

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Tools and machinery HK\$'000	Total HK\$'000
Cost:					
At beginning of year	1,088	11,387	1,944	5,226	19,645
Additions	26	643	153	5	827
Disposals	(15)	(103)	(160)	–	(278)
At 31 March 2005	1,099	11,927	1,937	5,231	20,194
Accumulated depreciation:					
At beginning of year	1,070	7,926	1,850	4,099	14,945
Provided during the year	13	1,074	39	121	1,247
Disposals	(9)	(57)	(160)	–	(226)
At 31 March 2005	1,074	8,943	1,729	4,220	15,966
Net book value:					
At 31 March 2005	25	2,984	208	1,011	4,228
At 31 March 2004	18	3,461	94	1,127	4,700

Notes to Financial Statements 31 March 2005

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	59,521	59,521
Due from subsidiaries	23,051	17,625
	82,572	77,146

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US\$100 Ordinary	100	–	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK\$100 Ordinary HK\$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited	Hong Kong	HK\$10,000 Ordinary	–	100	Provision of cleaning and related services
Yangi Construction & Engineering Limited	Hong Kong	HK\$100 Ordinary	–	100	Provision of external wall repair and maintenance services
Best Crown International Limited*	British Virgin Islands/ Hong Kong	US\$100 Ordinary	–	60	Investment holding

Notes to Financial Statements 31 March 2005

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued and paid-up share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Mak Tai Construction & Engineering Limited*	Hong Kong	HK\$10,000 Ordinary	–	60	Provision for building maintenance and renovation services

* Incorporated during the year.

17. OTHER INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed equity investments in Hong Kong, at market value	142	142

18. CONTRACT WORK IN PROGRESS

	Group	
	2005 HK\$'000	2004 HK\$'000
Contract costs incurred	1,569	–
Less: Progress billings receivable	(598)	–
	971	–



Notes to Financial Statements 31 March 2005

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, although an extension of the credit period up to 90 days is not uncommon for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 30 days	14,364	15,483
31 – 60 days	4,562	6,841
61 – 90 days	2,268	3,155
91 – 120 days	458	1,012
Over 120 days	2,135	1,353
	23,787	27,844
Less: Provision for doubtful debts	(99)	(100)
	23,688	27,744

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	38,017	31,678	1,339	5,017
Time deposits	27,578	38,999	50	5,051
	65,595	70,677	1,389	10,068
Less: Pledged short term time deposits for banking facilities (note 27)	(18,995)	(19,865)	–	–
Pledged long term time deposits for banking facilities (note 27)	–	(3,883)	–	–
Cash and cash equivalents	46,600	46,929	1,389	10,068

Notes to Financial Statements 31 March 2005

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 30 days	1,296	1,226
31 – 60 days	43	337
61 – 90 days	45	45
91 – 120 days	10	33
Over 120 days	137	–
	1,531	1,641

22. DEFERRED TAX

	Group	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	324	125
Charge/(credit) for the year (note 11)	(54)	199
At end of year	270	324

The principal component of the provision for deferred tax liabilities calculated at 17.5% (2004: 17.5%) on the cumulative temporary differences at the balance sheet date is accelerated depreciation allowances.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	1,949	4,658
Provision for long service payments – net (note 7)	611	318
Amounts utilised during the year	(928)	(3,027)
At end of year	1,632	1,949

Notes to Financial Statements 31 March 2005

23. PROVISION FOR LONG SERVICE PAYMENTS (continued)

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

24. SHARE CAPITAL

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised: 1,000,000,000 (2004: 1,000,000,000) ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid: 300,000,000 (2004: 300,000,000) ordinary shares of HK\$0.01 each	3,000	3,000

During the period from 4 December 2002 (date of incorporation) to 31 March 2005, the movements in share capital were as follows:

- (i) On 4 December 2002 (date of incorporation), the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 1 share was allotted and issued for cash at par to the subscriber.
- (ii) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the then existing share capital of the Company.
- (iii) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, 999,999 shares of HK\$0.01 each of the Company were issued and credited as fully paid at par in exchange for the acquisition by the Company of the entire issued share capital of Sinopoint Corporation, being the intermediate holding company of the companies comprising the Group.

Notes to Financial Statements 31 March 2005

24. SHARE CAPITAL (continued)

- (iv) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, conditional upon the share premium account of the Company being credited as a result of the issue of its new shares to the public, an aggregate of 254,000,000 shares were allotted and issued at par to the shareholders whose names appeared on the register of members of the Company at the close of business on 15 July 2003 in proportion to their then shareholdings in the Company, or as they may direct, by way of a capitalisation of a sum of HK\$2,540,000 standing credit of the share premium account of the Company.
- (v) Pursuant to the listing on the Stock Exchange on 25 July 2003, the Company issued 45,000,000 shares of HK\$0.01 each at a price of HK\$0.56 per share to the public.

A summary of transactions with reference to the above movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Share allotted and issued at par	(i)	1	–	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of Sinopoint Corporation	(iii)	999,999	10	–	10
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	(iv)	254,000,000	–	–	–
Pro forma share capital as at 31 March 2003 and 1 April 2003		255,000,000	10	–	10
Capitalisation of the share premium account as set out above	(iv)	–	2,540	(2,540)	–
Issue of shares	(v)	45,000,000	450	24,750	25,200
Share issue expenses		–	–	(5,072)	(5,072)
At 31 March 2004, 1 April 2004 and 31 March 2005		300,000,000	3,000	17,138	20,138

Notes to Financial Statements 31 March 2005

25. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme are the employees of the Group (including any executive director, non-executive director, independent non-executive director) or any consultant of the Group. The Share Option Scheme was adopted by the Company's shareholders on 24 April 2003 and, unless otherwise terminated or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of listing of the Company's shares on the Stock Exchange, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. Unless approved by the Company's shareholders, the maximum number of shares issuable upon exercise of share options granted to each eligible participant in the Share Option Scheme in any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit in the 12-month period up to and including the date of such further grant is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, is subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted by a participant within 30 days from the date upon which the offer letter is delivered to that participant, upon payment of a nominal consideration of HK\$10 in total by the participant. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determined by the directors, but must not be less than the highest of (i) the closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of a share of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer, and (iii) the nominal value of a share of the Company.

Notes to Financial Statements 31 March 2005

25. SHARE OPTION SCHEME (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Subsequent to the balance sheet date, on 12 May 2005, a total of 15,660,000 share options were granted to certain directors of the Company and employees of the Group in respect of their services to the Group in the past year. These share options vested on 12 May 2005 and have an exercise price of HK\$0.55 per share and an exercise period from 22 April 2005 to 21 April 2015, both days inclusive. The closing price of the Company's shares immediately before the date of grant was HK\$0.54 per share. Saved as disclosed above, no share option has been granted/exercised up to the date of approval of these financial statements.

As at the date of this Annual Report, the total number of the Company's shares currently available for issue under the Share Option Scheme is 14,340,000 shares, being 4.78% of the existing issued share capital of the Company.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

The Group's contributed surplus represents the differences between the nominal value of the shares of subsidiaries acquired pursuant to the Group Reorganisation set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.



Notes to Financial Statements 31 March 2005

26. RESERVES (continued)**(b) Company**

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Shares issued as consideration for the acquisition of the entire issued share capital of Sinopoint Corporation		–	59,511	–	59,511
Issue of shares	24	24,750	–	–	24,750
Capitalisation of share premium	24	(2,540)	–	–	(2,540)
Share issue expenses	24	(5,072)	–	–	(5,072)
Net profit for the year		–	–	12,065	12,065
Interim 2004 dividend	13	–	–	(4,500)	(4,500)
Proposed final 2004 dividend	13	–	–	(7,500)	(7,500)
At 31 March 2004		17,138	59,511	65	76,714
Net profit for the year		–	–	7,088	7,088
Interim 2005 dividend	13	–	–	(3,000)	(3,000)
Proposed final 2005 dividend	13	–	–	(3,000)	(3,000)
At 31 March 2005		17,138	59,511	1,153	77,802

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2002 Revision) of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

27. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

- (i) time deposits of the Group amounting to HK\$18,995,000 (2004: HK\$23,748,000) (note 20); and
- (ii) a corporate guarantee to the extent of HK\$21 million (2004: HK\$21 million) from the Company.

The facilities have not been utilised at the balance sheet date (2004: Nil).

Notes to Financial Statements 31 March 2005

28. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follows:

- (a) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$7,118,000 (2004: HK\$10,300,000) in respect of certain services provided to various customers by the Group.
- (b) As at 31 March 2004, the Group has executed performance bonds to the extent of HK\$4,791,000 in respect of certain services provided to a customer by the Group. The performance bonds were cancelled during the year in April 2004.
- (c) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$3,035,000 as at 31 March 2005 (2004: HK\$3,600,000), as further explained under the heading "Employee benefits" in note 4 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,632,000 (2004: HK\$1,949,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2005.
- (d) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2004 and 2005.

29. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements, which are negotiated for terms ranging from one to five years.

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	517	614
In the second to fifth years, inclusive	1,584	–
	2,101	614

Notes to Financial Statements 31 March 2005

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related companies, of which certain directors of the Company are also directors, during the year. These related companies are owned by a discretionary trust of which the beneficiaries included the family members of Dr. Lo Kou Hong.

	Notes	2005 HK\$'000	2004 HK\$'000
Management fee income from related companies	(i)	600	900
Rental expenses paid to related companies	(ii)	480	464

Notes:

- (i) The management fee income for the provision of accounting and administrative services and the sharing of office space and facilities with the Group was charged at a lump sum annually with reference to the actual costs incurred.
- (ii) The rental expenses in relation to the storage unit and staff quarters were calculated with reference to the prevailing market rates and the area occupied.

The above transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 July 2005.

Financial Summary

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group, prepared on the basis set out in the note below:

RESULTS

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	178,285	217,072	204,075	212,999	215,107
PROFIT BEFORE TAX	2,197	14,317	25,625	30,060	23,994
Tax	(280)	(2,551)	(3,971)	(4,362)	(3,450)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	1,917	11,766	21,654	25,698	20,544

ASSETS AND LIABILITIES

	31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS	4,228	8,583	7,771	3,723	4,256
CURRENT ASSETS	93,900	100,120	112,417	176,580	156,648
CURRENT LIABILITIES	(17,894)	(19,515)	(21,086)	(25,969)	(29,676)
NET CURRENT ASSETS	76,006	80,605	91,331	150,611	126,972
NON-CURRENT LIABILITIES	(1,902)	(2,273)	(4,783)	(6,451)	(9,043)
	78,332	86,915	94,319	147,883	122,185

Note:

The summary of the published/combined results of the Group for the three years ended 31 March 2003 and the combined balance sheets of the Group as at 31 March 2001, 2002 and 2003 has been extracted from the Company's prospectus dated 15 July 2003. This summary includes the results of the companies now comprising the Group as if the current Group structure had been in existence throughout the financial years, or from the respective dates of incorporation of the companies where this is a shorter period, and is presented on the basis set out in note 4 to the financial statements. The consolidated results of the Group for the two years ended 31 March 2005 and its assets and liabilities as at 31 March 2004 and 2005 are also set out on pages 22 and 23 of the audited financial statements, respectively, and are presented on the basis as set out in note 4 to the financial statements.