



LO'S ENVIRO-PRO HOLDINGS LIMITED

勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)



Interim Report

2005/2006

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

Butterfield Fund Services (Cayman) Limited

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

RESULTS

The board of directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005 together with the comparative figures for the corresponding period of last year, as follows. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
TURNOVER	3	84,510	96,087
Other income and gains	4	957	1,297
Staff costs		(73,234)	(76,504)
Depreciation		(759)	(699)
Operating expenses		(13,989)	(14,933)
Finance costs		–	(85)
Share of loss of an associate		(4)	–
PROFIT/(LOSS) BEFORE TAX	5	(2,519)	5,163
Tax	6	(34)	(891)
PROFIT/(LOSS) FOR THE PERIOD		(2,553)	4,272
ATTRIBUTABLE TO:			
Equity holders of the Company		(2,264)	4,272
Minority interests		(289)	–
		(2,553)	4,272
EARNINGS/(LOSS) PER SHARE	7		
Basic		(HK0.75 cent)	HK1.42 cents
INTERIM DIVIDEND PER SHARE	8	–	HK1 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		4,963	4,228
Goodwill		127	–
Interest in an associate		–	–
Total non-current assets		5,090	4,228
CURRENT ASSETS			
Financial assets at fair value through profit and loss	<i>9</i>	4,178	142
Prepayments, deposits and other receivables		2,430	1,654
Contract work in progress		4,450	971
Trade receivables	<i>10</i>	29,812	23,688
Tax recoverable		1,850	1,850
Pledged time deposits	<i>14</i>	19,259	18,995
Cash and cash equivalents		29,581	46,600
Total current assets		91,560	93,900
CURRENT LIABILITIES			
Trade payables	<i>11</i>	4,292	1,531
Other payables and accrued liabilities		15,397	16,323
Due to a minority shareholder of a subsidiary		840	–
Tax payable		60	40
Total current liabilities		20,589	17,894
NET CURRENT ASSETS		70,971	76,006
TOTAL ASSETS LESS CURRENT LIABILITIES		76,061	80,234
NON-CURRENT LIABILITIES			
Deferred tax		270	270
Provision for long service payments		1,260	1,632
Total non-current liabilities		1,530	1,902
		74,531	78,332
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital	<i>12</i>	3,000	3,000
Other reserves		45,521	43,896
Retained earnings		26,172	28,436
Proposed dividend		–	3,000
		74,693	78,332
Minority interests		(162)	–
		74,531	78,332

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Retained profits	Proposed dividend	Minority interests	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005 (audited)	3,000	17,138	26,758	-	28,436	3,000	-	78,332
Final 2005 dividend declared (unaudited)	-	-	-	-	-	(3,000)	-	(3,000)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	127	127
Net loss for the period (unaudited)	-	-	-	-	(2,264)	-	(289)	(2,553)
Employee share option scheme	13	-	-	1,625	-	-	-	1,625
At 30 September 2005 (unaudited)	3,000	17,138*	26,758*	1,625*	26,172	-	(162)	74,531
At 1 April 2004 (audited)	3,000	17,138	26,758	-	32,519	7,500	-	86,915
Final 2004 dividend declared (unaudited)	-	-	-	-	-	(7,500)	-	(7,500)
Net profit for the period (unaudited)	-	-	-	-	4,272	-	-	4,272
Interim 2005 dividend (unaudited)	-	-	-	-	(3,000)	3,000	-	-
At 30 September 2004 (unaudited)	3,000	17,138	26,758	-	33,791	3,000	-	83,687

The Group's contributed surplus represents the difference between the nominal value of the shares of subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* These reserve accounts comprise the consolidated reserves of HK\$45,521,000 in the condensed consolidated balance sheet as at 30 September 2005.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(12,442)	(2,576)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(5,417)	(14,323)
NET CASH INFLOW FROM FINANCING ACTIVITIES	840	15,236
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,019)	(1,663)
Cash and cash equivalents at beginning of period	46,600	46,929
CASH AND CASH EQUIVALENTS AT END OF PERIOD	29,581	45,266
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,128	28,071
Non-pledged time deposits with original maturity of less than three months when acquired	1,453	17,195
	29,581	45,266

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 36, 37, 38, 39, 40, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined using a Black-Scholes Model. In valuing equity-settled transactions, no account is taken of any performance conditions other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 April 2005 are summarised in note 2 to the condensed consolidated financial statements. The adoption of HKFRS 2 has had no material effect on the comparative amounts of the interim financial statements as all of the Group's share options were granted during the period ended 30 September 2005.

(b) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill arising on acquisitions prior to 1 April 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period. The adoption of HKFRS 3 and HKAS 36 has had no material effect on the Group's condensed consolidated interim financial statements.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The following tables summarise the impact on profit/(loss) after tax, expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 September 2005 and 2004 upon the adoption of the new HKFRS 2.

(a) Effect on profit/(loss) after tax for the six months ended 30 September 2005 and 2004

Effect of new policies (Increase/ (decrease))	Note	For the six months ended 30 September 2005			2004		
		Equity holders of the Company (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the Company (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Effect on profit/ (loss) after tax:							
HKFRS 2							
Employee share option scheme	1(a)	(1,625)	-	(1,625)	-	-	-
Effect on earnings/ (loss) per share:							
Basic		(HK0.54 cent)			Nil		
Diluted		Nil			Nil		

(b) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004

Effect of new policies (Increase/ (decrease))	Note	For the six months ended 30 September 2005			2004		
		Equity holders of the Company (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the Company (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
HKFRS 2							
Employee share option scheme	1(a)	1,625	-	1,625	-	-	-

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

	For the six months ended 30 September					
	2005			2004		
	Cleaning and related services business	Building maintenance and renovation business	Total	Cleaning and related services business	Building maintenance and renovation business	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue:						
Service income from external customers	83,277	1,233	84,510	96,087	–	96,087
Other income and gains	367	57	424	643	–	643
	<u>83,644</u>	<u>1,290</u>	<u>84,934</u>	<u>96,730</u>	<u>–</u>	<u>96,730</u>
Segment results	<u>1,996</u>	<u>(887)</u>	<u>1,109</u>	<u>7,304</u>	<u>–</u>	<u>7,304</u>
Interest and dividend income			387			654
Unallocated income			146			–
Unallocated expenses			(4,157)			(2,710)
Finance costs			–			(85)
Share of loss of an associate			(4)			–
Tax			(34)			(891)
Profit/(loss) for the period			<u>(2,553)</u>			<u>4,272</u>

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	382	649
Management fee received	350	465
Unrealised gains on changes in fair values of financial assets at fair value through profit and loss	146	–
Gain on disposal of fixed asset	–	17
Sundry income	79	166
	<u>957</u>	<u>1,297</u>

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax for the period is arrived at after charging cost of services rendered of approximately HK\$74,451,000 (2004: HK\$82,062,000).

6. 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 period.

7. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic loss per share for the period is based on the loss attributable to equity holders of the Company of approximately HK\$2,264,000 (2004: profit of HK\$4,272,000), and the weighted average number of approximately 300,000,000 (2004: 300,000,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

Diluted loss per share amount for the period ended 30 September 2005 has not been disclosed, as the options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period. No diluted earnings per share amount had been presented for the period ended 30 September 2004 as no diluting events existed during that period.

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months period ended 30 September 2005 (2004: interim dividend of HK1 cent per share absorbing a total amount of HK\$3,000,000 was declared).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	289	142
Unlisted debt securities, at fair value	<u>3,889</u>	<u>—</u>
	<u>4,178</u>	<u>142</u>

10. 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 trade receivables at the balance sheet date, based on invoice date, is as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 30 days	17,583	14,364
31 – 60 days	7,835	4,562
61 – 90 days	2,415	2,268
91 – 120 days	1,030	458
Over 120 days	<u>1,048</u>	<u>2,135</u>
	29,911	23,787
Less: Provision for doubtful debts	<u>(99)</u>	<u>(99)</u>
	<u>29,812</u>	<u>23,688</u>

11. TRADE PAYABLES

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within 30 days	4,013	1,296
31 – 60 days	119	43
61 – 90 days	65	45
91 – 120 days	1	10
Over 120 days	94	137
	<u>4,292</u>	<u>1,531</u>

12. SHARE CAPITAL

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
300,000,000 ordinary shares of HK\$0.01 each	<u>3,000</u>	<u>3,000</u>

13. EMPLOYEE SHARE OPTION SCHEME

On 12 May 2005 and 26 September 2005, a total of 15,660,000 and 6,000,000 share options were granted to certain directors and employees of the Group in respect of their services to the Group, respectively. The share options granted on 12 May 2005 vest on the date of grant while the share options granted on 26 September 2005 vest for a period ranging from one to four years from the date of grant. The exercise price of the options is equal to 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. The contractual life of the option is ten years and there are no cash settlement alternatives.

The expense recognised in the condensed consolidated income statement for employee services received during the period is HK\$1,625,000 (2004: Nil).

14. BANKING FACILITIES

At 30 September 2005, the Group's banking facilities were secured by the time deposits of the Group amounting to HK\$19,259,000 (31 March 2005: HK\$18,995,000); and a corporate guarantee to the extent of HK\$21 million (31 March 2005: HK\$21 million) from the Company. The facilities have not been utilised at the balance sheet date (31 March 2005: Nil).

15. CONTINGENT LIABILITIES

At 30 September 2005, the Group's contingent liabilities were as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$8,246,000 (31 March 2005: HK\$7,118,000) in respect of certain services provided to various customers by the Group.
- (ii) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$2,283,000 as at 30 September 2005 (31 March 2005: HK\$3,035,000). 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 Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,260,000 (31 March 2005: HK\$1,632,000) in respect of such possible payments has been made in the condensed consolidated balance sheet as at 30 September 2005.
- (iii) 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 Board, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2005 and 31 March 2005.

16. COMMITMENTS

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within one year	559	517
In the second to fifth years, inclusive	<u>1,051</u>	<u>1,584</u>
	<u>1,610</u>	<u>2,101</u>

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following significant transactions with related companies, of which certain directors of the Company are also directors, during the period:

		Six months ended	
		30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Management fee income	<i>(i)</i>	300	300
Rental expenses	<i>(ii)</i>	240	240

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 areas occupied.

(b) Compensation of key management personnel of the Group

		Six months ended	
		30 September	
		2005	2004
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Short term employee benefits		2,754	2,505
Post-employment benefits		213	205
Share-based payments		1,190	–
Total compensation paid to key management personnel		4,157	2,710

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 14 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

Yet another half year has passed and Hong Kong economy is on its way to picking up notwithstanding the worldwide oil prices up-surge impact and the avian influenza threat. Unfortunately, the “unhealthy” competition in the cleaning services business and the competitors’ offering of unrealistic tender prices in order to maintain or occupy their market shares still prevailed. Amidst this atmosphere and in spite of the fact that the Board had been proactively striving to revamp the business, profit margins declined.

Business Review

The Group’s turnover and net loss from ordinary activities attributable to the equity holders of the Company for the past six-month period ended 30 September 2005 amounted to approximately HK\$84,510,000 and HK\$2,264,000 respectively whereas the turnover and net profit from ordinary activities attributable to the equity holders of the Company for the corresponding period of the previous year were approximately HK\$96,087,000 and HK\$4,272,000 respectively. Turnover decreased by 12% which was mainly attributable to the expiry of some major cleaning contracts which cannot be adequately covered by the new contracts obtained and secured. The turnaround from making a profit to reporting a loss from ordinary activities attributable to the equity holders of the Company is because firstly of, as above discussed, the downturn in the profit margins and secondly of the initial costs incurred by Mak Tai Construction & Engineering Limited (“Mak Tai”), a subsidiary of the Group formed for the businesses of renovation, fitting-out and repair works of estates, shopping malls, public sitting-out areas of department stores, retail and food outlets, etc., which would be lowered with the gradual completion of the projects on hand, and thirdly of the adoption of HKFRS 2 for the first time which resulted in charging the cost of share options as an expense in the income statement.

Three contracts for the provision of cleaning services for the external walls of three residential estates, namely Sceneway Garden, Kenswood Court and Laguna City, Phase 3, including the covered walkways and various common facilities, have been operating and running smoothly and on schedule. In the absence of unforeseen circumstances, all these three contracts would be completed by the end of 2005.

The contract with Kowloon-Canton Railway Corporation for provision of cleaning and pest and rodent control services completed at the end of November 2005.

During the period under review, the Group through its associated company has obtained the sole agency for a celebrated Italian brand stone care and maintenance chemical products in Mainland China, Hong Kong and Macau. The Group is now setting up sales offices and appointing distributors in various cities and locations in Mainland China and Macau to secure and promote the sales of these professional products.

The Group has also successfully secured a contract with a 5-star hotel in Hong Kong for marble finishing restoration for about 290 guest rooms. Work commenced in November 2005 and hopefully will be completed by the Lunar New Year. By demonstrating its professionalism in the marble maintenance jobs in the past, the Group has gained confidence from its clients. The Group will continue to explore for business opportunities in this area.

In September 2005, the Group started negotiation with a leading laundry workshop to provide supervisors and workers for sorting and folding of laundry items. The workers are now provided by the Group on a trial basis and hopefully, a formal contract would be executed by both parties in the coming months. By diversifying the services, the Group will ensure a broader revenue base and range in its growth and development in the future.

This year, the Group was again nominated by The Mental Health Association of Hong Kong for "Caring Company Logo" organised by The Hong Kong Council of Social Service for its active participation in the employment of vulnerable members of the society. The Group will continue its active participation in these activities and in the enhancement of community integration.

Financial Review

During the period under review, the Group enjoyed a healthy financial position with a current ratio of 4.4 as at 30 September 2005 (31 March 2005: 5.2). The cash and bank balances as at 30 September 2005 was approximately HK\$48,840,000 (31 March 2005: approximately HK\$65,595,000). The Group did not have any bank borrowings as at 30 September 2005 (31 March 2005: nil), and therefore the Group's gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil (31 March 2005: nil). The Group's shareholder's equity amounted to HK\$74,693,000 as at 30 September 2005 (31 March 2005: HK\$78,332,000).

During the period under review, the Group carried out its transactions mostly in the currency of Hong Kong dollars. The Group's 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 30 September 2005, the Group's banking facilities were secured by the Group's time deposits of HK\$19,259,000 (31 March 2005: HK\$18,995,000). Save as disclosed above, the Group did not have any charges on any of its assets as at 30 September 2005.

Prospects

The Group regards cleaning services as its core business irrespective of the prevailing negative factors. On the other hand, the Group sticks to its belief that demand for marble restoration and maintenance from hotels, shopping arcades, catering industries and other properties will increase and is confident that its expertise and knowledge in the field of stone care and maintenance, supported by the superior maintenance and restoration materials as well as teams of skilled technicians, will put the Group in a positive position in struggling for more business in this area for the years to come.

Mak Tai has been able to acquire several contracts, the value of one of the contracts exceeds HK\$20,000,000. The Board expects that income from Mak Tai generate a positive impact on revenue of the Group which will be reflected in the financial year ending 31 March 2006. Mak Tai is negotiating a number of significant renovation projects and the Group expects to benefit from these new businesses.

The Group would remain steadfast in its commitment to transform its services aiming at providing better quality services but with the least cost.

Employees and Remuneration Policies

As at 30 September 2005, the Group employed a total of approximately 2,019 full-time employees as compared with 2,273 on 31 March 2005. As before, the employees are remunerated according to the nature of their jobs, experience and market conditions. The Group agreed that training and educational courses are important for the staff to enhance their professionalism and quality of work and these courses continue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

USE OF PROCEEDS FROM NEW ISSUE

The Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 July 2003 after its successful placing and issue of 90,000,000 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\$20,100,000. As at the end of the period under review, the Group had applied HK\$9,100,000 to external wall cleaning business and HK\$200,000 to stone care and maintenance business. The balance of approximately HK\$10,800,000 was placed into fixed deposit and savings account for the time being.

SHARE OPTION SCHEME

Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, a share option scheme of the Company (the "Scheme") was adopted. The purpose of the Scheme is to enable the Company to grant options to selected persons (including employees and directors of the Group and other eligible persons specified in the Scheme) as incentives or rewards of their contribution or future contribution to the Group.

A summary of the movement of the share options granted under the Scheme during the period is set out as follows:

Name/Category of participant	Date of grant*	Exercise period	Exercise price per share HK\$	Closing price per share before the date of grant HK\$	Fair value per share option HK\$	Number of share options outstanding at 1 April 2005	Number of share options granted during the period	Number of share options exercised/ cancelled/ lapsed during the period	Number of share options outstanding at 30 September 2005	
<i>Directors</i>										
Dr. Lo Kou Hong	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	0.099	-	3,000,000	-	3,000,000	
Ms. Ko Lok Ping, Maria Genoveffa	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	0.099	-	3,000,000	-	3,000,000	
Mr. Leung Tai Tsan, Charles	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	0.099	-	3,000,000	-	3,000,000	
Mr. Cheung Pui Keung, James	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	0.099	-	3,000,000	-	3,000,000	
<i>Other Employees</i>										
In aggregate	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	0.099	-	3,660,000	-	3,660,000	
In aggregate	26.09.2005	05.09.2005 to 04.09.2015	0.53	0.53	0.104	-	504,000	-	504,000	
In aggregate	26.09.2005	05.09.2006 to 04.09.2015	0.53	0.53	0.098	-	1,000,000	-	1,000,000	
In aggregate	26.09.2005	05.09.2007 to 04.09.2015	0.53	0.53	0.092	-	1,504,000	-	1,504,000	
In aggregate	26.09.2005	05.09.2008 to 04.09.2015	0.53	0.53	0.086	-	1,496,000	-	1,496,000	
In aggregate	26.09.2005	05.09.2009 to 04.09.2015	0.53	0.53	0.078	-	1,496,000	-	1,496,000	
							-	21,660,000	-	21,660,000

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The fair value of options granted after 7 November 2002 was determined using the Black-Scholes Model. The significant inputs into the model were share prices at the respective grant dates of HK\$0.54 and HK\$0.53, exercise prices shown above, the expected future share price volatility of 11.8%, expected life of options of 10 years, expected dividend yield of 2% p.a. and risk-free interest rates of 3.8% - 4.0% by making reference to the exchange fund notes yield. Shareholders and other investors are hereby warned of the subjectivity and uncertainty of the values of options because such values are based on a number of assumptions and are subject to the limitations of the Black-Scholes Model.

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

At 30 September 2005, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or 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:

(A) (i) Interests in shares of 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.

(A) (ii) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	3,000,000	1%
	Long	Interest of spouse	3,000,000 (Note (1))	1%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	3,000,000	1%
	Long	Interest of spouse	3,000,000 (Note (2))	1%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	3,000,000	1%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	3,000,000	1%

Details of the above share options as required to be disclosed by the Main Board Listing Rules have been disclosed under the paragraph headed "Share Option Scheme" above.

Note:

- (1) Dr. Lo Kou Hong was deemed to be interested in the 3,000,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.
- (2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 3,000,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

(B) (i) 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 30 September 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 30 September 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 September 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 (<i>Note</i>)	70%
Equity Trustee Limited	Long	Trustee	210,000,000 (<i>Note</i>)	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 and underlying shares of the Company and its associated corporation".

Save as disclosed above, as at 30 September 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 and underlying 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.

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 interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

During the six months ended 30 September 2005, the Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry of the Relevant Employees, the Relevant Employees confirmed that they have complied with the required standard set out in the Model Code and the Written Guidelines regarding any of their securities transactions in the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules, except that there is no separation of the role of the Chairman and Chief Executive Officer. Dr Lo Kou Hong currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

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. In accordance with the requirements of the Code on Corporate Governance Practices set out in Appendix 14 of the Main Board 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 interim report for the six months ended 30 September 2005.

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 Main Board 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.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 14 December 2005