LO'S ENVIRO-PRO HOLDINGS LIMITED
勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 309)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'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

	Notes	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
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		**4,178**	142
Prepayments, deposits and other receivables		**2,430**	1,654
Contract work in progress		**4,450**	971
Trade receivables	*9*	**29,812**	23,688
Tax recoverable		**1,850**	1,850
Pledged time deposits		**19,259**	18,995
Cash and cash equivalents		**29,581**	46,600
Total current assets		**91,560**	93,900
CURRENT LIABILITIES			
Trade payables	*10*	**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		**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

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 Equity holders of the Company (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000	2004 Equity holders of the Company (Unaudited) HK$'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 Equity holders of the Company (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000	2004 Equity holders of the Company (Unaudited) HK$'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 (Unaudited) *HK$'000*	**Building maintenance and renovation business (Unaudited) *HK$'000***	**Total (Unaudited) *HK$'000***	Cleaning and related services business (Unaudited) *HK$'000*	Building maintenance and renovation business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'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
	83,644	**1,290**	**84,934**	96,730	–	96,730
Segment results	**1,996**	**(887)**	**1,109**	7,304	–	7,304
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			**(2,553)**			4,272

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'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
	957	1,297

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. 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	**1,048**	2,135
	29,911	23,787
Less: Provision for doubtful debts	**(99)**	(99)
	29,812	23,688

10. 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
	4,292	1,531

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 turnround 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.

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.

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.

AUDIT COMMITTEE

The audit committee of the Company, which comprises the three independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

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.

DIRECTORS OF THE COMPANY

As at the date of this announcement, Dr Lo Kou Hong, Ms Ko Lok Ping, Maria Genoveffa, Mr Leung Tai Tsan, Charles and Mr Cheung Pui Keung, James are the executive directors of the Company and Mr Poon Kwok Kiu, Mr Cheng Kai Tai, Allen and Mr Chiu Wai Piu are the independent non-executive directors of the Company.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 14 December 2005

"Please also refer to the published version of this announcement in China Daily"