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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009, together with the comparative figures for the year ended 31 March 2008, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**192,761**	206,935
Other income and gains	4	**2,101**	3,160
Staff costs		**(170,353)**	(166,609)
Depreciation and amortisation		**(2,729)**	(2,070)
Impairment of goodwill		**–**	(39,185)
Impairment of due from an associate		**–**	(274)
Impairment of deposits paid for acquisition of plant and equipment		**(14,400)**	–
Impairment of intangible assets		**(1,800)**	–
Other operating expenses		**(43,517)**	(57,235)
LOSS BEFORE TAX	5	**(37,937)**	(55,278)
Tax	6	**–**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(37,937)**	(55,278)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**–**	(2,507)
LOSS FOR THE YEAR		**(37,937)**	(57,785)
Attributable to:			
Equity holders of the parent		**(34,289)**	(53,380)
Minority interests		**(3,648)**	(4,405)
		(37,937)	(57,785)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		(Restated)
Basic			
– For loss for the year		**(4.44 cents)**	(6.96 cents)
– For loss from continuing operations		**(4.44 cents)**	(6.63 cents)

CONSOLIDATED BALANCE SHEET

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**102,294**	32,108
Goodwill		**–**	–
Intangible assets	*8*	**21,856**	19,261
Interest in an associate		**–**	–
Deposit paid for acquisition of plant and equipment		**427**	30,911
Total non-current assets		**124,577**	82,280
CURRENT ASSETS			
Due from an associate		**1,227**	822
Trade receivables	*9*	**30,055**	40,226
Prepayments, deposits and other receivables	*9*	**2,383**	2,383
Pledged time deposits		**4,048**	4,022
Cash and cash equivalents		**57,797**	89,885
Total current assets		**95,510**	137,338
CURRENT LIABILITIES			
Trade payables	*10*	**1,236**	827
Other payables and accrued liabilities		**21,681**	18,377
Due to a former shareholder of a subsidiary		**–**	52,715
Total current liabilities		**22,917**	71,919
NET CURRENT ASSETS		**72,593**	65,419
TOTAL ASSETS LESS CURRENT LIABILITIES		**197,170**	147,699
NON-CURRENT LIABILITY			
Provision for long service payments		**1,548**	811
Net assets		**195,622**	146,888
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**7,600**	7,837
Reserves		**154,608**	142,119
		162,208	149,956
Minority interests		**33,414**	(3,068)
Total equity		**195,622**	146,888

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Lo's Enviro-Pro Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309 GT, Ugland 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 engaged in the provision of cleaning and related services, the provision of medical waste treatment services and provision of waste treatment services. On 28 September 2007, the Group disposed of and discontinued its business of building maintenance and renovation services.

In the opinion of the directors, the parent and the ultimate holding company of the Group is The Lo's Family (PTC) Limited, which is incorporated in the British Virgin Islands.

2.1 CORPORATE REORGANISATION

During the year, the Group acquired 70% equity interest in Peixin Group Ltd ("Peixin") (the "Acquisition"), which is mainly engaged in the provision of waste treatment services business (the "Acquired Business") from ITAD Biotechnology Limited ("ITAD") at a consideration of HK$109,800,000, to be satisfied by the issuance of convertible notes with nominal amount of HK$65 million and the subscription of new shares in Peixin at a cash consideration of RMB40 million. In addition, ITAD agreed to waive a shareholder's loan of approximately HK$86.4 million upon completion of the Acquisition. Further details of the Acquisition have been set out in the circular of the Company dated 24 November 2008.

As the Company and ITAD are ultimately controlled by Dr Lo Kou Hong and Ms Ko Lok Ping, Maria Genoveffa, the substantial shareholders who are also directors of the Company, the Acquisition should be regarded as a business combination under common control. As such, the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholders.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the Acquired Business. The effects of the Acquisition, together with the adoption of HK(IFRIC) – Int 12 as detailed in note 2.3 below, to the Group's comparative financial statements, which extracts the items being restated only, are as follows:

(a) Effect on the consolidated balance sheet as at 31 March 2008

	As previously reported	The Acquired Business	Total	Consolidated adjustments	Adopting HK(IFRIC)-Int 12	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS						
Property, plant and equipment	23,711	27,446	51,157	–	(19,049)	32,108
Goodwill	–	–	–	–	–	–
Intangible assets	–	–	–	–	19,261	19,261
Interest in an associate	–	–	–	–	–	–
Deposits paid for acquisition of plant and equipment	14,942	15,969	30,911	–	–	30,911
Total non-current assets	38,653	43,415	82,068	–	212	82,280
CURRENT ASSETS						
Due from an associate	822	–	822	–	–	822
Trade receivables	40,226	–	40,226	–	–	40,226
Prepayments, deposits and other receivables	1,899	484	2,383	–	–	2,383
Pledged time deposits	4,022	–	4,022	–	–	4,022
Cash and cash equivalents	80,632	9,253	89,885	–	–	89,885
Total current assets	127,601	9,737	137,338	–	–	137,338
CURRENT LIABILITIES						
Trade payables	827	–	827	–	–	827
Other payables and accrued liabilities	18,308	69	18,377	–	–	18,377
Due to ITAD	–	52,715	52,715	–	–	52,715
Total current liabilities	19,135	52,784	71,919	–	–	71,919
NET CURRENT ASSETS/ (LIABILITIES)	108,466	(43,047)	65,419	–	–	65,419
TOTAL ASSETS LESS CURRENT LIABILITIES	147,119	368	147,487	–	212	147,699
NON-CURRENT LIABILITY						
Provision for long service payments	811	–	811	–	–	811
Net assets	146,308	368	146,676	–	212	146,888

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Consolidated adjustments HK$'000	Adopting HK(IFRIC)-Int 12 HK$'000	As restated HK$'000
EQUITY						
Equity attributable to equity holders of the parent						
Share premium account	167,095	1	167,096	(1)	–	167,095
Merger reserve	–	–	–	1	–	1
Accumulated losses	(63,159)	(3,591)	(66,750)	1,077	112	(65,561)
Exchange fluctuation reserve	1,101	3,958	5,059	(1,187)	4	3,876
Others*	44,545	–	44,545	–	–	44,545
	149,582	368	149,950	(110)	116	149,956
Minority interests	(3,274)	–	(3,274)	110	96	(3,068)
Total equity	146,308	368	146,676	–	212	146,888

* Represented the remaining balances which have not been restated for the year ended 31 March 2008.

(b) Effect on the consolidated income statement for the year ended 31 March 2008

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Adopting HK(IFRIC)-Int 12 HK$'000	As restated HK$'000
CONTINUING OPERATIONS					
REVENUE	188,567	–	188,567	18,368	206,935
Other income and gains	3,086	74	3,160	–	3,160
Staff costs	(165,931)	(678)	(166,609)	–	(166,609)
Depreciation and amortisation	(1,982)	(290)	(2,272)	202	(2,070)
Impairment of goodwill	(39,185)	–	(39,185)	–	(39,185)
Impairment of due from an associate	(274)	–	(274)	–	(274)
Other operating expenses	(37,496)	(1,371)	(38,867)	(18,368)	(57,235)
LOSS BEFORE TAX	(53,215)	(2,265)	(55,480)	202	(55,278)
Tax	–	–	–	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(53,215)	(2,265)	(55,480)	202	(55,278)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	(2,507)	–	(2,507)	–	(2,507)
	(55,722)	(2,265)	(57,987)	202	(57,785)

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, 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. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Income, expenses and unrealised gains and losses resulting from acquisition of business under common control are accounted for using merger accounting in accordance with AG 5 issued by the HKICPA. The acquired assets are stated at carrying amounts as if the assets had been held by the Group from the beginning of the earliest period presented.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for the adoption of HK(IFRIC)-Int 12 giving rise to changes to the accounting policy as further described below, the adoption of these new interpretations and amendments has had no financial effect on these financial statements.

The principal effects of adopting HK(IFRIC)-Int 12 are as follows:

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

The Group is a medical waste treatment operator. Prior to the adoption of HK(IFRIC)-Int 12, the Group's infrastructures were recognised as property, plant and equipment and were depreciated on a straight line basis over 10 to 20 years. Upon the adoption of HK(IFRIC)-Int 12, the construction of infrastructures was classified as construction revenue, and the infrastructures under the service concession arrangements are reclassified as intangible assets and amortised over the useful economic life. HK(IFRIC)-Int 12 has been applied by the Group retrospectively and comparative amounts have been restated. The effect of the above changes is summarised below:

	2009	2008
	HK$'000	*HK$'000*
Consolidated income statement for the year ended 31 March		
Increase in construction revenue	**4,664**	18,368
Decrease in depreciation of property, plant and equipment	**1,447**	253
Increase in amortisation of intangible assets	**(682)**	(51)
Increase in other operating expenses	**(4,664)**	(18,368)
Decrease in loss before tax	**765**	202
Decrease in basic loss per share (HK cents)	**0.10**	0.03

	2009	2008
	HK$'000	*HK$'000*
Consolidated balance sheet and equity at 1 April		
Decrease in property, plant and equipment	**(19,049)**	–
Increase in intangible assets	**19,261**	–
	212	–
Increase in reserves	**212**	–
Consolidated balance sheet and equity at 31 March		
Decrease in property, plant and equipment	**(22,674)**	(19,049)
Increase in intangible assets	**23,656**	19,261
	982	212
Increase in reserves	**982**	212

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of HKFRS[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the 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. Summary details of the business segments are as follows:

(a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;

(b) the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals;

(c) the waste treatment segment engages in the provision of waste handling services and sale of the by-products produced during the waste handling process; and

(d) the building maintenance and renovation segment engages in construction contract works as a subcontractor, primarily in respect of building maintenance and renovation projects; this segment was discontinued during the year ended 31 March 2008.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008:

	Continuing operations								Discontinued operation			
	Cleaning and related services		Medical waste treatment		Waste treatment		Total		Building maintenance and renovation		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)		(Restated)		(Restated)				(Restated)
Segment revenue:												
Service income from external customers	186,513	188,539	6,248	18,396	–	–	192,761	206,935	–	6,507	192,761	213,442
Other income and gains	458	514	126	–	130	–	714	514	–	13	714	527
Total	186,971	189,053	6,374	18,396	130	–	193,475	207,449	–	6,520	193,475	213,969
Segment results	1,698	3,472	(4,335)	(8,308)	(5,807)	(2,339)	(8,444)	(7,175)	–	(2,503)	(8,444)	(9,678)
Interest income and unallocated gains							1,039	2,646	–	4	1,039	2,650
Impairment of goodwill	–	–	–	(39,185)	–	–	–	(39,185)	–	–	–	(39,185)
Impairment of deposits paid for acquisition of plant and equipment	–	–	(14,400)	–	–	–	(14,400)	–	–	–	(14,400)	–
Impairment of intangible assets	–	–	(1,800)	–	–	–	(1,800)	–	–	–	(1,800)	–
Reversal of impairment/(impairment) of due from an associate	348	(274)	–	–	–	–	348	(274)	–	–	348	(274)
Unallocated expenses							(14,680)	(11,290)	–	–	(14,680)	(11,290)
Finance costs							–	–	–	(8)	–	(8)
Loss before tax							(37,937)	(55,278)	–	(2,507)	(37,937)	(57,785)
Tax							–	–	–	–	–	–
Loss for the year							(37,937)	(55,278)	–	(2,507)	(37,937)	(57,785)

	Continuing operations										Discontinued operation			
	Cleaning and related services		Medical waste treatment		Waste treatment		Elimination		Total		Building maintenance and renovation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)				(Restated)				(Restated)
Assets and liabilities														
Segment assets	**261,864**	208,937	**24,597**	40,408	**129,918**	53,152	**(197,519)**	(83,701)	**218,860**	218,796	**–**	–	**218,860**	218,796
Due from an associate	**1,227**	822	**–**	–	**–**	–	**–**	–	**1,227**	822	**–**	–	**1,227**	822
Total assets									**220,087**	219,618	**–**	–	**220,087**	219,618
Segment liabilities	**19,026**	16,978	**90,849**	86,669	**112,109**	52,784	**(197,519)**	(83,701)	**24,465**	72,730	**–**	–	**24,465**	72,730
Other segment information:														
Capital expenditure	**227**	1,536	**4,973**	19,858	**71,111**	24,016	**–**	–	**76,311**	45,410	**–**	–	**76,311**	45,410
Depreciation and amortisation	**1,444**	1,577	**947**	203	**338**	290	**–**	–	**2,729**	2,070	**–**	20	**2,729**	2,090
Impairment losses recognized in the income statement in respect of:														
Goodwill	**–**	–	**–**	39,185	**–**	–	**–**	–	**–**	39,185	**–**	–	**–**	39,185
Intangible assets	**–**	–	**1,800**	–	**–**	–	**–**	–	**1,800**	–	**–**	–	**1,800**	–
Deposits paid for acquisition of plant and equipment	**–**	–	**14,400**	–	**–**	–	**–**	–	**14,400**	–	**–**	–	**14,400**	–

Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008:

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)				(Restated)
Segment revenue:								
Sales to external customers	**186,513**	195,046	**6,248**	18,396	**–**	–	**192,761**	213,442
Other income and gains	**458**	527	**256**	–	**–**	–	**714**	527
Attributable to a discontinued operation	**–**	(6,520)	**–**	–	**–**	–	**–**	(6,520)
Revenue from continuing operations	**186,971**	189,053	**6,504**	18,396	**–**	–	**193,475**	207,449
Other segment information:								
Segment assets	**261,864**	208,937	**154,515**	93,560	**(197,519)**	(83,701)	**218,860**	218,796
Capital expenditure	**227**	1,536	**76,084**	43,874	**–**	–	**76,311**	45,410

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and income from building maintenance and renovation contracts. An analysis of the Group's revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Cleaning and related service fee income	**186,513**	188,539
Medical waste treatment income	**1,584**	28
Construction revenue	**4,664**	18,368
Attributable to continuing operations reported in the consolidated income statement	**192,761**	206,935
Building maintenance and renovation contracts attributable to a discontinued operation	**–**	6,507
	192,761	213,442
Other income and gains		
Bank interest income	**1,039**	2,625
Management fee received	**400**	400
Fair value gain on a financial asset at fair value through profit or loss	**–**	21
Reversal of impairment of due from an associate	**348**	–
Sundry income	**314**	114
Attributable to continuing operations reported in the consolidated income statement	**2,101**	3,160
Bank interest income attributable to a discontinued operation	**–**	4
Sundry income attributable to a discontinued operation	**–**	13
	2,101	3,177

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting): #

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Cost of services rendered*		**169,779**	168,853
Auditors' remuneration		**999**	800
Minimum lease payments under operating leases in respect of land and buildings		**708**	911
Depreciation		**2,047**	2,039
Amortisation of intangible assets	8	**682**	51
Fair value gain on a financial asset at fair value through profit or loss		**–**	(21)
Employee benefits expense (including directors' remuneration):			
Wages, salaries and other benefits		**160,384**	155,002
Equity-settled share option expense		**3,567**	7,912
Retirement benefits scheme contributions		**6,839**	5,877
Forfeited contributions		**(2,482)**	(2,931)
Net retirement benefits scheme contributions		**4,357**	2,946
Provision for long service payments, net		**942**	92
Provision for untaken paid leave		**1,103**	976
		170,353	166,928
Loss on disposal of items of property, plant and equipment		**29**	–
Loss on disposal of subsidiaries		**–**	634
Finance costs representing interest on bank loans wholly repayable within five years		**–**	8
Construction cost **		**4,664**	18,368
Impairment of deposits paid for acquisition of plant and equipment***		**14,400**	–

* The cost of services rendered included employee benefits expense of HK$152,375,000 (2008: HK$149,883,000) incurred in the provision of services which have been included in the employee benefits expense above.

** The construction cost is included in "Other operating expenses" on the face of the consolidated income statement.

*** A deposit paid for acquisition of plant and equipment was impaired during the year because in the opinion of the directors, the recoverability of the deposit is remote.

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

At 31 March 2009, the Group had forfeited contributions of HK$104,000 (2008: nil) available to reduce its contributions to the retirement benefits schemes in future years.

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits. No corporate income tax has been provided in Mainland China as the Group did not generate any assessable profits arising in Mainland China during the year (2008: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic loss per share are based on:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(34,289)**	(50,873)
From a discontinued operation	**–**	(2,507)
Loss attributable to ordinary equity holders of the parent	**(34,289)**	(53,380)

	Numbers of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**772,413,556**	767,496,767

Diluted loss per share

Diluted loss per share amounts for the year ended 31 March 2009 and 2008 have not been disclosed, as the options and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

8. INTANGIBLE ASSETS

Group

	HK$'000
Cost at 1 April 2008, net of accumulated amortisation and impairment:	
As previously reported	–
Effect on adopting HK(IFRIC)-Int 12 *(note 2.3)*	19,261
As restated	19,261
Additions	4,664
Impairment during the year	(1,800)
Amortisation during the year *(note 5)*	(682)
Exchange realignment	413
At 31 March 2009	21,856
At 31 March 2009:	
Cost	24,393
Accumulated amortisation and impairment	(2,537)
Net carrying amount	21,856
At 1 April 2007	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
Cost at 1 April 2007, net of accumulated amortisation and impairment:	
As previously reported	–
Effect on adopting HK(IFRIC)-Int 12 *(note 2.3)*	–
As restated	–
Additions	18,368
Amortisation during the year *(note 5)*	(51)
Exchange realignment	944
At 31 March 2008	19,261
At 31 March 2008:	
Cost	19,315
Accumulated amortisation and impairment	(54)
Net carrying amount, as restated	19,261

Impairment testing of intangible assets

During the year, certain items of intangible assets of a subsidiary of the Group, which was engaged in medical waste treatment operation, were impaired based on the projected results of the subsidiary discounted to its current value. An impairment loss of HK$1,800,000 (2008: nil) was charged to the consolidated income statement.

9. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 90 days 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. Trade receivables are non-interest-bearing.

The Group's other receivables are non-interest-bearing and their carrying amounts approximate to their fair values. Other receivables were neither past due nor impaired at the balance sheet date.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**15,120**	14,207
31 – 60 days	**8,948**	9,991
61 – 90 days	**4,203**	7,575
91 – 120 days	**1,731**	3,612
Over 120 days	**53**	4,841
	30,055	40,226
Less: impairment	**–**	–
	30,055	40,226

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**–**	9,622
Amount written off as uncollectible	**–**	(9,622)
At end of the year	**–**	–

The above provision for impairment of trade receivables is individually impaired. The individually impaired trade receivables relate to customers that were in default or delinquency payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables, that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**15,120**	14,207
Less than 1 month past due	**8,948**	9,991
1 to 3 months past due	**5,934**	11,187
Over 3 months past due	**53**	4,841
	30,055	40,226

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE PAYABLES

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**1,234**	789
31 – 60 days	**2**	38
	1,236	827

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

11. CAPITAL COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK$295,445,000 (2008 (restated): HK$344,001,000) contracted but not provided for in the financial statements as at 31 March 2009. The directors are of the opinion that the commitment amounted to HK$289,600,000 is not required to be paid within one year from 31 March 2009.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The Hong Kong economy has been sluggish with the onset of the global financial crisis from the third quarter of last year, sending unemployment rate to a record high since the SARS outbreak in 2003. Governments around the world have taken action to stimulate their economies. The Hong Kong Government, likewise, has stepped up the construction of infrastructure projects to ease unemployment and boost confidence in the economy.

The Government is proceeding with legislative work for the introduction of a statutory minimum wage for cleaning workers, security guards and relevant others, subsequent to the end of the "2-year wage protection movement". The movement, launched by the Government with voluntary participation from employers, did not produce results meeting the expectations of the Government and some sectors of the community.

On China Mainland, prices of consumer goods and production costs have been generally on the decline, but economists have played down the risk of deflation on the ground that commodity prices have rebounded and that they see price reform on the horizon. Following the stabilization of the economy in the Mainland, the Group anticipates a surge in demand for waste treatment services and much development potential in this segment.

Subsequent to the end of the financial year, economies around the world have been affected by the outbreak of the H1N1 influenza. Fortunately, the virus seems to have weakened and is less threatening than previously feared.

All situations considered, the Group has been able to maintain steady growth of its cleaning services business and stone care and maintenance businesses, as well as sale of a celebrated Italian brand of stone care products which the Group is entrusted to exclusively distribute in Hong Kong, Macau and the Mainland.

Operating Results

The Group's turnover for the year ended 31 March 2009 amounted to HK$192,761,000, representing a 6.8% decrease as compared with last year. The net loss of the year included a profit of HK$1,698,000 from the cleaning and related services counter-balanced by a loss of HK$4,335,000 from the medical waste treatment business, a loss of HK$5,807,000 from the municipal solid waste business, a charge to the income statement of share options expense of HK$3,567,000, an impairment of deposits paid for the acquisition of plant and equipment of HK$14,400,000 and an impairment of intangible assets of HK$1,800,000.

During the year, the Group continued to exercise financial control and enhance operational efficiency. The Group is optimistic about the prospects for the cleaning and related services business in the foreseeable future, as it has successfully secured some new contracts and renewed some major contracts at better prices during the year. As for the medical waste treatment business, the Group is negotiating with the partners concerned for ways to resolve issues related to the business. The impairment of deposits paid for the acquisition of plant and equipment comprised deposits made for the medical waste treatment business. The Group made provision for such as it is currently uncertain about the likely developments of the medical waste treatment business.

Business Review

The Group completed acquisition of a municipal solid waste treatment plant in Shuyang County, Jiangsu Province in December 2008. The plant is now in operation though slightly behind schedule. The Group is optimistic that it will generate handsome incomes in the future through the sale of by-products in the waste treatment process.

Construction of the Group's second medical waste treatment plant, which is in Suihua City, Heilongjiang Province, has been completed. The plant is expected to start contributing income to the Group in 2009.

During the year under review, general cleaning service continued to be the core business of the Group. The Group obtained a 3-year contract (with an option to renew for another 3 years) to provide term cleaning staff, pest control treatments as well as disposal of decoration debris for a new luxurious residential estate in Fotan, a 2-year contract for providing general cleaning and pest control services to three residential estates in Kwun Tong and Sai Kung owned or managed by a non-profit housing organization and a contract for cleaning of three shopping malls in Causeway Bay.

The several major cleaning service contracts renewed included those for the tallest office building on Hong Kong Island, a residential estate with some 6,000 units and a multi-storey car park in Tseung Kwan O and two residential estates in Tung Chung. The renewed contracts have terms ranging from one to three years.

The external wall cleaning contract for a prestigious residential estate in Tin Hau ended in June 2009. The Group has secured another external wall cleaning contract for a building in a college and a monastery in the mid-levels, which will commence when the summer vacation starts this year.

The stone finishing care, maintenance and restoration business and sale of the stone care products of a celebrated Italian brand developed steadily during the year and sales income has been on the up trend.

During the year, the Group signed a sole agency agreement for the sale in Hong Kong and Macau of a series of sprayers imported from Spain. The sprayers are widely used by pest control and horticultural professionals.

The Group has been named a 'Caring Company' by The Hong Kong Council of Social Service for the fifth consecutive year, for caring about the environment and employing the vulnerable, among other worthwhile community involvement.

The Group has also been honoured by the Mental Health Association of Hong Kong as an "Enterprise Ambassador" for its continuous efforts to provide the disabled with job opportunities and to help disabled employees improve their work skills.

Financial Review

As at 31 March 2009, the Group's cash and cash equivalents and pledged time deposits totalled HK$61,845,000 (31 March 2008 (restated): HK$93,907,000) and its current ratio was 4.2 (31 March 2008 (restated): 1.9). The Group's net assets increased to HK$195,622,000 (31 March 2008 (restated): HK$146,888,000) following the acquisition of a 70% stake in Peixin.

The Group did not have any bank borrowing as at 31 March 2009 and therefore, its gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 March 2008: nil). The Group's shareholders' equity amounted to HK$195,622,000 (31 March 2008 (restated): HK$146,888,000).

The Group takes a prudent approach to cash management and risk control. Its revenues, expenses and capital expenditures in relation to the cleaning and related services business are transacted in Hong Kong ("HK") dollars, whereas those of the medical waste treatment business and municipal solid waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances were primarily denominated in HK dollars, RMB and United States dollars.

Foreign currency risks in relation to exchange rate fluctuation of RMB will be mitigated as future revenues in relation to the medical waste treatment business and municipal solid waste treatment business will be in RMB, which can offset future liabilities and expenses.

As at 31 March 2009, the Group's banking facilities were secured by the followings:

(i) the pledge of certain of the Group's time deposits amounting to HK$4,048,000 (2008: HK$4,022,000); and

(ii) a corporate guarantee to the extent of HK$18 million (2008: HK$18 million) provided by the Company.

Convertible Notes

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD, with a maturity date of 1 January 2012 (the "Maturity Date") for the acquisition of 70% equity interest in Peixin. The principal amount of the convertible notes shall be divided into two tranches of HK$32.5 million each, which shall be convertible into ordinary shares at the conversion price of HK$0.31 per ordinary share upon the exercise of the conversion rights during the first conversion period between 1 July 2010 and 31 December 2010 and the second conversion period between 1 July 2011 and 31 December 2011. ITAD has warranted certain targetted net profits of Shuyang ITAD Environmental Technology Limited, the principal subsidiary of Peixin, and the nominal value of the convertible notes shall be adjusted downward if there is any shortfall on targeted profits. The outstanding principal of the convertible notes that has not been converted into shares shall be redeemed in its entirety by the Company at the redemption price of HK$1 on the Maturity Date.

Contingent Liabilities

As at 31 March 2009, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,159,000 (2008: HK$1,065,000) 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$2,890,000 as at 31 March 2009 (2008: HK$1,440,000). 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 and are hence eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$1,548,000 (2008: HK$811,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2009.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by 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 2008 and 2009.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2009 was 2,031 (31 March 2008 (restated: 2,121). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$170,353,000 (31 March 2008 (restated): HK$166,609,000). The Group provides employees with training programmes on latest skills.

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

Prospects

Conservation and environment protection are issues of growing importance to communities worldwide. Traditional methods of treating municipal solid wastes by dumping them in landfills or incineration, which produce pollutants, can now be replaced in part by innovative, environmentally friendly methods. The Shuyang Plant is serving as a platform for us to demonstrate commercially-viable and environmentally-friendly alternative to treating municipal solid wastes. It will help pave the way for the Group to expand its business in the field in Mainland China and worldwide.

The "unhealthy" competition in the cleaning service business is showing signs of easing. The Group is confident of expanding its share in the market, particularly in the middle to high class cleaning service sector.

The Group will continue to work closely with its Italian partner to introduce new stone care products to cater to the changing demands of Asian markets. It sees room for expansion of the business in the foreseeable future.

SUPPLEMENTARY INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 August 2009 to Thursday, 27 August 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Thursday, 27 August 2009, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 August 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 23,706,000 shares on The Stock Exchange of Hong Kong Limited. Details of such repurchase of shares are summarized as follows:

Month of repurchases	Total number of shares repurchased	Repurchase price per share		Total price paid (inclusive of expenses of repurchase of shares)
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
September 2008	2,511,000	0.235	0.159	516
October 2008	16,797,000	0.255	0.229	4,199
November 2008	3,535,000	0.196	0.183	690
December 2008	863,000	0.197	0.182	187
	23,706,000			5,592

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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. Detailed disclosure of the Company's corporate governance practice is included in the annual report for the year ended 31 March 2009 to be issued by the Company.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Dr Lo Kou Hong currently assumes the roles of both Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has extensive experience in the cleaning and related services. The Board believes that Dr Lo's taking up of both roles 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 and management of the Group.

AUDIT COMMITTEE

The Audit Committee of the Company comprises 3 members, Mr Cheng Kai Tai, Allen (Chairman of Audit Committee), Mr Chiu Wai Piu and Mr Wang Qi, who are independent non-executive directors of the Company. The Audit Committee has 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 processes including the review of the Company's consolidated financial statements for the year ended 31 March 2009.

DIRECTORS

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; Professor Bai Qingzhong is the non-executive director of the Company; and Mr Cheng Kai Tai, Allen, Mr Chiu Wai Piu and Mr Wang Qi are the independent non-executive directors of the Company.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 15 July 2009