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 2007

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 2007, together with the comparative figures for the year ended 31 March 2006, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	**2007** **HK$'000**	2006 *HK$'000*
REVENUE	*5*	**186,616**	183,339
Other income and gains	*5*	**2,588**	1,975
Staff costs		**(137,798)**	(139,112)
Depreciation		**(1,683)**	(1,780)
Impairment of goodwill		**(126)**	–
Impairment of trade receivables and bad debts written off		**(9,403)**	(222)
Impairment of other receivables		**(1,058)**	–
Other operating expenses		**(73,108)**	(48,999)
Finance costs	*7*	**(573)**	–
Share of loss of an associate		**–**	(4)
LOSS BEFORE TAX	*6*	**(34,545)**	(4,803)
Tax	*8*	**9**	246
LOSS FOR THE YEAR		**(34,536)**	(4,557)
Attributable to:			
Equity holders of the parent		**(34,170)**	(3,946)
Minority interests		**(366)**	(611)
		(34,536)	(4,557)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**(HK10.5 cents)**	(HK1.32 cents)

CONSOLIDATED BALANCE SHEET
31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,503**	3,997
Goodwill		**–**	126
Interest in an associate		**–**	–
Deposit paid for acquisition of plant and equipment		**4,952**	–
Total non-current assets		**8,455**	4,123
CURRENT ASSETS			
Financial asset at fair value through profit or loss		**3,862**	–
Due from an associate		**1,043**	913
Contract work in progress		**1,535**	6,670
Trade receivables	*10*	**34,957**	26,930
Prepayments, deposits and other receivables		**3,159**	3,070
Tax recoverable		**29**	21
Pledged cash and bank balances		**–**	4,110
Pledged time deposits		**16,130**	15,318
Cash and cash equivalents		**38,285**	32,092
Total current assets		**99,000**	89,124
CURRENT LIABILITIES			
Trade payables	*11*	**9,597**	4,914
Other payables and accrued liabilities		**16,532**	13,885
Due to a minority shareholder of subsidiaries		**1,088**	838
Interest-bearing bank borrowings, secured		**4,096**	–
Tax payable		**–**	1
Total current liabilities		**31,313**	19,638
NET CURRENT ASSETS		**67,687**	69,486
TOTAL ASSETS LESS CURRENT LIABILITIES		**76,142**	73,609
NON-CURRENT LIABILITY			
Provision for long service payments		**817**	1,039
Net assets		**75,325**	72,570
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**3,627**	3,000
Reserves		**72,549**	70,055
		76,176	73,055
Minority interests		**(851)**	(485)
Total equity		**75,325**	72,570

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investments, which have been measured at fair value. 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 2007. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

3. 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.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 *Interim Financial Reporting*, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about the products and services provided by the segments, geographical areas in which the Group operates and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HKAS 23 (Revised), HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

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 the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 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.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. 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. No further geographical segment information is presented as the Group's customers and operations are located in Hong Kong.

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; and

(b) the building maintenance and renovation segment engages in construction contract works as a subcontractor, primarily in respect of building maintenance and renovation projects.

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, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006:

	Cleaning and related services		Building maintenance and renovation		Elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**154,276**	161,444	**32,340**	21,895	**–**	–	**186,616**	183,339
Other income and gains	**986**	1,197	**369**	–	**(300)**	(300)	**1,055**	897
Total	**155,262**	162,641	**32,709**	21,895	**(300)**	(300)	**187,671**	184,236
Segment results	**2,016**	3,616	**(27,679)**	(2,423)	**–**	–	**(25,663)**	1,193
Interest income and unallocated gains							**1,533**	1,078
Impairment of goodwill	**–**	–	**(126)**	–	**–**	–	**(126)**	–
Corporate and other unallocated expenses							**(9,716)**	(7,070)
Finance costs			**(573)**	–			**(573)**	–
Share of loss of an associate							**–**	(4)
Loss before tax							**(34,545)**	(4,803)
Tax							**9**	246
Loss for the year							**(34,536)**	(4,557)
Assets and liabilities								
Segment assets	**113,217**	89,298	**12,535**	16,613	**(27,677)**	(13,598)	**98,075**	92,313
Due from an associate	**1,043**	913	**–**	–	**–**	–	**1,043**	913
Corporate and other unallocated assets							**8,337**	21
Total assets							**107,455**	93,247
Segment liabilities	**16,487**	15,285	**38,106**	18,151	**(27,677)**	(13,598)	**26,916**	19,838
Due to a minority shareholder of subsidiaries	**–**	–	**1,088**	838	**–**	–	**1,088**	838
Interest-bearing bank borrowings, secured	**–**	–	**4,096**	–	**–**	–	**4,096**	–
Corporate and other unallocated liabilities							**30**	1
Total liabilities							**32,130**	20,677

	Cleaning and related services		Building maintenance and renovation		Elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Capital expenditure	**1,988**	1,263	**84**	1,061	**–**	–	**2,072**	2,324
Depreciation	**1,626**	1,724	**222**	56	**–**	–	**1,848**	1,780
Impairment losses recognised/(reversed) in the income statement in respect of:								
Goodwill	**–**	–	**126**	–	**–**	–	**126**	–
Trade receivables and bad debts written off	**–**	(97)	**9,403**	319	**–**	–	**9,403**	222
Other receivables	**–**	–	**1,058**	–	**–**	–	**1,058**	–

5. 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:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Cleaning and related service fee income	**154,276**	161,444
Building maintenance and renovation contracts	**32,340**	21,895
	186,616	183,339
Other income and gains		
Bank interest income	**1,533**	1,005
Management fee received	**575**	700
Gain on disposal of equity investments at fair value through profit or loss	**–**	156
Gain on disposal of items of property, plant and equipment	**–**	72
Sundry income	**480**	42
	2,588	1,975

6. LOSS BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of services rendered*	**139,901**	146,399
Cost of contract works performed	**46,724**	21,078
Auditors' remuneration	**619**	442
Minimum lease payments under operating leases in respect of land and buildings	**1,141**	1,184
Depreciation	**1,848**	1,780
Less: Amounts capitalised to long-term construction contract	**(165)**	–
	1,683	1,780
Fair value loss on a financial asset at fair value through profit or loss	**33**	–
Employee benefits expense:		
Wages, salaries and other benefits	**134,323**	135,996
Equity-settled share option expense	**605**	1,669
Retirement benefits scheme contributions	**4,609**	4,457
Forfeited contributions	**(2,180)**	(3,648)
Net retirement benefits scheme contributions	**2,429**	809
Provision/(write-back of provision) for long service payments – net	**(161)**	407
Provision for untaken paid leave	**602**	231
	137,798	139,112
Loss/(gain) on disposal of items of property, plant and equipment	**612**	(72)

* The cost of services rendered included employee benefits expense of HK$125,433,000 (2006: HK$129,278,000) incurred for the provision of services which have been included in the employee benefits expense above.

At 31 March 2007, the Group had forfeited contributions of HK$280,000 available to reduce its contributions to the retirement benefits schemes in future years (2006: HK$148,000).

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans wholly repayable within five years	**573**	–

8. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax for the year ended 31 March 2006 had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Provision for the year	**–**	40
Overprovision in prior years	**(9)**	(16)
Deferred	**–**	(270)
Tax credit for the year	**(9)**	(246)

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$34,170,000 (2006: HK$3,946,000), and the weighted average number of 324,737,000 (2006: 300,000,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2006 and 2007 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

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, 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**16,467**	14,928
31 – 60 days	**12,857**	5,582
61 – 90 days	**1,521**	3,341
91 – 120 days	**521**	470
Over 120 days	**13,213**	2,930
	44,579	27,251
Less: Provision for impairment of trade receivables	**(9,622)**	(321)
	34,957	26,930

Included in the Group's trade receivables is an amount of HK$5,650,000 (2006: HK$5,404,000) due from a related company, Martech Building Consultants Limited ("Martech Building"), of which two minority shareholders of a non wholly-owned subsidiary of the Group are directors. The amount is repayable on similar credit terms to those offered to the major customers of the Group. Full provision for impairment of HK$5,650,000 (2006: Nil) has been made for the amount due from Martech Building during the year.

11. TRADE PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**6,838**	3,448
31 – 60 days	**865**	187
61 – 90 days	**690**	141
91 – 120 days	**461**	194
Over 120 days	**743**	944
	9,597	4,914

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

DIVIDEND AND BONUS ISSUE OF SHARES

The Board did not recommend the payment of any cash dividend in respect of the year ended 31 March 2007 (2006: Nil).

The Board has recommended the payment of a scrip dividend in the form of bonus shares to be allotted to the shareholders of the Company on the basis of one new share for every existing issued share of the Company held by the shareholders whose names appear on the register of members of the Company on 29 August 2007. A circular containing, among other things, details of the bonus issue of shares will be despatched to the shareholders as soon as practicable. The issue of bonus shares of the Company is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval to the listing of and permission to deal in the new shares.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

The Hong Kong economy continued on the up trend in the year under review with unemployment rate down to an all time low since the SARS outbreak and wage levels on the climb. The Wage Protection Movement in full swing since October 2006 has also cushioned wage rises. For the cleaning service industry, such development, as we pointed out in last year's Management Discussion, has added to the "unhealthy" competition for labour. During the year, service contracts were quoted or tendered at unrealistic prices and the Group was affected. The Group's untiring efforts to promote its environmental protection business, however, began to bear fruit. As for the Group's stone finishing care, maintenance and restoration business, it also achieved satisfactory results.

OPERATING RESULTS

Revenue of the Group for the year ended 31 March 2007 amounted to HK$186,616,000, representing a 1.79% increase as compared with the previous financial year. A net loss of HK$34,536,000 was recorded against net loss of HK$4,557,000 last year. The net increase in revenue was mainly attributable to the booking of revenue of two building maintenance and renovation projects completed during the year totalling HK$32,340,000 (2006: HK$21,895,000), which was however counterbalanced by the lower revenue from cleaning and related services of HK$154,276,000 (2006: HK$161,444,000). The significant loss was mainly attributed to the exit of the building maintenance and renovation business by the Group in mid 2006 and the general cleaning business's tighter profit margin squeezed by the "unhealthy" competition and higher wages in the labour market and higher cleaning material and consumable costs. The Group will continue to implement cost control measures to curtail operation costs.

BUSINESS REVIEW

The Group had ups and downs during the year. Its incessant effort to grow the environmental protection business bore promising results. The Company and Tsinghua Daring (HK) Holdings Ltd formed a joint venture company – Lo's Tsinghua Daring Environmental Technology Holdings Ltd ("Lo's Tsinghua Daring") and expanded the business to cover medical waste treatment in Mainland China. Lo's Tsinghua Daring, in which the Company indirectly holds 55% of its interest, has earmarked HK$80,000,000 to build 8 medical waste treatment centres in 7 provinces in China to be completed in the financial year 2007/2008. To realize its goal of becoming the largest medical waste treatment enterprise in China, the Group had secured the exclusive right to use the steam-based technology developed by the Canadian company, Hydroclave System Corporation ("Hydroclave") to treat medical wastes in China. In June 2007, the Group acquired another joint venture company – Seasun Group Ltd ("Seasun"), in which the Company indirectly holds 65% of its interest. The acquisition of Seasun marked the beginning of the second phase of development of the Group's environmental protection business. In this phase, 22 more medical waste treatment centres will be built in 12 months. In addition, a wholly-owned subsidiary of Seasun to be named as Lo's Tsinghua Daring Medical Wastes Treatment (China) Holdings Ltd will be formed in Hong Kong to oversee development of the business and related projects.

The steam-based waste treatment technology developed by Hydroclave is widely used in many developed and developing countries. The technology is safe, inexpensive and easy to operate and does not create secondary pollution.

On 16 June 2003, the State Council of China published Decree No.380 – the Regulations on administration of medical wastes, which requires cities to centralize collection and treatment of medical wastes and related fees be treated as a basic cost of medical service and charged to the users.

On 14 June 2006, the State Environmental Protection Administration published the Technical Specifications for Steam-based Centralized Treatment Engineering on medical wastes (HJ/T276-2006) defining how steam-based medical waste treatment should be conducted. The specifications took effect on 1 August 2006. The Group has had no problem complying with the specifications as Hydroclave's technology and system match perfectly all the stipulated requirements. However, most of the about 690 cities in China do not have centralized treatment plants for medical wastes. Many of them have been using incinerators at high operational cost and emission standards falling short of the latest requirements. The Group sees immediate potential markets in these cities for our medical waste treatment business. Furthermore, as the demand for medical services in China continues to increase as its population becomes more affluent, the amount of medical wastes that need to be treated will also rise. We are thus confident that our medical waste treatment business will grow in strong and steady strides and bring sustainable income and profit to the Group in the long run.

In the year under review, income from provision of general cleaning service was still constituent of the Group's revenue. The major contracts acquired or renewed during the year included those for luxurious residential estates in West Kowloon and grade A office buildings in Central District and Kowloon. The Group managed to contain loss by ceasing the business of Mak Tai Construction & Engineering Limited after all previous contracts were completed.

The Group completed phase 1 of granite floor restoration for a shopping centre on the Peak during the year. The owner of the shopping mall is considering proceeding with second phase work. Having delivered phase 1 of the project to the satisfaction of the client, the Group is confident of securing the contract for the second phase.

For the third year in a roll, the Group was named a "Caring Company" by the Hong Kong Council of Social Service for being a caring employer and a corporate honouring its social responsibilities. The Group is encouraged by the recognition and will continue to fulfill its role as a good corporate citizen in the years ahead.

FINANCIAL REVIEW

During the year under review, the Group's financial position was sound with a current ratio of 3.2 as at 31 March 2007 (31 March 2006: 4.5). The cash and cash equivalents and pledged time deposits as at 31 March 2007 totalled approximately HK$54,415,000 (31 March 2006: approximately HK$51,520,000). The Group's bank borrowings as at 31 March 2007 amounted to HK$4,096,000 (31 March 2006: Nil), and therefore its gearing ratio, the ratio of total bank borrowings to shareholders' equity, was 5.44% (31 March 2006: Nil). The Group's shareholders' equity amounted to HK$75,325,000 as at 31 March 2007 (31 March 2006: HK$72,570,000).

During the year under review, the Group carried out transactions mostly in Hong Kong dollars. The Group's cash and bank balances were primarily denominated in Hong Kong dollars, Reminbi and United States dollars. As such, the Group had no significant exposure to fluctuations in exchange rates.

As 31 March 2007, the Group's banking facilities were secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to HK$16,130,000 (2006: HK$15,318,000);

(ii) the pledge of the Group's financial asset at fair value through profit or loss with carrying value at 31 March 2007 of HK$3,862,000 (2006: Nil);

(iii) a corporate guarantee to the extent of HK$27,000,000 (2006: HK$36,000,000) from the Company; and

(iv) a joint and several personal guarantee to the extent of HK$1,800,000 (2006: Nil) executed from two minority shareholders of a non-wholly-owned subsidiary of the Group.

As at 31 March 2006, the Group's banking facilities were also secured by the Group's cash and bank balances amounting to HK$4,110,000.

As at 31 March 2007, all the secured bank borrowings are denominated in Hong Kong dollars. The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values.

In November 2006, the Company has raised HK$36,600,000, before expenses, through the issue of 60,000,000 new shares at HK$0.61 per share to fund the medical waste project.

At the extraordinary general meeting of the Company held on 27 June 2007, the shareholders of the Company have approved the placing of 25,000,000 new shares of the Company at HK$4.00 per share. Upon completion of the issue of such new shares, it is expected that the Company will raise HK$100,000,000, before expenses, which will also be applied in funding the medical waste project.

It is anticipated that future funding of the medical waste project, if required, will be financed by internal resources of the Group or by further capital raising exercises or external borrowings, or a combination of them.

CONTINGENT LIABILITIES

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

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,972,000 (2006: HK$6,252,000) 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 Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$1,469,000 as at 31 March 2007 (2006: HK$1,852,000). 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$817,000 (2006: HK$1,039,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2007.

(c) A subsidiary of the Group is currently defendant in lawsuits brought by a third party customer and a subcontractor alleging that the subsidiary has breached certain clauses of the subcontracting agreements for the building renovation and maintenance services entered into between these third parties and that subsidiary, and they are claiming for compensation for losses suffered. The directors consider that the probability of crystallisation of the claims at this stage is uncertain, and believe that the subsidiary has valid defence to the claims and, accordingly, have not provided for any claims arising from the litigations as at 31 March 2007.

(d) Except for the pending litigations detailed in paragraph (c) above, during the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2006 and 2007.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2007 was 2,137 (2006: 1,958). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$137,798,000 (2006: HK$139,112,000). The Group provides employees with training programmes on latest skills.

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

PROSPECTS

Both Hong Kong and Mainland China are experiencing continuous economic growth which will work to the advantage of the Group's various businesses. To capture different business opportunities, the Group will focus on growing the promising medical treatment business in Mainland China and at the same time strive to secure middle to high-end cleaning service contracts which post higher profit margins. The Group, with a proven track record of providing quality and professional cleaning services, stands prime in acquiring these contracts.

In fulfilling its role as a good corporate citizen, the Group will continue to work with social service organisations in providing "cleaning training courses" to disadvantaged workers and hire graduates of those courses. The Group will continue to contribute to building a caring society in partnership with its employees, the social service sector and the community at large.

SUPPLEMENTARY INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24 August 2007 to Wednesday, 29 August 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed bonus issue of shares of the Company and attending and voting at the annual general meeting of the Company to be held on Wednesday, 29 August 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 August 2007.

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

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with management the consolidated financial statements for the year ended 31 March 2007, including accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Dr Lo Kou Hong currently assumes the roles 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.

Code Provision A.4.2

This code provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr Wang Qi, who was appointed by the Board to fill the casual vacancy left by the resignation of Mr Poon Kwok Kiu on 26 August 2006, has not been standing for re-election at the first general meeting of the Company held after his appointment. Despite the deviation, Mr Wang Qi will offer himself for re-election at the Company's forthcoming annual general meeting.

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 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, 10 July 2007