



**LO'S ENVIRO-PRO HOLDINGS LIMITED**

**勞氏環保控股有限公司\***

(Incorporated in the Cayman Islands with limited liability)

**INTERIM REPORT**

**2003**

**LO'S**

\* For identification purposes only

## RESULTS

The board of directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003 together with the comparative figures for the corresponding period of last year as follows. The condensed consolidated interim financial statements were not audited but have been reviewed by the Audit Committee of the Company.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 September	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TURNOVER	4	<b>108,594</b>	100,518
Other revenue		<b>822</b>	1,101
Staff costs		<b>(80,645)</b>	(69,580)
Depreciation		<b>(782)</b>	(777)
Operating expenses		<b>(19,599)</b>	(21,678)
PROFIT BEFORE TAX	5	<b>8,390</b>	9,584
TAX	6	<b>(1,441)</b>	(1,501)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>6,949</b>	8,083
INTERIM DIVIDENDS	7	<b>34,798</b>	–
EARNINGS PER SHARE – Basic	8	<b>HK2.55 cents</b>	HK3.17 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>3,759</b>	3,888
Pledged time deposits	12	<b>3,883</b>	3,883
		<b>7,642</b>	7,771
<b>CURRENT ASSETS</b>			
Other investments		<b>142</b>	142
Prepayments, deposits and other receivables		<b>4,690</b>	5,035
Trade receivables	9	<b>38,130</b>	28,738
Tax recoverable		<b>–</b>	190
Pledged time deposits	12	<b>21,511</b>	21,128
Cash and cash equivalents		<b>45,231</b>	57,184
		<b>109,704</b>	112,417
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>3,227</b>	2,252
Other payables and accrued liabilities		<b>21,541</b>	18,834
Tax payable		<b>1,105</b>	–
Provision for long service payments		<b>2,176</b>	–
		<b>28,049</b>	21,086
<b>NET CURRENT ASSETS</b>			
		<b>81,655</b>	91,331
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>89,297</b>	99,102
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		<b>125</b>	125
Provision for long service payments		<b>2,574</b>	4,658
		<b>2,699</b>	4,783
		<b>86,598</b>	94,319
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	<b>3,000</b>	10
Reserves		<b>83,598</b>	94,309
		<b>86,598</b>	94,319

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Notes	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2003 (audited)		10	-	26,758	67,551	94,319
Issue of shares (unaudited)	11(v)	450	24,750	-	-	25,200
Capitalisation of share premium (unaudited)	11(iv)	2,540	(2,540)	-	-	-
Share issue expenses (unaudited)		-	(5,072)	-	-	(5,072)
Net profit for the period (unaudited)		-	-	-	6,949	6,949
Interim dividends (unaudited)		-	-	-	(34,798)	(34,798)
<b>At 30 September 2003 (unaudited)</b>		<b>3,000</b>	<b>17,138*</b>	<b>26,758*</b>	<b>39,702*</b>	<b>86,598</b>
At 1 April 2002 (audited)		10	-	26,758	121,115	147,883
Net profit for the period (unaudited)		-	-	-	8,083	8,083
At 30 September 2002 (unaudited)		10	-	26,758	129,198	155,966

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

- \* These reserve accounts comprise the consolidated reserves of HK\$83,598,000 in the condensed consolidated balance sheet as at 30 September 2003.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>(31,206)</b>	8,167
Net cash inflow/(outflow) from investing activities	<b>(875)</b>	1,622
Net cash inflow from financing activities	<b>20,128</b>	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(11,953)</b>	9,789
Cash and cash equivalents at beginning of period	<b>57,184</b>	71,742
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>45,231</b>	81,531
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>10,731</b>	62,599
Time deposits with original maturity of less than three months when acquired	<b>34,500</b>	18,932
	<b>45,231</b>	81,531

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. GROUP REORGANISATION AND BASIS OF PREPARATION

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

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 July 2003, the Company became the holding company of the companies now comprising the Group on 24 April 2003 (the "Group Reorganisation"). Details of the Group Reorganisation are set out in the prospectus of the Company dated 15 July 2003 (the "Prospectus").

The condensed consolidated financial statements have been prepared using the merger basis of accounting as a result of the completion of Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the periods ended 30 September 2002 and 2003, rather than from the date of its acquisition of subsidiaries on 24 April 2003. Accordingly, the unaudited condensed consolidated financial statements of the Group for the periods ended 30 September 2002 and 2003 include the results of the Company and its subsidiaries with effect from 1 April 2002 or since their respective dates of incorporation, where this is a shorter period.

In the opinion of the Board, the unaudited condensed consolidated financial statements for the periods ended 30 September 2002 and 2003 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the period have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those set out in the Prospectus except for the adoption of SSAP 12 (Revised) "Income Taxes", which prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The adoption of SSAP 12 (Revised) has had no significant impact for these interim accounts.

### 3. SEGMENT INFORMATION

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

### 4. TURNOVER

Turnover represents the net invoiced value of service rendered.

### 5. PROFIT BEFORE TAX

The Group's profit before tax for the period is arrived at after charging cost of services rendered of approximately HK\$90,644,000 (2002: HK\$82,377,000).

### 6. TAX

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

### 7. INTERIM DIVIDENDS

The interim dividends for the six months ended 30 September 2003 of HK\$34,798,000 were declared and paid by one of the Company's subsidiaries to its then shareholders in May 2003.

On 15 December 2003, the Company declared an interim dividend for the year ending 31 March 2004, at HK1.5 cents per share, amounting to a total sum of approximately HK\$4,500,000.

### 8. EARNINGS PER SHARE

#### **Basic earnings per share**

The calculation of basic earnings per share for the period is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders of approximately HK\$6,949,000 (2002: HK\$8,083,000) and the proforma weighted average of approximately 272,213,000 (2002: 255,000,000) ordinary shares deemed to have been issued and issuable during the period on the assumption that the Group Reorganisation and capitalisation issue of 254,000,000 shares of the Company had been effective on 1 April 2002.

#### **Diluted earnings per share**

No diluted earnings per share amounts have been presented as the Company did not have any dilutive potential ordinary shares during the period (2002: Nil).

**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:

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Within 30 days	<b>17,472</b>	16,457
31 – 60 days	<b>12,612</b>	8,310
61 – 90 days	<b>3,306</b>	1,994
91 – 120 days	<b>1,563</b>	1,047
Over 120 days	<b>3,270</b>	1,030
	<hr/>	<hr/>
	<b>38,223</b>	28,838
Less: Provision for doubtful debts	<b>(93)</b>	(100)
	<hr/>	<hr/>
	<b>38,130</b>	28,738
	<hr/>	<hr/>

**10. TRADE PAYABLES**

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

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Within 30 days	<b>2,259</b>	1,783
31 – 60 days	<b>788</b>	404
61 – 90 days	<b>102</b>	48
91 – 120 days	<b>56</b>	17
Over 120 days	<b>22</b>	–
	<hr/>	<hr/>
	<b>3,227</b>	2,252
	<hr/>	<hr/>



## 11. SHARE CAPITAL

The following movements in the Company's authorised and issued share capital took place during the period from 4 December 2002 (date of incorporation) to the date of this report.

	Notes	Authorised capital		Issued capital	
		Number of shares	Par value HK\$'000	Number of shares	Value HK\$'000
At 4 December 2002 (date of incorporation)	(i)	38,000,000	380	-	-
Share allotted and issued at par	(i)	-	-	1	-
Increase in authorised share capital	(ii)	962,000,000	9,620	-	-
Shares issued as consideration for the acquisition of the entire issued share capital of Sinopoint Corporation	(iii)	-	-	999,999	10
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	(iv)	-	-	254,000,000	-
Proforma share capital as at 31 March 2003 and 1 April 2003		1,000,000,000	10,000	255,000,000	10
Capitalisation of the share premium account as set out above	(iv)	-	-	-	2,540
New issue of shares	(v)	-	-	45,000,000	450
<b>At 30 September 2003</b>		<b>1,000,000,000</b>	<b>10,000</b>	<b>300,000,000</b>	<b>3,000</b>

Notes:

- (i) On 4 December 2002 (date of incorporation), the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 1 share was allotted and issued for cash at par to the subscriber.
- (ii) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares of HK\$0.01 each, ranking pari passu in all respects with the then existing share capital of the Company.

- (iii) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, 999,999 shares of HK\$0.01 each of the Company were issued and credited as fully paid at par in exchange for the acquisition by the Company of the entire issued share capital of Sinopoint Corporation, being the intermediate holding company of the companies comprising the Group.
- (iv) Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, conditional upon the share premium account of the Company being credited as a result of the New Issue (as defined in the Prospectus) of the Company, an aggregate of 254,000,000 shares were allotted and issued at par to the shareholders whose names appeared on the register of members of the Company at the close of business on 15 July 2003 in proportion to their then shareholdings in the Company, or as they may direct, by way of a capitalisation of a sum of HK\$2,540,000 standing credit of the share premium account of the Company.
- (v) Pursuant to the listing on the Stock Exchange on 25 July 2003, the Company issued 45,000,000 shares of HK\$0.01 each at HK\$0.56 per share to the public.

## 12. BANKING FACILITIES

The Group's banking facilities were secured by the time deposits of the Group amounting to HK\$25,394,000 (31 March 2003: HK\$25,011,000). The facilities were not utilised at the balance sheet date.

## 13. CONTINGENT LIABILITIES

At the balance sheet date, the Group's contingent liabilities were as follows:

- (i) The Group has executed performance bonds to the extent of HK\$4,791,000 (31 March 2003: HK\$4,791,000) in respect of certain services provided to a customer by the Group.
- (ii) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$6,350,000 (31 March 2003: HK\$4,300,000) in respect of certain services provided to various customers by the Group.
- (iii) 450 (31 March 2003: 443) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Employment Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments when the termination meets the required circumstances specified in the Employment Ordinance.

If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liabilities would be approximately HK\$7,700,000 (31 March 2003: HK\$7,400,000) and provisions of HK\$4,750,000 (31 March 2003: HK\$4,658,000) have been made for these amounts in the condensed consolidated balance sheet of the Group.

- (iv) 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 Board, on current evidence, any such existing claims should be adequately covered by the insurance and/or existing provisions as at 30 September 2003 and 31 March 2003.

#### 14. COMMITMENTS

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

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

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Within one year	<b>872</b>	632
In the second to fifth years, inclusive	<b>289</b>	614
	<b><u>1,161</u></b>	<b><u>1,246</u></b>

#### 15. RELATED PARTY TRANSACTIONS

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

		<b>Six months ended 30 September 2003 (Unaudited) HK\$'000</b>	2002 (Unaudited) HK\$'000
	<i>Notes</i>		
Management fee income	<i>(i)</i>	<b>450</b>	735
Rental expenses	<i>(ii)</i>	<b>240</b>	540
Service fee expenses	<i>(iii)</i>	–	1,223
Reimbursement of salaries	<i>(iv)</i>	–	108
		<b><u>        </u></b>	<b><u>        </u></b>

*Notes:*

- (i) Management fee income for the provision of accounting and administrative services and the sharing of office space and facilities with the Group was charged at a lump sum annually with reference to the actual costs incurred.
- (ii) Rental expenses in relation to the storage unit and staff quarters were calculated with reference to the prevailing market rates and the areas occupied.
- (iii) Service fee expenses for the provision of curtain wall cleaning services and pest control and disinfection services were calculated with reference to the actual costs incurred.
- (iv) The reimbursement of salary payments paid by the Group on behalf of a related company was calculated with reference to the actual costs incurred.

## **16. SUBSEQUENT EVENT**

Subsequent to the balance sheet date, according to a notification from the Hong Kong Airport Authority (the "Airport Authority") on 7 October 2003, the Group failed to re-secure its existing cleaning contracts for the Hong Kong International Airport upon the expiry of these contracts on 5 January 2004. The Group's existing contracts with the Airport Authority contributed to the Group's turnover of approximately HK\$24,000,000 during the period ended 30 September 2003.

## **INTERIM DIVIDEND**

The Board declared the payment of an interim dividend of HK1.5 cents per share for the year ending 31 March 2004 ("Interim Dividend") (for the six months ended 30 September 2002: Nil) payable to the shareholders whose names appear on the register of members of the Company on 15 January 2004. Dividend warrants will be despatched to the shareholders of the Company on or about 19 January 2004.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 12 January 2004 to Thursday, 15 January 2004 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend declared, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 January 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operating environment**

The outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong has wreaked havoc to the local economy. While many industries were adversely affected, a few sectors, including the cleaning trade, rose to the challenge and benefited as a result. There had been an upsurge in the demand for cleaning services attributable to the increase in public awareness of personal and environmental hygiene.

### **Business review**

The Group's turnover and net profit attributable to shareholders for the six-month period ended 30 September 2003 amounted to approximately HK\$108.6 million and HK\$6.9 million, respectively, whereas the figures for the corresponding period of the previous year were approximately HK\$100.5 million and HK\$8.1 million, respectively. Turnover increased by approximately 8%, which was mainly as a result of a net gain in new contracts secured during the period when compared with the same period last year and additional income from "short-term" cleaning projects as a direct result of the SARS outbreak in April 2003. However, profit attributable to shareholders decreased when compared with the same period last year, which was mainly due to tighter profit margin

on new contracts secured and heavier overheads. The management has implemented measures to cut down on overhead expenses.

External wall cleaning is one of the Group's major business. During the period under review, the Group secured a contract for external wall cleaning for 31 blocks at Laguna City. The work commenced in July 2003 and is expected to be completed by summer of 2004. This contract will contribute to the Group's profit for the years 2003/2004 and 2004/2005. Market demand for external wall cleaning is expected to be strong because the number of residential complexes in Hong Kong that are more than 10 years old is huge.

As at 30 September 2003, the Group employed a total of approximately 2,022 full time employees. The employees are remunerated according to the nature of their jobs, experience and market conditions. Performance related bonuses are granted to some of the employees on a discretionary basis. All employees of the Group, including directors, are eligible to participate in the Company's share option scheme.

### **Financial review**

The Group's financial position remained strong during the period under review. The cash and bank balance as at 30 September 2003 was approximately HK\$70.6 million (31 March 2003: approximately HK\$82.2 million). With a strong cash position, the Group did not have any bank borrowings and, therefore, the Group's gearing ratio for the period under review is nil (31 March 2003: Nil). As at 30 September 2003, the Group's current ratio was 3.9 (31 March 2003: 5.3).

During the period, the Group carried out its transactions mostly in the currency of HK dollars and was not exposed to foreign exchange risk.

As at 30 September 2003, the Group's banking facilities were secured by the time deposits of the Group amounting to HK\$25,394,000 (31 March 2003: HK\$25,011,000). The facilities were not utilised at 30 September 2003. Save as disclosed above, the Group did not have any charges on any of the Group's assets.

### **Prospects**

With rising public awareness of personal and environmental hygiene, the Group is optimistic about the cleaning service industry in Hong Kong. As the economic outlook gradually improved after the containment of SARS, many housing estates and companies have resumed their schedule for external wall cleaning and marble floor restoration. Currently, about 70% of the buildings in Hong Kong are over 10 years old, which provide ample opportunities for external wall cleaning. Taking advantage of its newly expanded fleet of gondolas, the Group is confident in enlarging its market share with respect to external wall cleaning. The Group is currently holding talks regarding several external wall cleaning projects.

Capitalising on its experience and prowess in professional cleaning, the Group succeeded in entering into numerous cleaning contracts after the SARS crisis. In July 2003, the Group was awarded the contract for external wall cleaning for 31 blocks at Laguna City. Up to the end of the period under review, the Group had completed the cleaning of about one-quarter of the buildings, with the work for the remaining blocks to be completed in the second half of next year.

Also in August 2003, the Group was awarded the contract from Kowloon-Canton Railway Corporation regarding the provision of cleaning and pest and rodent control services for all of the nine West Rail stations. The service contract commenced at the end of October 2003 and will end up to the end of November 2005 for a monthly fee of about HK\$1.6 million.

Although the cleaning contracts with the Airport Authority will not be renewed after they expire in January 2004, the Group is well prepared to ensure stability of its overall operation and revenue. The Group's West Rail cleaning contract and other new contracts signed during the interim period will provide stable revenue stream for the Group. Besides, with the foresight to expand its earnings base, the Group has long been involved in horizontal integration, diversifying into external wall cleaning, marble floor restoration and residential household cleaning since 2000.

On top of that, the Group is expanding its market presence to China with the signing of a letter of intent with Tianchuang High-Tech Development Co. Ltd. ("Tianchuang High-Tech"), in October 2003 regarding the provision of advice on professional cleaning, training and waste management. Tianchuang High-Tech is a technological project investor in Beijing, China, and a subsidiary of Tianchuang Property Development Limited ("Tianchuang Property Development"), a property developer in China. The collaboration is significant not only in the provision of a new revenue stream to the Group, but also, more importantly, the Group is tapping into the China market in the capacity as a professional cleaning consultant, which is itself a strong corporate image conducive to win customers' confidence and service contracts in China. The Group has already secured a conditional first refusal right to bid for service contracts tendered by Tianchuang Property Development on environmental protection, cleaning, refuse management and pest control.

In addition, the Group is currently holding talks with some property management companies for possible acquisition, which is one of the development plans mentioned in the Prospectus.

In order to further enhance the Group's professional image and leading position in the cleaning sector, the Group has joined hands with some adult education service centres and voluntary agencies to offer training courses. The Group aims to apply for government certification of its training qualification in the future to further consolidate its professionalism and to enlarge its earnings base.

## USE OF PROCEEDS FROM NEW ISSUE

The Company's shares became listed on the Stock Exchange on 25 July 2003 after its successful placing and issue of 90 million offer shares at an offer price of HK\$0.56 per share. With half of the offer shares being new issue, the Group raised net proceeds of approximately HK\$20.1 million. As at the end of the period under review, the Group had applied HK\$0.5 million to the purchase of gondolas and staff recruitment for external wall cleaning services. The balance of approximately HK\$19.6 million was placed into fixed deposit and savings account and is expected to be applied towards the businesses set out in the Prospectus if and when tenders for such businesses are successful or when negotiations are finalised.

## SHARE OPTION SCHEME

Pursuant to a written resolution of the sole shareholder of the Company passed on 24 April 2003, a share option scheme of the Company (the "Scheme") was adopted. The purpose of the Scheme is to enable the Company to grant options to selected persons (including employees and directors of the Group and other eligible persons specified in the Scheme) as incentives or rewards of their contribution or future contribution to the Group. No share options have been granted by the Company under the Scheme since the adoption of the Scheme.

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

As at 30 September 2003, the interests and short positions of the directors of the Company in the shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

### (1) The Company

Name of director	Long/Short position	Capacity	Number of shares	Percentage of issued share capital
Mr. Lo Kou Hong	Long	Founder of a discretionary trust	210,000,000 (Note)	70%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	210,000,000 (Note)	70%

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

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

**(2) Associated Corporation – Lo's Cleaning Services Limited ("Lo's Cleaning")**

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

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

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

In addition to the above, as at 30 September 2003 certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2003, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2003, the following interests of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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



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

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

Save as disclosed above, as at 30 September 2003, no persons, other than the Company's directors whose interests/short positions are set out in the above section headed "Directors' interests/short positions in the shares of the Company and its associated corporation", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2003.

#### **AUDIT COMMITTEE**

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

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company had not been for any part of the accounting period for the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

On Behalf of the Board  
**Lo Kou Hong**  
*Chairman*

Hong Kong, 15 December 2003