

I am pleased to present the first Annual Report of Lo's Enviro-Pro Holdings Limited and its subsidiaries (the "Group") after its successful listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2003.

For the year ended 31 March 2004, the Group created many "milestones" in its development. First, the Group had withstood the impact from the outbreak of Severe Acute Respiratory Syndrome ("SARS"), which had hurt many industries in Hong Kong. With its leading position in professional cleaning, the Group succeeded in providing quality services to meet rising demand for a cleaner and healthier living and working environment. As a direct result of SARS epidemic, the Group received additional income from "short-term" cleaning projects.

Despite the weakened economy, the Group succeeded in realising its listing plan on 25 July 2003. Taking such an audacious step amid a market sentiment still dampened by the lingering effect of the SARS epidemic evidenced the Group's strong fundamentals and investors' confidence in the Group's business model and growth potential.

In response to shareholders' confidence and support, the Group has been dedicated to achieving the greatest shareholders' return. For the year under review, the Group reported a 6 per cent growth in turnover in spite of the economic challenges and market competition. This is attributable to the business model and strategies the Group constantly adjusted to meet market changes.

The Group has been engaged in the provision of vertically integrated cleaning services, which include external wall cleaning and restoration, pest control, disinfection, waste disposal, marble floor restoration and household and office cleaning. By offering a comprehensive range of services, the Group ensured a stable and broad revenue base, and this has been essential in overcoming the challenges the Group faced during the year under review.

In addition, the Group has been paying close attention to the development of the external wall cleaning and repair market. Since many residential buildings in Hong Kong are over 10 years old, the Group sees huge potential lies in the demand for external wall cleaning, restoration and repair. To gear up for taking over a larger market share, the Group has used some of the proceeds raised from the new share issue to expand its gondola fleet to meet the upcoming demand and has established a company specialising in external wall maintenance and repair. The Group is thus ready to provide vertically integrated solution for external wall cleaning and repair in the current financial year.

In the face of intensified competition in the private cleaning sector, the Group intends to increase the proportion of tendering for government contracts to private projects. The Group has submitted several tenders for government projects, and is in the process of applying for a general building contractor licence.

To further enlarge its source of revenue, the Group is planning for diversification into direct sales of a wide range of products including household cleaning products, cosmetics, snacks and beverages. This new business is expected to create synergy with the Group's cleaning operations, as the target point of sales will be the Group's existing contracted projects. The Group has secured some reliable vendors, among of which include the Group's long-standing partner in cleaning product supplies.

All in all, the Group is looking forward to a year of continued expansion and improved performance.

I would like to take this opportunity to thank our shareholders for their support and confidence and our staff for their dedication and contribution to the Group.

**Dr. Lo Kou Hong**

*Chairman*

Hong Kong

16 July 2004