



LO'S ENVIRO-PRO HOLDINGS LIMITED

勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)



2004/2005

INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr Lo Kou Hong (*Chairman and Managing Director*)

Ms Ko Lok Ping, Maria Genoveffa

Mr Leung Tai Tsan, Charles

Mr Cheung Pui Keung, James

Independent Non-executive Directors

Mr Cheng Kai Tai, Allen

Mr Poon Kwok Kiu

Mr Chiu Wai Piu

AUDIT COMMITTEE

Mr Cheng Kai Tai, Allen

Mr Poon Kwok Kiu

Mr Chiu Wai Piu

COMPANY SECRETARY

Mr Leung Tai Tsan, Charles

QUALIFIED ACCOUNTANT

Mr Leung Tai Tsan, Charles

AUDITORS

Ernst & Young

SOLICITORS

Alfred Lam, Keung & Ko

REGISTERED OFFICE

P.O. Box 309 GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 32nd Floor, Manulife Tower

169 Electric Road

North Point

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Bank of Butterfield International (Cayman) Ltd.

Butterfield House

68 Fort Street

P.O. Box 705

George Town

Grand Cayman

Cayman Islands

British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

STOCK CODE

309

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Dah Sing Bank Limited

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 2004 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

		Six months ended	
		30 September	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
TURNOVER	4	96,087	108,594
Other revenue		1,297	822
Staff costs		(76,504)	(80,645)
Depreciation		(699)	(782)
Operating expenses		(14,933)	(19,599)
PROFIT FROM OPERATING ACTIVITIES	5	5,248	8,390
Finance costs		(85)	–
PROFIT BEFORE TAX		5,163	8,390
TAX	6	(891)	(1,441)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		4,272	6,949
INTERIM DIVIDENDS	7	3,000	34,798
EARNINGS PER SHARE	8		
– Basic		HK1.42 cents	HK2.55 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		4,268	4,700
Pledged time deposits	12	—	3,883
		4,268	8,583
CURRENT ASSETS			
Pledged short term investment	9	19,508	—
Other investments		142	142
Prepayments, deposits and other receivables		2,048	4,209
Trade receivables	10	26,365	27,744
Tax recoverable		1,216	1,231
Pledged time deposits	12	18,956	19,865
Cash and cash equivalents		45,266	46,929
		113,501	100,120
CURRENT LIABILITIES			
Trade payables	11	1,438	1,641
Other payables and accrued liabilities		15,702	17,593
Tax payable		44	281
Interest-bearing bank loan, secured	12	15,321	—
		32,505	19,515
NET CURRENT ASSETS		80,996	80,605
TOTAL ASSETS LESS CURRENT LIABILITIES		85,264	89,188
NON-CURRENT LIABILITIES			
Deferred tax		324	324
Provision for long service payments		1,253	1,949
		1,577	2,273
		83,687	86,915
CAPITAL AND RESERVES			
Issued capital	13	3,000	3,000
Reserves		77,687	76,415
Proposed dividend		3,000	7,500
		83,687	86,915

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed dividend <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004 (audited)	3,000	17,138	26,758	32,519	7,500	86,915
Final 2004 dividend declared (unaudited)	-	-	-	-	(7,500)	(7,500)
Net profit for the period (unaudited)	-	-	-	4,272	-	4,272
Interim 2005 dividend (unaudited)	-	-	-	(3,000)	3,000	-
	<u>3,000</u>	<u>17,138</u>	<u>26,758</u>	<u>33,791</u>	<u>3,000</u>	<u>83,687</u>
At 30 September 2004 (unaudited)	3,000	17,138*	26,758*	33,791*	3,000	83,687
At 1 April 2003 (audited)	10	-	26,758	67,551	-	94,319
Issue of shares (unaudited)	450	24,750	-	-	-	25,200
Capitalisation of share premium (unaudited)	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)
	<u>3,000</u>	<u>17,138</u>	<u>26,758</u>	<u>39,702</u>	<u>-</u>	<u>86,598</u>
At 30 September 2003 (unaudited)	3,000	17,138	26,758	39,702	-	86,598

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\$77,687,000 in the condensed consolidated balance sheet as at 30 September 2004.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(2,576)	(31,206)
Net cash outflow from investing activities	(14,323)	(875)
Net cash inflow from financing activities	15,236	20,128
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,663)	(11,953)
Cash and cash equivalents at beginning of period	46,929	57,184
CASH AND CASH EQUIVALENTS AT END OF PERIOD	45,266	45,231
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,071	10,731
Non-pledged time deposits with original maturity of less than three months when acquired	17,195	34,500
	45,266	45,231

NOTES TO CONDENSED FINANCIAL STATEMENTS**1. GROUP REORGANISATION AND BASIS OF PRESENTATION**

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 (the "Group Reorganisation") 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. Further details of the Group Reorganisation are set out in the Company's prospectus dated 15 July 2003.

The prior period comparative figures included in the Group's unaudited condensed consolidated financial statements have been prepared using the merger basis of accounting as a result of the completion of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the dates of their acquisition pursuant to the Group Reorganisation on 24 April 2003. Accordingly, the unaudited condensed consolidated financial statements of the Group for the period from 1 April 2003 to 30 September 2003 included the results of the Company and its subsidiaries with effect from 1 April 2003 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 period from 1 April 2003 to 30 September 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 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 unaudited condensed consolidated financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 March 2004.

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 services rendered.

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities for the period is arrived at after charging cost of services rendered of approximately HK\$82,062,000 (2003: HK\$90,644,000).

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

7. INTERIM DIVIDENDS

The Company has declared an interim dividend of HK1.0 cent per share for the six months ended 30 September 2004.

The interim dividends for the six months ended 30 September 2003 were declared and paid by one of the Company's subsidiaries to its then shareholders prior to the listing of the Company's shares on the Stock Exchange.

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\$4,272,000 (2003: HK\$6,949,000) and the weighted average number of approximately 300,000,000 (2003: 272,213,000) ordinary shares.

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 (2003: Nil).

9. PLEDGED SHORT TERM INVESTMENT

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Overseas unlisted debt securities pledged for a short term bank loan (note 12), at fair value	<u>19,508</u>	<u>—</u>

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, although an extension of the credit period up to 90 days is not uncommon for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 30 days	13,888	15,483
31 - 60 days	7,758	6,841
61 - 90 days	3,170	3,155
91 - 120 days	330	1,012
Over 120 days	<u>1,353</u>	<u>1,353</u>
	26,499	27,844
Less: Provision for doubtful debts	<u>(134)</u>	<u>(100)</u>
	<u>26,365</u>	<u>27,744</u>

11. TRADE PAYABLES

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 30 days	663	1,226
31 - 60 days	701	337
61 - 90 days	21	45
91 - 120 days	3	33
Over 120 days	50	—
	<u>1,438</u>	<u>1,641</u>

12. INTEREST-BEARING BANK LOAN, SECURED

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Bank loan – secured	<u>15,321</u>	<u>—</u>

The interest-bearing bank loan is secured by the pledge of the Group's overseas unlisted debt securities amounting to HK\$19,508,000 (31 March 2004: Nil) (note 9). At 30 September 2004, the Group's banking facilities were secured by the time deposits of the Group amounting to HK\$18,956,000 (31 March 2004: HK\$23,748,000).

13. SHARE CAPITAL

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
300,000,000 ordinary shares of HK\$0.01 each	<u>3,000</u>	<u>3,000</u>

14. CONTINGENT LIABILITIES

At 30 September 2004, the Group's contingent liabilities were as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$8,018,000 (31 March 2004: HK\$10,300,000) in respect of certain services provided to various customers by the Group.
- (ii) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$2,500,000 as at 30 September 2004 (31 March 2004: HK\$3,600,000). The contingent liability has arisen because, at 30 September 2004, 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 Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,253,000 (31 March 2004: HK\$1,949,000) in respect of such possible payments has been made in the condensed consolidated balance sheet as at 30 September 2004.
- (iii) The Group had executed performance bonds to the extent of HK\$4,791,000 as at 31 March 2004 in respect of certain services provided to a customer by the Group. Such performance bonds were cancelled in April 2004.
- (iv) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the Board, on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2004 and 31 March 2004.

15. 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 within one year of HK\$536,000 (31 March 2004: HK\$614,000).

16. 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:

		Six months ended	
		30 September	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Management fee income	<i>(i)</i>	300	450
Rental expenses	<i>(ii)</i>	240	240

Notes:

- (i) The 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) The rental expenses in relation to the storage unit and staff quarters were calculated with reference to the prevailing market rates and the areas occupied.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK1.0 cent per share for the six months ended 30 September 2004 ("Interim Dividend") (for the six months ended 30 September 2003: HK1.5 cents per share) payable to the shareholders whose names appear on the register of members of the Company on 20 January 2005. Dividend warrants will be despatched to the shareholders of the Company on or about 24 January 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 January 2005 to Thursday, 20 January 2005 (both days inclusive), during which period no transfer of shares of the Company 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, 14 January 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

As the detrimental effects of SARS have retreated since its outbreak in April 2003, Hong Kong economy has picked up strongly over the past year and has recorded a healthy growth in most sectors, especially in the tourism industry and property markets. The significant growth in these two sectors, coupled with the recent outbreak of numerous epidemic diseases in Hong Kong and other Asian regions, such as avian flu, Dengue fever, Japanese encephalitis and children's infectious diseases, further increased the demand for professional cleaning services as public awareness of personal and environmental hygiene has heightened. However, the competition in the market for cleaning contracts remained fierce, resulting in a decline in the profit margins as cleaning service companies try their best in maintaining their market share.

Business Review

The Group's turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2004 amounted to approximately HK\$96.1 million and HK\$4.3 million, respectively, whereas the figures for the corresponding period of the previous year were approximately HK\$108.6 million and HK\$6.9 million, respectively. Turnover decreased by approximately 12%, which was mainly attributed to the expiry of the cleaning contract with the Airport Authority in January 2004 which cannot be fully recovered by new contracts secured. The decrease of the net profit from ordinary activities attributable to shareholders is because of the downward trend in the profit margins.

The contract for the provision of cleaning and pest and rodent control services for the nine West Rail stations of Kowloon-Canton Railway Corporation has been running smoothly. This contract will provide a steady income to the Group until November 2005 when the contract expires.

The work for the external wall cleaning of 31 blocks at Laguna City was completed satisfactorily in August 2004. It was a record in external wall cleaning and repair in that the Group was able to complete the cleaning of the external walls of the 31 high-rise buildings, covered walkways, various public facilities as well as the repairs to mosaic tiled walls and drain pipes etc, in only about 250 working days.

In addition to the provision of marble floor maintenance work to shopping malls and office buildings, the Group has also secured new contracts for marble floor restoration and maintenance work for a well-known 5-star hotel in Hong Kong. The Group expects to expand its market in this area as it has successfully entered into this market and has demonstrated its capabilities in providing a professional job.

The Group was nominated firstly for "Caring Company Logo" organised by The Hong Kong Council of Social Service in respect of its active participation in the employment of vulnerable members of the society, secondly for "Enlightened Employers Award" organised by the Selective Placement Division of the Labour Department in respect of its offer of equal employment opportunities to disabled people and thirdly for "Employers Gold Star Award" by Employees Re-training Board in respect of its employment of re-trained job-seekers. The Group intends to continue its effort in these worthwhile activities.

Financial Review

The Group's financial position continued to be strong during the period under review. The cash and bank balance and pledged time deposits as at 30 September 2004 was approximately HK\$64.2 million (31 March 2004: approximately HK\$70.7 million). With a strong cash position, the Group did not have any bank borrowings except for a bank borrowing for HK\$15.3 million (31 March 2004: Nil) which was entirely used for the investment in overseas unlisted debt securities. The Group's gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, as at 30 September 2004 was 18% (31 March 2004: Nil). As at 30 September 2004, the Group's current ratio was 3.5 (31 March 2004: 5.1).

During the period under review, the Group carried out its transactions mostly in the currency of Hong Kong dollars. In addition, the Group's borrowings and cash and bank balances were primarily denominated in Hong Kong and United States dollars. As such, the Group has no significant exposure to fluctuations in exchange rates.

As at 30 September 2004, the Group's banking facilities were secured by time deposits of the Group amounting to HK\$18,956,000 (31 March 2004: HK\$23,748,000) and the overseas unlisted debt securities of HK\$19.5 million (31 March 2004: Nil). Apart from the bank loan of HK\$15.3 million for the investment in the overseas unlisted debt securities, the Group did not utilise the remaining banking facilities at 30 September 2004. Saved as disclosed above, the Group did not have any charge on any of the Group's assets as at 30 September 2004.

Prospects

The Group is optimistic about the cleaning services industry in Hong Kong as a whole. The Hong Kong economy is on its road to recovery and the trend of deflation, which Hong Kong has faced for a number of years, seems to be reversing in recent months. With the recent announcement of the opening of Disneyland Hong Kong in September 2005, the tourism and related services industries are expected to enjoy a big boom in

businesses when the time comes. In the coming months, the Group expects that the demand for marble restorations and maintenances from hotels and catering industries will increase. This is in addition to the expected increase in demand for the same services for housing estates and office buildings. The Group is poised to take a share in these businesses because of its recognised expertise, experiences and professionalism in these fields.

In November 2004, the Group succeeded in securing two new contracts for external wall cleaning for two residential housing estates, one for 17 blocks and another for 14 blocks. One contract has commenced work in December 2004 whereas the second one will commence work in February 2005. Both contracts are expected to bring contribution to the Group's profits for the years ending 31 March 2005 and 2006. The Group is confident that its expertise and knowledge in the field of external wall cleaning, coupled with its uniquely branded external wall cleaning liquid "Sparkling", will put the Group in a strong position to expand its market share in this business sector.

The Group has applied for the registration of "Sparkling" as its trademark in both Hong Kong and Mainland China. This product, as an external wall cleaning liquid, has already gained certain recognition in this field and is known to be a more superior cleaning liquid in terms of price and performance than most of the other cleaning liquids currently being used in the market. The Group will continue to put in extra effort in promoting this product with a view to enhance the Group's market share in this area.

Although the Group's direct sales business has not yet made significant contribution to the overall revenue of the Group, it has successfully helped in cultivating an amicable relationship with the residents living in the properties where the Group is providing cleaning services.

Employees and Remuneration Policies

As at 30 September 2004, the Group employed a total of approximately 2,204 full time employees (31 March 2004: 2,533). 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. In addition, the Group continues to provide training programmes for its staff to ensure their professionalism and quality of work.

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\$5 million to the purchase of gondolas and staff recruitment for external wall cleaning services. The balance of approximately HK\$15.1 million was placed into fixed deposit and savings account and is expected to be applied to the businesses set out in the Company's prospectus dated 15 July 2003 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 AND SHORT POSITIONS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2004, 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 (the "Model Code"), were as follows:

(1) The Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
Dr 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%
Mr Cheung Pui Keung, James	Long	Beneficial owner	140,000	0.047%

Note: These shares were owned by The Lo's Family Limited as the 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 the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr Lo Kou Hong's family members.

Accordingly, Dr Lo Kou Hong, as the 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"), an indirect wholly-owned subsidiary of the Company

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

Note: The 2,676,399 non-voting deferred shares in Lo's Cleaning were owned by Ikari Holdings Limited ("Ikari") which was a controlled corporation of Dr Lo Kou Hong, and as such, Dr 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, Dr 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 2004, 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 then minimum company membership requirements.

Save as disclosed above, as at 30 September 2004, 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/she 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' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2004, the following interests of over 5% in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's 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 Dr Lo Kou Hong and Ms Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests and short positions in the shares of the Company and its associated corporation".

Save as disclosed above, as at 30 September 2004, no persons, other than the Company's directors whose interests and short positions are set out in the above section headed "Directors' interests and 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 OF THE COMPANY

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 2004.

AUDIT COMMITTEE

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

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 is not, or was not for any part of the accounting period for the six months ended 30 September 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, 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, 17 December 2004