

Chairman's Statement



Lo's Cleaning Services Ltd, a wholly-owned subsidiary of Lo's Enviro-Pro Holdings Ltd, was awarded "Caring Company 2004/05" by The Hong Kong Council of Social Service.

Dear Shareholders,

On behalf of the Board of Directors (the "Board" or "the Directors") of Lo's Enviro-Pro Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 March 2005 (FY2005).

FY2005 represents a year of consolidation and re-positioning for the Group. The expiry of the Airport cleaning contract coupled with the severely keen competition in the cleaning services market contributed to a difficult business environment for the Group. The furious competition among the ever-increasing volume of cleaning services providers, the increase in labour costs as a result of the reviving economy and the change in attitudes of customers who are now more price-oriented than looking for a certain standard of services, resulted in weakening the Group's overall profit margin because the Group would try to maintain its market share.

As a progressively growing company in the market, the Group accepts the difficult operating environment that it is facing in the general cleaning services market. However, the Group always believes that sustainable growth is built upon continual innovation. Consequently, the Group started to re-position itself to focus on the development of the niche market of professional cleaning services, where the Group believes that its sophisticated strength in technical cleaning can be fully leveraged and can create a better business opportunity thereby improving profit margin. The Group's new strategy was somewhat rewarded in FY2005 with the gaining of a number of professional cleaning services contracts among the industry including external wall cleaning contracts and a warewash and soaking contract for one of the biggest flight-kitchens in Hong Kong. I am optimistic on the Group's development in the future.

To reciprocate the enduring supports of the shareholders, the Board recommends the payment of a final dividend of HK1 cent per share for the year ended 31 March 2005.

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Since November 2000, the Buildings Department has launched a "Coordinated Maintenance of Buildings Scheme" in various districts throughout Hong Kong to assist building owners and owners' corporations in pursuing a comprehensive building management and maintenance program and the issue of the ruling on the compensation for the victims in the Albert House accident forcing several owners and the Incorporated Owners of the building into bankruptcy, further boiled up the social anxiety of the problem of lack of maintenance of dilapidated buildings. The social alertness of building maintenance produces a positive impact on the Group as reflected in the Group's fast accumulating orders and enquiries on external wall cleaning and buildings repairing services. According to the Buildings Department, there are 42,000 private buildings territory-wide in which approximately 11,400 are 20 to 40 years old and are more susceptible to maintenance problems, particularly those without proper management. In order to capture the potential room for expansion in the buildings renovation and maintenance market, the Group has established a subsidiary, Mak Tai Construction & Engineering Limited, specializing in carrying out building maintenance and renovation work with two experienced surveyor and engineer in February 2005 to further leverage the Group's existing external wall cleaning customers network and resources. The Group is poised to reap rewards from this set up and current signs are promising.

In FY2005, general cleaning services were still the main drive of revenue, but external wall cleaning services expanded at a satisfactory pace. The efficient completion of external wall cleaning work of totally 31 blocks in Phases 1, 2 and 4 at Laguna City in as short as 250 days in the reviewing year marked a new industry record and marked a significant milestone for the Group. New contracts acquired in the reviewing year included 17 blocks at Sceneway Garden, 14 blocks at Kenswood Court of Kingswood Villa and 7 blocks at Laguna City Phase 3. These contracts are expected to be completed between the third quarter of 2005 and the end of 2005.

Looking into the future, the Group will focus on enhancing the profitability of its business by exploring more on high-end cleaning services with larger profit margins such as external wall cleaning and maintenance, old buildings maintenance and restoration works, pest control treatments, stone care, maintenance and restoration and implementing effective cost control strategies such as to speed up the mechanization of labour intensive cleaning tasks.

Finally, I would like to express my greatest appreciation to our shareholders and customers for their continuous support and to our board of directors and all the staff for their earnest effort in bolstering the Group for long-term growth.

Lo Kou Hong
Chairman

12 July 2005