1. CORPORATE INFORMATION

Lo's Enviro-Pro Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is located at P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business of the Company is located at 3rd Floor, Caltex House, No. 258 Hennessy Road, Wanchai, Hong Kong.

During the year, the Group was involved in the provision of cleaning and related services and the provision for building maintenance and renovation services.

In the opinion of the directors, the parent and the ultimate holding company of the Group is The Lo's Family Limited, which is incorporated in the British Virgin Islands.

2.1 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 equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 32, 33, 37, 38, 39, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and at 31 March 2005. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 2.4 to the financial statements.

(b) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 April 2001 was eliminated against the consolidated retained profits in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets (continued)

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The adoption of HKFRS 3 and HKAS 36 has had no material effect on the Group's consolidated financial statements as the Group did not have goodwill prior to 1 April 2005.

2.3 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. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

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.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK (IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6, HK (IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 December 2005, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet at 31 March 2006

Effect of new policy (Increase/(decrease))	**Effect of adopting HKFRS 2 Employee share option scheme** *HK$'000*
Equity	
Share option reserve	1,669
Retained profits	(1,669)
	–

(b) Effect on the consolidated income statement for the year ended 31 March 2006

Effect of new policy	**Effect of adopting HKFRS 2 Employee share option scheme** *HK$'000*
Increase in staff costs and total increase in loss	1,669
Increase in basic loss per share	(HK0.56 cents)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

– represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

– is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, construction contract assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c) above; or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d) above.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and equipment	20%
Motor vehicles	25%
Tools and machinery	10% – $33^{1}/_{3}$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the relevant lease terms.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, as other investments.

Other investments

Investments in listed securities held for trading purposes are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Contract work in progress

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified work performed to date to the estimated total contract sum of relevant contracts.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, when the services are provided;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Contract work in progress" above; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 28. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 April 2005 and to those granted on or after 1 April 2005.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed 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 (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

A contingent liability is disclosed in respect of the full possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A full provision has not been recognised in respect of such possible payments as it is not considered probable that they will all result in a future outflow of resources from the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees have the option to join either one of the above schemes.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for impairment of trade receivables

The Group makes allowance for trade receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the periods in which such estimate has been changed.

Provision for long service payments

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

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 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.

4. SEGMENT INFORMATION (continued)

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 2006 and 31 March 2005:

	Cleaning and related services		Building maintenance and renovation		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**161,444**	178,285	**21,895**	–	**–**	–	**183,339**	178,285
Other income and gains	**1,197**	1,086	**–**	–	**(300)**	–	**897**	1,086
Total	**162,641**	179,371	**21,895**	–	**(300)**	–	**184,236**	179,371
Segment results	**3,616**	7,451	**(2,423)**	(81)	**–**	–	**1,193**	7,370
Interest and dividend income and unallocated gains							**1,078**	940
Unallocated expenses							**(7,070)**	(5,923)
Finance costs							**–**	(190)
Share of loss of an associate							**(4)**	–
Profit/(loss) before tax							**(4,803)**	2,197
Tax							**246**	(280)
Profit/(loss) for the year							**(4,557)**	1,917
Assets and liabilities								
Segment assets	**89,298**	96,306	**16,613**	1,972	**(13,598)**	(2,000)	**92,313**	96,278
Due from an associate	**913**	–	**–**	–	**–**	–	**913**	–
Corporate and other unallocated assets							**21**	1,850
Total assets							**93,247**	98,128
Segment liabilities	**15,285**	19,432	**18,151**	2,054	**(13,598)**	(2,000)	**19,838**	19,486
Due to a minority shareholder of subsidiaries	**–**	–	**838**	–	**–**	–	**838**	–
Corporate and other unallocated liabilities							**1**	310
Total liabilities							**20,677**	19,796
Other segment information:								
Depreciation	**1,724**	1,247	**56**	–	**–**	–	**1,780**	1,247
Capital expenditure	**1,263**	796	**1,061**	31	**–**	–	**2,324**	827

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:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Cleaning and related service fee income	**161,444**	178,285
Building maintenance and renovation contracts	**21,895**	–
	183,339	178,285
Other income and gains		
Bank interest income	**1,005**	932
Management fee received	**700**	930
Gain on disposal of other investments	**156**	–
Gain on disposal of items of property, plant and equipment	**72**	9
Sundry income	**42**	155
	1,975	2,026

6. PROFIT/(LOSS) BEFORE TAX

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

	2006 HK$'000	2005 HK$'000
Cost of services rendered*	**167,477**	152,604
Auditors' remuneration	**442**	380
Minimum lease payments under operating leases in respect of land and buildings	**1,184**	1,317
Employee benefits expense (including directors' remuneration *(note 8)*):		
Wages, salaries and other benefits	**135,996**	147,272
Equity-settled share option expense	**1,669**	–
Retirement benefits scheme contributions	**4,457**	4,766
Forfeited contributions	**(3,648)**	(4,681)
Net retirement benefits scheme contributions	**809**	85
Provision for long service payments – net *(note 26)*	**407**	611
Provision for untaken paid leave	**231**	976
	139,112	148,944
Provision for impairment of trade receivables and bad debts written off	**222**	228
Gain on disposal of items of property, plant and equipment	**(72)**	(9)

• The cost of services rendered included employee benefits expense of HK$129,278,000 (2005: HK$137,641,000) incurred for the provision of services which have been included in the employee benefits expense above.

At 31 March 2006, the Group had forfeited contributions of HK$148,000 available to reduce its contributions to the retirement benefits schemes in future years (2005: HK$242,000).

7. FINANCE COSTS

	Group	
	2006 HK$'000	2005 HK$'000
Interest on a bank loan wholly repayable within five years	**–**	190

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**360**	301
Other emoluments:		
Salaries and allowances	**5,148**	5,204
Employee share option benefits	**1,136**	–
Retirement benefits scheme contributions	**426**	418
	6,710	5,622
	7,070	5,923

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and was included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2006			
Mr. Chiu Wai Piu	**120**	**6**	**126**
Mr. Cheng Kai Tai, Allen	**120**	**6**	**126**
Mr. Poon Kwok Kiu	**120**	**6**	**126**
	360	**18**	**378**
2005			
Mr. Wong Sai Wing, James	48	–	48
Mr. Ho Chung Tai, Raymond	48	–	48
Mr. Chiu Wai Piu	60	3	63
Mr. Cheng Kai Tai, Allen	72	4	76
Mr. Poon Kwok Kiu	73	3	76
	301	10	311

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries and allowances HK$'000	Employee share option benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2006				
Dr. Lo Kou Hong	**2,288**	**284**	**144**	**2,716**
Ms. Ko Lok Ping, Maria Genoveffa	**1,040**	**284**	**96**	**1,420**
Mr. Leung Tai Tsan, Charles	**1,300**	**284**	**120**	**1,704**
Mr. Cheung Pui Keung, James	**520**	**284**	**48**	**852**
	5,148	**1,136**	**408**	**6,692**
2005				
Dr. Lo Kou Hong	2,244	–	144	2,388
Ms. Ko Lok Ping, Maria Genoveffa	1,040	–	96	1,136
Mr. Leung Tai Tsan, Charles	1,300	–	120	1,420
Mr. Cheung Pui Keung, James	620	–	48	668
	5,204	–	408	5,612

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**440**	431
Employee share option benefits	**94**	–
Retirement benefits scheme contributions	**9**	11
	543	442

The remuneration of the remaining one (2005: one) non-director, highest paid employee fell within the band of nil to HK$1,000,000.

During the year, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and was included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Provision for the year	**40**	312
Underprovision/(overprovision) in prior years	**(16)**	22
Deferred *(note 25)*	**(270)**	(54)
Tax charge/(credit) for the year	**(246)**	280

10. TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rate to the tax expense/(credit) at the effective tax rate is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before tax	**(4,803)**	2,197
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**(841)**	384
Adjustments in respect of current tax of previous periods	**(16)**	22
Income not subject to tax	**(129)**	(173)
Expenses not deductible for tax	**263**	51
Deferred tax assets not recognised	**471**	–
Others	**6**	(4)
Tax charge at the Group's effective rate of 5.1% (2005: 12.7%)	**(246)**	280

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK$9,948,000 (2005: net profit of HK$7,088,000) (note 29(b)).

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim – Nil (2005: HK1 cent) per ordinary share	**–**	3,000
Proposed final – Nil (2005: HK1 cent) per ordinary share	**–**	3,000
	–	6,000

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the net loss for the year attributable to ordinary equity holders of the parent of HK$3,946,000 (2005: net profit of HK$1,917,000), and the weighted average number of 300,000,000 (2005: 300,000,000) ordinary shares in issue during the year.

A diluted loss per share amount for the year has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. A diluted earnings per share amount for the year ended 31 March 2005 had not been disclosed as no diluting events existed during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Tools and machinery *HK$'000*	Total *HK$'000*
31 March 2006					
At 31 March 2005 and at 1 April 2005:					
Cost	1,099	11,927	1,937	5,231	20,194
Accumulated depreciation	(1,074)	(8,943)	(1,729)	(4,220)	(15,966)
Net carrying amount	25	2,984	208	1,011	4,228
At 1 April 2005, net of accumulated depreciation	25	2,984	208	1,011	4,228
Additions	566	1,068	–	690	2,324
Disposals	–	(767)	–	(8)	(775)
Depreciation provided during the year	(229)	(1,367)	(63)	(121)	(1,780)
At 31 March 2006, net of accumulated depreciation	362	1,918	145	1,572	3,997
At 31 March 2006:					
Cost	738	11,227	1,937	5,898	19,800
Accumulated depreciation	(376)	(9,309)	(1,792)	(4,326)	(15,803)
Net carrying amount	362	1,918	145	1,572	3,997

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Tools and machinery *HK$'000*	Total *HK$'000*
31 March 2005					
At 1 April 2004:					
Cost	1,088	11,387	1,944	5,226	19,645
Accumulated depreciation	(1,070)	(7,926)	(1,850)	(4,099)	(14,945)
Net carrying amount	18	3,461	94	1,127	4,700
At 1 April 2004, net of accumulated depreciation	18	3,461	94	1,127	4,700
Additions	26	643	153	5	827
Disposals	(6)	(46)	–	–	(52)
Depreciation provided during the year	(13)	(1,074)	(39)	(121)	(1,247)
At 31 March 2005, net of accumulated depreciation	25	2,984	208	1,011	4,228
At 31 March 2005:					
Cost	1,099	11,927	1,937	5,231	20,194
Accumulated depreciation	(1,074)	(8,943)	(1,729)	(4,220)	(15,966)
Net carrying amount	25	2,984	208	1,011	4,228

15. GOODWILL

	Group **2006** ***HK$'000***	Group 2005 *HK$'000*
Cost and carrying amount	126	–

16. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**59,521**	59,521
Due from subsidiaries	**21,402**	23,051
Provision for amounts due from subsidiaries	**(8,816)**	–
	72,107	82,572

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK$100 Ordinary HK$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited	Hong Kong	HK$10,000 Ordinary	_	100	Provision of cleaning and related services
Best Crown International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	_	80	Investment holding
Mak Tai Construction & Engineering Limited	Hong Kong	HK$10,000 Ordinary	_	80	Provision for building maintenance and renovation services
Yangi Construction & Engineering Limited	Hong Kong	HK$100 Ordinary	_	100	Dormant

17. INTEREST IN AN ASSOCIATE

	Group 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**4**	–
Share of net liabilities	**(4)**	–
	–	–
Due from an associate	**1,179**	–
Less: Provision for an amount due from an associate	**(266)**	–
	913	–

The amount due from an associate is unsecured, bears interest at a rate of 5% per annum and is repayable on or before 14 November 2007. The carrying amount of the amount due from an associate approximates to its fair value.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Faber China Limited	Ordinary shares of HK$1 each	Hong Kong	40	Trading of professional cleaning equipment/ products and marble-care products

The associate is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	2006 HK$'000	2005 HK$'000
Assets	**1,463**	–
Liabilities	**1,729**	–
Revenue	**589**	–
Loss	**276**	–

18. OTHER INVESTMENTS

	Group 2006 HK$'000	2005 HK$'000
Listed equity investments in Hong Kong, at market value	–	142

19. CONTRACT WORK IN PROGRESS

	Group 2006 HK$'000	2005 HK$'000
Contract costs incurred plus recognised profits to date	11,290	1,569
Less: Progress billings receivable	(4,620)	(598)
Gross amount due from contract customers	6,670	971

20. 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 2006 HK$'000	2005 HK$'000
Within 30 days	14,928	14,364
31-60 days	5,582	4,562
61-90 days	3,341	2,268
91-120 days	470	458
Over 120 days	2,930	2,135
	27,251	23,787
Less: Provision for impairment of trade receivables	(321)	(99)
	26,930	23,688

Included in the Group's trade receivables is an amount due from a related company, Martech Building Consultant Limited ("Martech Building"), of which two key members of management and minority shareholders of a non-wholly-owned subsidiary of the Company are directors, of HK$5,404,000 (2005: HK$598,000). The amount is repayable on similar credit terms to those offered to the major customers of the Group. Please refer to note 33(b) for details of related party transaction with Martech Building.

21. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2006	2005	**2006**	2005
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**23,151**	38,017	**477**	1,339
Time deposits		**28,369**	27,578	**50**	50
		51,520	65,595	**527**	1,389
Less: Pledged short term time deposits for banking facilities	30	**(15,318)**	(18,995)	**–**	–
Pledged cash and bank balances for banking facilities	30	**(4,110)**	–	**–**	–
Cash and cash equivalents		**32,092**	46,600	**527**	1,389

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

22. TRADE PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**3,448**	1,296
31-60 days	**187**	43
61-90 days	**141**	45
91-120 days	**194**	10
Over 120 days	**944**	137
	4,914	1,531

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

23. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables of the Group and the Company are non-interest-bearing and have an average payment term of one month.

24. DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amount due to a minority shareholder of subsidiaries is unsecured, interest-free and has no fixed term of repayment.

25. DEFERRED TAX LIABILITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of the year	**270**	324
Credit for the year *(note 10)*	**(270)**	(54)
At end of year	**–**	270

The principal component of the provision for deferred tax liabilities calculated at 17.5% (2005: 17.5%) on the cumulative temporary differences as at 31 March 2005 is accelerated depreciation allowances.

The principal components of the Group's deferred tax assets/(liabilities) calculated at the rate of 17.5% not recognised in the financial statements as at 31 March 2006 are as follows:

	2006	2005
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**(349)**	–
Tax losses carried forward	**732**	–
Others	**88**	–
	471	–

The Group has tax losses arising in Hong Kong of HK$4,185,000 (2005: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset have not been recognised in respect of these losses and the above temporary differences because it is uncertain that sufficient future taxable profits will be available against which the tax losses and temporary differences can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. PROVISION FOR LONG SERVICE PAYMENTS

	Group 2006 HK$'000	2005 HK$'000
At beginning of the year	**1,632**	1,949
Provision for long service payments – net *(note 6)*	**407**	611
Amounts utilised during the year	**(1,000)**	(928)
At end of year	**1,039**	1,632

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

27. SHARE CAPITAL

	Company 2006 HK$'000	2005 HK$'000
Authorised:		
1,000,000,000 (2005: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
300,000,000 (2005: 300,000,000) ordinary shares of HK$0.01 each	**3,000**	3,000

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme are the employees of the Group (including any executive director, non-executive director, independent non-executive director) or any consultant of the Group. The Share Option Scheme was adopted by the Company's shareholder on 24 April 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

28. SHARE OPTION SCHEME (continued)

The maximum number of shares which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of listing of the Company's shares on the Stock Exchange, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. Unless approved by the Company's shareholders, the maximum number of shares issuable upon exercise of share options granted to each eligible participant in the Share Option Scheme in any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit in the 12-month period up to and including the date of such further grant is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted by a participant within 30 days from the date upon which the offer letter is delivered to that participant, upon payment of a nominal consideration of HK$10 in total by the participant. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determined by the directors, but must not be less than the highest of (i) the closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of a share of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer, and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE OPTION SCHEME (continued)

A summary of the movement of the share options granted under the Share Option Scheme during the year is set out as follows:

Name/Category of participant	Date of grant *	Exercise period	Exercise price per share** HK$	Closing price per share before the date of grant*** HK$	Number of share options outstanding at 1 April 2005	Number of share options granted during the year	Number of share options exercised/ cancelled/ lapsed during the year	Number of share options outstanding at 31 March 2006
Directors								
Dr. Lo Kou Hong	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	–	3,000,000	–	3,000,000
Ms. Ko Lok Ping, Maria Genoveffa	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	–	3,000,000	–	3,000,000
Mr. Leung Tai Tsan, Charles	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	–	3,000,000	–	3,000,000
Mr. Cheung Pui Keung, James	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	–	3,000,000	–	3,000,000
Other Employees								
In aggregate	12.05.2005	22.04.2005 to 21.04.2015	0.55	0.54	–	3,660,000	–	3,660,000
In aggregate	26.09.2005	05.09.2005 to 04.09.2015	0.53	0.53	–	504,000	–	504,000
In aggregate	26.09.2005	05.09.2006 to 04.09.2015	0.53	0.53	–	1,000,000	–	1,000,000
In aggregate	26.09.2005	05.09.2007 to 04.09.2015	0.53	0.53	–	1,504,000	–	1,504,000
In aggregate	26.09.2005	05.09.2008 to 04.09.2015	0.53	0.53	–	1,496,000	–	1,496,000
In aggregate	26.09.2005	05.09.2009 to 04.09.2015	0.53	0.53	–	1,496,000	–	1,496,000
					–	21,660,000	–	21,660,000

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of options.

The fair value of the share options granted during the year was HK$1,669,000.

28. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2006:

Dividend yield (%)	3.70%
Expected volatility (%)	36.43%
Historical volatility (%)	36.43%
Risk-free interest rate (%)	2.74%-3.78%
Expected life of option (year)	10
Weighted average share price (HK$)	0.53-0.54

The expected life of the options is the contractual life of the share options and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 21,660,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 21,660,000 additional ordinary shares of the Company and additional share capital of HK$217,000 and share premium of HK$11,576,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 21,560,000 share options outstanding under the Share Option Scheme (100,000 share options have lapsed pursuant to the Share Option Scheme), which represented approximately 7.19% of the Company's shares in issue as at that date.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

The Group's contributed surplus represents the differences between the nominal value of the shares of subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, and the nominal value of the Company's shares issued in exchange therefor.

29. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2004		17,138	–	59,511	65	76,714
Profit for the year		–	–	–	7,088	7,088
Interim 2005 dividend	*12*	–	–	–	(3,000)	(3,000)
Proposed final 2005 dividend	*12*	–	–	–	(3,000)	(3,000)
At 31 March 2005 and 1 April 2005		17,138	–	59,511	1,153	77,802
Loss for the year		–	–	–	(9,948)	(9,948)
Equity-settled share option arrangements	*28*	–	1,669	–	–	1,669
At 31 March 2006		17,138	1,669	59,511	(8,795)	69,523

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2002 Revision) of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

30. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

(i) time deposits of the Group amounting to HK$15,318,000 (2005: HK$18,995,000) and cash and bank balances of the Group amounting to HK$4,110,000 (2005: Nil) (note 21); and

(ii) a corporate guarantee to the extent of HK$36 million (2005: HK$21 million) from the Company.

The facilities have not been utilised at the balance sheet date (2005: Nil).

31. 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$6,252,000 (2005: HK$7,118,000) 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 Employment Ordinance, with a maximum possible amount of approximately HK$1,852,000 as at 31 March 2006 (2005: HK$3,035,000), as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. 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 Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$1,039,000 (2005: HK$1,632,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2006.

(c) 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 2005 and 2006.

32. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**517**	517
In the second to fifth years, inclusive	**1,065**	1,584
	1,582	2,101

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related companies, of which certain directors of the Company are also directors, during the year. These related companies are owned by a discretionary trust of which the beneficiaries included the family members of Dr. Lo Kou Hong.

	Notes	**2006** *HK$'000*	2005 *HK$'000*
Management fee income from related companies	(i)	**600**	600
Rental expenses paid to related companies	(ii)	**480**	480

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 area occupied.

(b) Other transaction with a related party:

During the year, progress billings of building maintenance and renovation works amounting to HK$18,837,000 (2005: HK$598,000) were issued to Martech Building, a related company of which two key members of management and minority shareholders of a non-wholly-owned subsidiary of the Company are directors.

As at 31 March 2006, the trade receivable from Martech Building amounted to HK$5,404,000 (2005: HK$598,000). The trade receivable from Martech Building is unsecured, interest-free and is repayable within a normal credit terms of 30 days.

(c) Outstanding balances with related parties:

Details of the Group's amount due from an associate and the Group's amount due to a minority shareholder of subsidiaries as at the balance sheet date are disclosed in note 17 and note 24 to the financial statements, respectively.

33. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2006 HK$'000	2005 HK$'000
Short term employee benefits	**6,028**	5,204
Post-employment benefits	**426**	408
Share-based payments	**1,324**	–
Total compensation paid to key management personnel	**7,778**	5,612

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i) and (a)(ii) above also constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies for managing such risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity levels to ensure that it maintains sufficient reserves of cash for its daily operation purposes.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 July 2006.