LO'S ENVIRO-PRO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

stock code : 309

CONTENTS

Annual Report
2006/2007

CORPORATE INFORMATION

10 July 2007

BOARD OF DIRECTORS

Executive Directors

Lo Kou Hong
(Chairman and Managing Director)
Ko Lok Ping, Maria Genoveffa
Leung Tai Tsan, Charles
Cheung Pui Keung, James

Independent Non-executive Directors

Cheng Kai Tai, Allen
Chiu Wai Piu
Wang Qi

AUDIT COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi

REMUNERATION COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi
Lo Kou Hong
Leung Tai Tsan, Charles

COMPANY SECRETARY

Leung Tai Tsan, Charles

QUALIFIED ACCOUNTANT

Leung Tai Tsan, Charles

AUDITORS

Ernst & Young

SOLICITORS

P.C. Woo & Co

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

3/F Caltex House
258 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Dah Sing Bank Limited

STOCK CODE

309

COMPANY'S WEBSITE

www.losgroup.com

商界展關懷
caringcompany 2006/07
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Lo's Cleaning Services Ltd, a wholly owned subsidiary of Lo's Enviro-Pro Holdings Ltd, was for the third year awarded "Caring Company 2006/2007" by the Hong Kong Council of Social Service.

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Lo's Enviro-Pro Holdings Ltd (the "Company") and its subsidiaries (collectively the "Group"), I present to you the Group's annual results for the year ended 31 March 2007. The Group recorded a loss of HK$34,536,000 as compared to a net loss of HK$4,557,000 last year. Revenue for the year was approximately HK$186,616,000, representing a slight increase of 1.79% against HK$183,339,000 last year.

OPERATION REVIEW

2006/2007 was a challenging but remarkable year for the Group. In my statement last year, I pointed out that the Group was adapting to the ever changing business environment and was formulating business plans to position itself for seizing new development opportunities. At the concerted effort of the senior management and staff, the Company and Tsinghua Daring (HK) Holdings Ltd ("Tsinghua Daring (HK)") formed a joint venture company – Lo's Tsinghua Daring Environmental Technology Holdings Ltd ("Lo's Tsinghua Daring") – in October 2006 and expanded the Group's business to cover medical waste treatment in Mainland China. The plan will be implemented in phases and our target is to build 200 centres and become the largest medical waste treatment enterprise in China.

To realise its goal of becoming the largest medical waste treatment enterprise in the PRC, the Group had secured the exclusive right to use the steam-based medical waste treatment technology developed by a Canadian company, Hydroclave System Corporation ("Hydroclave"), in China. The technology, which is inexpensive, easy to operate and does not cause secondary pollution, is used in many developed and developing countries.

INTERNAL REVIEW

During the year under review, the Group continued to exercise prudent financial management and cost control and focused on improving operational efficiency so as to maintain competitiveness and enlarge market share.

CHAIRMAN'S STATEMENT

OUTLOOK

The Board is confident that Mainland China and Hong Kong will continue to enjoy strong economic growth in the coming year. The Group will continue to formulate business plans that enable it to capture new opportunities in the two booming markets. It will also expand its business scope, up-grade service quality and improve the profitability of its operations.

The PRC has a vast medical waste treatment service market, which the Group is ready to capture armed with the exclusive right to use the Hydroclave technology in the country. The Group is poised to expand this business in the next few years.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, customers and business partners for their continued support and all of our staff for their loyal service and contribution to the Group during the year.

Dr. Lo Kou Hong
Chairman

OPERATING ENVIRONMENT

The Hong Kong economy continued on the up trend in the year under review with unemployment rate down to an all time low since the SARS outbreak and wage levels on the climb. The Wage Protection Movement in full swing since October 2006 has also cushioned wage rises. For the cleaning service industry, such development, as we pointed out in last year's Management Discussion, has added to the "unhealthy" competition for labour. During the year, service contracts were quoted or tendered at unrealistic prices and the Group was affected. The Group's untiring efforts to promote its environmental protection business, however, began to bear fruit. As for the Group's stone finishing care, maintenance and restoration business, it also achieved satisfactory results

OPERATING RESULTS

Revenue of the Group for the year ended 31 March 2007 amounted to HK$186,616,000, representing a 1.79% increase as compared with the previous financial year. A net loss of HK$34,536,000 was recorded against net loss of HK$4,557,000 last year. The net increase in revenue was mainly attributable to the booking of revenue of two building maintenance and renovation projects completed during the year totalling HK$32,340,000 (2006: HK$21,895,000), which was however counterbalanced by the lower revenue from cleaning and related services of HK$154,276,000 (2006: HK$161,444,000). The "impairment of trade receivables and bad debts written off" for the year ended 31 March 2007 of HK$9,403,000 (2006: HK$222,000) comprised mainly of HK$5,650,000 in respect of a trade receivable from Martech Building Consultant Ltd, a related company, and HK$3,349,000 in respect of a trade receivable from a main contractor of Mak Tai Construction and Engineering Ltd which is considered doubtful. The significant loss was mainly attributed to the exit of the building maintenance and renovation business by the Group in mid 2006 and the general cleaning business a tighter profit margin squeezed by the "unhealthy" competition and higher wages in the labour market and higher cleaning material and consumable costs. The Group will continue to implement cost control measures to curtail operation costs.

BUSINESS REVIEW

The Group had ups and downs during the year. Its incessant effort to grow the environmental protection business bore promising results. The Company and Tsinghua Daring (HK) formed a joint venture company – Lo's Tsinghua Daring and expanded the business to cover medical waste treatment in Mainland China. Lo's Tsinghua Daring, in which Lo's Enviro-Pro holds 55% interest, has earmarked HK$80 million to build 8 medical waste treatment centres in China to be completed in the financial year 2007/2008. To realize its goal of becoming the largest medical waste treatment enterprise in China, the Group had secured the exclusive right to use the steam-based technology developed by a Canadian company, Hydroclave, to treat medical wastes in China. In June 2007, the Group formed another joint venture Seasun Group Ltd ("Seasun"), holding 65% interest in it. The formation of Seasun marked the beginning of the second phase of development of the Group's environmental protection business. In this phase, 22 more waste treatment centres will be built in 12 months. And a wholly-owned subsidiary of Seasun to be named Lo's Tsinghua Daring Medical Wastes Treatment (China) Holdings Ltd ("Lo's Tsinghua Daring China") will be formed in Hong Kong to oversee development of the business and related projects.

The steam-based waste treatment technology developed by Hydroclave is widely used in many developed and developing countries. The technology is safe, inexpensive, easy to operate and does not create secondary pollution.

MANAGEMENT DISCUSSION AND ANALYSIS

On 16 June 2003, the State Council of China published Decree No. 380 – the Regulations on administration of medical wastes, which requires cities to centralize collection and treatment of medical wastes and related fees be treated as a basic cost of medical service and charged to the users.

On 14 June 2006, the State Environmental Protection Administration published the Technical Specifications for Steam-based Centralized Treatment Engineering on medical wastes (HJ/T276-2006) defining how steam-based medical waste treatment should be conducted. The specifications took effect on 1 August 2006. The Group has had no problem complying with the specifications as Hydroclave's technology and system match perfectly all the stipulated requirements. However, most of the about 690 cities in China do not have centralized treatment plants for medical wastes. Many of them have been using incinerators at high operational cost and emission standards falling short of the latest requirements. We see immediate potential markets in these cities for our medical waste treatment business. Furthermore, as the demand for medical services in China continue to increase as its population becomes more affluent, the amount of medical wastes that need to be treated will also rise. We are thus confident that our medical waste treatment business will grow in strong and steady strides and bring sustainable income and profit to the Group in the long run.

In the year under review, income from provision of general cleaning service was still a major constituent of the Group's revenue. The major contracts acquired or renewed during the year included those for luxurious residential estates in West Kowloon, and grade A office buildings in Central District.

The Group ventured into the business of building repairs and maintenance business in 2005. However, a number of projects that the Group has entered into ran into unforeseen difficulties resulting in work delay and some of the works also encountered workmanship challenge etc from the respective clients. Various works completed had to be redone or with liquidated damages paid resulting in extra costs to these projects. The Group since then had finished all the contracts on hand. The consequence of such events was that the Group suffered a loss of approximately HK$27,679,000 in respect of the building maintenance and renovation segment for the year ended 31 March 2007. The Group has now ceased the business of building repairs and maintenance after all previous contracts were completed.

The Group completed phase 1 of granite floor restoration for a shopping centre on the Peak during the year. The owner of the shopping mall is considering proceeding with second phase work. Having delivered phase 1 of the project to the satisfaction of the client, the Group is confident of securing the contract for the second phase.

For the third year in a roll, the Group was named a "Caring Company" by the Hong Kong Council of Social Service for being a caring employer and a corporate honouring its social responsibilities. The Group is encouraged by the recognition and will continue to fulfill its role as a good corporate citizen in the years ahead.

FINANCIAL REVIEW

During the year under review, the Group's financial position was sound with a current ratio of 3.2 as at 31 March 2007 (2006: 4.5). The cash and cash equivalents and pledged time deposits as at 31 March 2007 totalled approximately HK$54,415,000 (2006: approximately HK$51,520,000). The Group's bank borrowings as at 31 March 2007 amounted to HK$4,096,000 (2006: Nil), and therefore its gearing ratio, the ratio of total bank borrowings to shareholders' equity, was 5.44% (2006: Nil). The Group's shareholders' equity amounted to HK$75,325,000 as at 31 March 2007 (2006: HK$72,570,000).

During the year under review, the Group carried out transactions mostly in Hong Kong dollars. The Group's cash and bank balances were primarily denominated in Hong Kong dollars, Renminbi and United States dollars. As such, the Group had no significant exposure to fluctuations in exchange rates.

As at 31 March 2007, the Group's banking facilities were secured by the following:

(i) pledge of certain of the Group's time deposits amounting to HK$16,130,000 (2006: HK$15,318,000);

(ii) pledge of the Group's financial asset at fair value through profit or loss with carrying value at 31 March 2007 of HK$3,862,000 (2006: Nil);

(iii) a corporate guarantee of up to HK$27 million (2006: HK$36 million) from the Company; and

(iv) joint and several personal guarantee totalling up to HK$1.8 million (2006: Nil) executed from two minority shareholders of a non wholly-owned subsidiary of the Group.

As at 31 March 2006, the Group's banking facilities were also secured by the Group's cash and bank balances amounting to HK$4,110,000.

CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follows:

(a) The Group had executed performance guarantees of aggregate amount HK$1,972,000 (2006: HK$6,252,000) 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 Hong Kong Employment Ordinance (the "Employment Ordinance"), at a maximum possible amount of approximately HK$1,469,000 as at 31 March 2007 (2006: HK$1,852,000). The contingent liability was the result of a number of employees having achieved the required number of years of service qualifying them for long service payments under the Employment Ordinance at the balance sheet date, should their employment be terminated. A provision of HK$817,000 (2006: HK$1,039,000) in respect of such payments had been made in the consolidated balance sheet as at 31 March 2007.

(c) A subsidiary of the Group is currently a defendant in lawsuits brought by a customer and a subcontractor alleging that the subsidiary had breached certain clauses of certain subcontracting agreements for building renovation and maintenance services hired by the customer. The plaintiffs are claiming for compensation for the losses suffered. The directors, though uncertain regarding the resolution of the claims at this stage, believe the subsidiary has valid defence to the allegations and, accordingly, had not made provision for the claims as at 31 March 2007.

(d) Except for the pending litigations detailed in note (c) above, during the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors based on current evidence, any such existing claims should be adequately covered by insurance as at 31 March 2006 and 2007.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2007 was 2,137 (2006: 1,958). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$137,798,000 (2005: HK$139,112,000). The Group provides employees with training programmes on latest skills.

Remunerations are commensurate with the nature of jobs, experience and market conditions; and performance related bonuses are granted to some employees on a discretionary basis. In addition, all employees of the Group, including directors, are eligible to participate in the Company's share option scheme.

PROSPECTS

Both Hong Kong and Mainland China are experiencing continuous economic growth which will work to the advantage of the Group's various businesses. To capture different business opportunities, the Group will focus on growing the promising medical treatment business in the PRC and at the same time strive to secure middle to high-end cleaning service contracts which post higher profit margins. The Group, with a proven track record of providing quality and professional cleaning services, stands prime in acquiring these contracts.

In fulfilling its role as a good corporate citizen, the Group will continue to work with social service organisations in providing "cleaning training courses" to disadvantaged workers and hire graduates of those courses. The Group will continue contribute to building a caring society in partnership with its employees, the social service sector and the community at large.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Dr. Lo Kou Hong, aged 64, is the founder, Chairman, Chief Executive Officer and Managing Director of the Group and is a member of the Remuneration Committee of the Company. Prior to establishing Lo's Cleaning Services Limited in 1975, he served as a manager at a local property management company. He was appointed as a vice president of the Friends of Scouting in 2001. He was awarded an honorary doctorate degree in Business Management in 2003 by Burkes University in Turks & Caicos Islands in the British West Indies. Dr. Lo is the husband of Ms. Ko Lok Ping, Maria Genoveffa, an Executive Director and brother-in-law of Mr. Ko Yam Ping, the Senior Operations Manager of the Group.

Ms. Ko Lok Ping, Maria Genoveffa, aged 60, is the co-founder and an Executive Director of the Group. Ms. Ko is responsible for overall planning and administration of the Group's activities. She has been involved in the Group's business since it was first established in 1975. She is the wife of Dr. Lo and the younger sister of Mr. Ko Yam Ping, the Senior Operations Manager.

Mr. Leung Tai Tsan, Charles, aged 54, is an Executive Director, the Finance Director, Qualified Accountant and Company Secretary of the Group and is a member of the Remuneration Committee of the Company. He is responsible for overall strategic planning, finance, accounting, compliance and administration. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in 2001, he has over 21 years of experience in accounting, auditing and financial management.

Mr. Cheung Pui Keung, James, aged 30, is an Executive Director and responsible for the overall operation of the Group. Mr. Cheung joined the Group in October 1999 and has over 7 years of experience in cleaning and related services. He holds a Bachelor of Business Administration degree from the Lingnan University, Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Kai Tai, Allen, aged 43, is an Independent Non-executive Director and the Chairman of the Audit Committee and Remuneration Committee of the Company. Mr. Cheng was appointed as an Independent Non-executive Director on 26 August 2004. Mr. Cheng is a qualified accountant and a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Cheng has practiced as a Certified Accountant in Hong Kong for over 10 years. Mr. Cheng has extensive professional experience in audit, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master degree of accountancy in Jinan University in the PRC, and is now acting as a consultant of a number of international companies with business interests in textile, retailing, metal trading and manufacturing in PRC. Mr. Cheng currently serves as an independent non-executive director of Modern Beauty Salon Holdings Limited (a company listed on the Main Board of the Stock Exchange – Stock Code: 919).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu Wai Piu, aged 60, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. He was appointed as an Independent Non-executive Director of the Company on 30 September 2004. Mr. Chiu is a very experienced and reputable journalist and has over 30 years' experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Currently, Mr. Chiu is the assistant editor-in-chief in Hong Kong "Wen Wei Po". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary-General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists". Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His great contribution in this field is highly praised and recognized.

Mr. Wang Qi, aged 52, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. Mr. Wang was appointed as an Independent Non-executive Director on 26 August 2006. Mr. Wang is a director of TianChuang Property Co. Ltd., (a company listed in The Shanghai Stock Exchange – Stock Code: 600791) engaging in property development in Beijing. Mr. Wang is also the general manager of TianChuang Science and Technology Development Co. Ltd., engaging in investment of technologically related businesses. Mr. Wang is a qualified Senior Engineer and has over 20 years of experience in business management. Mr. Wang was a senior investment manager of China Commercial Construction Development Company from 1989 to 2000 and was responsible for the investment and listing projects of various companies in the Mainland China. Mr. Wang also served as an Executive Officer to manage some of the investment projects of Hong Kong Regal Hotel Group from 1997 to 2000 and New World Group from 1993 to 2000 in the Mainland China. In addition, Mr. Wang has devoted himself in developing the business connection and communication between Hong Kong and the Mainland China in the field of business management and investment.

SENIOR MANAGEMENT

Ms. Lo-Quiroz Wai Chi, Yany, aged 25, is the Director of Corporate Affairs of the Group. Having joined the Group in October of 2006, she is responsible for marketing the Group's new business of medical wastes treatment in Mainland China and monitoring the development of the Group's cleaning business. Ms. Lo-Quiroz graduated from The University of British Columbia with a Bachelor's Degree in Arts and also holds a Master's Degree in Environmental Management from The University of Hong Kong. She is the daughter of Dr. Lo.

Mr. Cheng Kin Ming, Vincent, aged 48, an executive director of Lo's Tsinghua Daring, joined the Group in 2006. He received his bachelor degree in electronics engineering in the City University of Hong Kong and master degree in business administration in Lancaster University of United Kingdom. Prior to joining the Group, he was the System and Development Manager of the MTR Corporation Ltd. and the General Manager and Principal Consultant of TQM Consultant Limited. Mr. Cheng is an experience executive and management consultant. He has assisted many government departments and big corporations in improving business and service performance. He is an executive committee member of the Hong Kong Society for Quality, an Honorary Adviser of the Six Sigma Institute of Hong Kong and a director of Green Great Wall Foundation, a charity organization. He oversees the Group's establishment, construction and development of medical wastes treatment centres in the PRC.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Guang Sheng, aged 62, is the vice-chairman of Lo's Tsinghua Daring. Mr. Jiang is also the deputy general manager of the Beijing Tsinghua Daring Biotechnologies Group Co., Ltd. He is responsible for the China market and Government negotiations on the medical waste treatment project.

Mr. Mow Yan Loy Milton, aged 41, is the executive director of Lo's Tsinghua Daring. Mr. Mow is also the director of the Beijing Tsinghua Daring Biotechnologies Group Co., Ltd. Before that, he has been the Managing Director of a famous foreign food company for many years. With the valuable experiences on enterprises management and China Government relationship, he is responsible for the China market and Government negotiations on the medical waste treatment project.

Mr. Li Hau Cheung, aged 59, is Deputy General Manager of Operations of the Group. He joined the Group in 2003 and has over 19 years of experience in the cleaning services business and 16 years in property management services. Mr. Li received his matriculation education in Hong Kong.

Ms. Tam Yik Ka, Michelle, aged 42, is Deputy General Manager of Administration. She joined the Group in 2001 and has over 12 years of experience in administration and personnel management. She holds a Bachelor of Arts degree from the University of Western Ontario, Canada.

Ms. Kwok Wai Yee, Edith, aged 45, Deputy General Manager of Operations, is responsible for developing the Group's new businesses and she heads the Group's marketing team. She has over 22 years of experience in accounting, marketing and management.

Mr. Ko Yam Ping, aged 61, is Senior Operations Manager of the Group. He joined the Group in 1978. He is the brother of Ms. Ko Lok Ping, Maria Genoveffa, an Executive Director.

Mr. Wu Yiu Fai, Eddie, aged 51, is the Senior Operation Manager of the Group. He joined the Group in 1983.

Mr. Leung Kai Keung, Ronny, aged 48, is the Senior Operations Manager of the Group. He has been with the Group since 1993 and has over 12 years of experience in the cleaning and related services industry.

Ms. Lee Pui Ching, Joanna, aged 37, is the Chief Accountant. Ms. Lee joined the Group in 2004. She holds a Bachelor of Accounting degree and is an associate member of Certified Public Accountant of Australia. She has over 15 years of experience in finance and accounting.

Ms. Fok Mun Ying, Susanna, aged 42, is the Sales and Customer Services Manager responsible for liaising with the Group's clients and has over 15 years of experience in overseeing the Group's sales and customer services activities. She joined the Group in 1984.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2007.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). With the exception of the code provision A.2.1 of the CG Code in relation to the separation of the roles of the Chairman and Chief Executive Officer and code provision A.4.2 of the CG Code in relation to the re-election of director at first general meeting after his appointment, the Company has complied with the code provisions as set out in the CG Code throughout the year under review. The details of such deviations will be explained below.

The Company will review periodically and improve its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

A. THE BOARD

1. Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee, the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

2. **Board Composition**

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board comprises the following directors:

Executive directors:
Dr. Lo Kou Hong, *Chairman of the Board and the Executive Committee, Chief Executive Officer/ Managing Director and member of the Remuneration Committee*
Ms. Ko Lok Ping, Maria Genoveffa, *member of the Executive Committee*
Mr. Leung Tai Tsan, Charles, *member of the Remuneration Committee & Executive Committee*
Mr. Cheung Pui Keung, James, *member of the Executive Committee*

Independent non-executive directors:
Mr. Cheng Kai Tai, Allen, *Chairman of the Audit Committee and the Remuneration Committee*
Mr. Chiu Wai Piu, *member of the Audit Committee and the Remuneration Committee*
Mr. Wang Qi, *member of the Audit Committee and the Remuneration Committee*

The list of all directors (by category) is also disclosed in all corporate communications pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographical Information of Directors and Senior Management" on pages 9 to 11 in this annual report.

During the year ended 31 March 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one independent non-executive director (Mr. Cheng Kai Tai, Allen) possessing the appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmations from the three independent non-executive directors respectively for confirming their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, the non-executive directors make various contributions to the effective direction of the Company.

3. **Chairman and Chief Executive Officer**

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Dr. Lo Kou Hong currently holds the offices of Chairman and Chief Executive Officer of the Company. Dr. Lo is the founder of the Group and has extensive experiences. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. As such, it is beneficial to the business prospects of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

4. **Appointment and re-election of directors**

The term of office of Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi, being all the independent non-executive directors of the Company, is up to the date of holding the Company's 2007 annual general meeting.

Code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr. Wang Qi, who was appointed by the Board to fill the casual vacancy left by the resignation of Mr. Poon Kwok Kiu on 26 August 2006, has not been standing for re-election at the first general meeting of the Company held after his appointment. Despite the deviation, Mr. Wang Qi will offer himself for re-election at the Company's forthcoming annual general meeting.

The Company has adopted Directors Nomination Procedures as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board met once, with all the directors present, for reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Company.

In accordance with the Company's Articles of Association, Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi shall retire and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. The Board recommended the re-appointment of these directors standing for re-election at the forthcoming annual general meeting of the Company. The Company's circular, sent together with this annual report, contains detailed information of such directors standing for re-election.

5. Training for directors

Each newly appointed director, including Mr. Wang Qi who was appointed during the year ended 31 March 2007, receives formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

6. Board meetings

Board Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and board papers together with all appropriate, complete and reliable information have been sent to all directors/Board committee members at least 3 days before each Board meeting or committee meeting. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Articles of Association contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

During the year ended 31 March 2007, 7 Board meetings were held, out of which 4 were regular Board meetings and were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The individual attendance records of each director at the Board meetings during the year ended 31 March 2007 are set out below:

Name of Directors	**Attendance/Number of Meetings**
Dr. Lo Kou Hong	7/7
Ms. Ko Lok Ping, Maria Genoveffa	7/7
Mr. Leung Tai Tsan, Charles	6/7
Mr. Cheung Pui Keung, James	5/7
Mr. Cheng Kai Tai, Allen	5/7
Mr. Chiu Wai Piu	5/7
Mr. Poon Kwok Kiu *(Note 1)*	1/1
Mr. Wang Qi *(Note 2)*	4/6

Notes:

1. Mr. Poon Kwok Kiu resigned as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Before his resignation, there was 1 Board meeting held during the year ended 31 March 2007.

2. Mr. Wang Qi was appointed as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Subsequent to his appointment, there were 6 Board meetings held during the year ended 31 March 2007.

7. Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2007.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

The Board has established 3 committees, namely, the Executive Committee, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website "www.losgroup.com" and are available to shareholders upon request.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 March 2007 are set out in the financial statements of the Company.

Remuneration Committee

The Remuneration Committee comprises 5 members, namely Mr. Cheng Kai Tai, Allen (Chairman), Mr. Chiu Wai Piu, Mr. Wang Qi, Dr. Lo Kou Hong and Mr. Leung Tai Tsan, Charles, the majority of them are independent non-executive directors. The primary objectives of the Remuneration Committee include:

- To make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;
- To make recommendations on the remuneration packages of the executive directors and the senior management;
- To review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and
- To review and approve the compensation arrangements for the executive directors and the senior management.

The Remuneration Committee normally meets annually for reviewing and discussing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman/ Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2007, the Remuneration Committee held 2 meetings and discussed the remuneration related matters of the Company. The individual attendance records of each member at the Remuneration Committee meetings are set out below:

Name of Remuneration Committee Members	Attendance/Number of Meetings
Dr. Lo Kou Hong	0/2
Mr. Leung Tai Tsan, Charles	2/2
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Poon Kwok Kiu *(Note 1)*	1/1
Mr. Wang Qi *(Note 2)*	1/1

Notes:

1. Mr. Poon Kwok Kiu resigned as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Before his resignation, there was 1 Remuneration Committee meeting held during the year ended 31 March 2007.

2. Mr. Wang Qi was appointed as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Subsequent to his appointment, there was 1 Remuneration Committee meeting held during the year ended 31 March 2007.

D. ACCOUNTABILITY AND AUDIT

Directors' responsibilities for financial reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2007.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Internal controls

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 March 2007. Such review covered the financial, operational, compliance and risk management aspects of the Group.

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Cheng Kai Tai, Allen (Chairman), Mr. Chiu Wai Piu and Mr. Wang Qi, with one independent non-executive director (Mr. Cheng Kai Tai, Allen) possessing the appropriate professional qualifications and accounting and related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Qualified Accountant or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal controls system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 March 2006 and interim results and interim report for the six months ended 30 September 2006, the financial reporting and compliance procedures, the report from the senior management on the Company's internal control and risk management review and processes and the re-appointment of the external auditors. The external auditors have attended one of the Audit Committee meetings to discuss the issues arising from the audit and financial reporting matters.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

During the year ended 31 March 2007, the Audit Committee held 2 meetings. The individual attendance records of each member at the Audit Committee meetings are set out below:

Name of Audit Committee Members	Attendance/Number of Meetings
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Poon Kwok Kiu *(Note 1)*	1/1
Mr. Wang Qi *(Note 2)*	1/1

Notes:

1. Mr. Poon Kwok Kiu resigned as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Before his resignation, there was 1 Audit Committee meeting held during the year ended 31 March 2007.

2. Mr. Wang Qi was appointed as an independent non-executive director of the Company and a member of each of the Audit Committee and Remuneration Committee on 26 August 2006. Subsequent to his appointment, there was 1 Audit Committee meeting held during the year ended 31 March 2007.

External auditors and auditors' remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 31 and 32.

The remuneration of the Company's external auditors in respect of audit services and non-audit services for the year ended 31 March 2007 amounted to HK$515,000 and HK$161,000 respectively. The nature of and the fees paid/payable on the said audit services and non-audit services are analysed below:

Type of services provided by the external auditors	Fees paid/payable
Audit services:	*Audit services:*
Audit of the annual financial statements for the year ended 31 March 2007	HK$515,000
Non-audit services:	*Non-audit services:*
1. Review of interim financial statements for the six months ended 30 September 2006	HK$95,000
2. Issuance of Form A of the Group's Occupational Retirement Scheme	HK$11,000
3. Tax services fee	HK$55,000
TOTAL:	HK$676,000

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the chairman of the Audit Committee and Remuneration Committee attended the 2006 Annual General Meeting.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company maintains a website at "www.losgroup.com", where information on the Company's business development and operations, financial information and other information are available for public access. Investors may write directly to the Company's principal place of business at 3/F, Caltex House, 258 Hennessy Road, Wanchai, Hong Kong for any inquiries.

F. SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Articles of Association. Details of such rights to demand a poll were included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Scrutineer would be appointed to ensure all votes cast on resolutions at the shareholders' meetings are properly counted and recorded. Where poll voting is conducted, the poll voting results will be posted on the websites of the Company and the Stock Exchange after the shareholders' meeting.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 84.

The Board did not recommend the payment of any cash dividend in respect of the year ended 31 March 2007 (2006: Nil).

The Board has recommended the payment of a scrip dividend in the form of bonus shares to be allotted to the shareholders of the Company on the basis of one new share for every existing issued share of the Company held by the shareholders whose names appear on the register of members of the Company on 29 August 2007. The issue of bonus shares of the Company is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval to the listing of and permission to deal in the new shares.

SUMMARY FINANCIAL INFORMATION

A summary of the published consolidated/combined results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 85 and 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2002 Revision) of the Cayman Islands, amounted to HK$17,750,000. In addition, the Company's share premium account, in the amount of HK$53,467,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, service fee income from the Group's five largest customers accounted for approximately 62% of the total service fee income for the year, and service fee income from the largest customer included therein amounted to approximately 29%.

Purchases from the Group's five largest suppliers accounted for approximately 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Dr. Lo Kou Hong *(Chairman)*
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. Chiu Wai Piu
Mr. Poon Kwok Kiu (resigned on 26 August 2006)
Mr. Wang Qi (appointed on 26 August 2006)

DIRECTORS (continued)

In accordance with Article 112 of the Company's articles of association, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu, the existing directors of the Company, will retire as directors of the Company by rotation at the forthcoming annual general meeting. In addition, pursuant to Article 95 of the Company's articles of association, Mr. Wang Qi will also retire. All of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi, and considers that they meet the requirements of the independence guidelines as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company, except for Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing on 1 February 2003, until terminated by not less than three/six months' notice in writing served by either party.

Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing from 13 January 2004 until terminated by not less then three months' notice in writing served by either party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33(a) to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2007, the interests of the directors of the Company in the shares and underlying shares of the Company (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 Issuers (the "Model Code"), were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of shares	Percentage of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	210,000,000 *(Note (1))*	57.90%
	Long	Interest of spouse	500,000 *(Note (2))*	0.14%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	210,000,000 *(Note(1))*	57.90%
	Long	Beneficial owner	500,000 *(Note(2))*	0.14%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	140,000	0.04%

Notes:

(1) 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) Dr. Lo Kou Hong was deemed to be interested in the 500,000 shares of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoreffa.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(2) Interests in underlying shares of the Company - physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	4,700,000	1.30%
	Long	Interest of spouse *(Note (1))*	4,700,000	1.30%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	4,700,000	1.30%
	Long	Interest of spouse *(Note (2))*	4,700,000	1.30%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	4,000,000	1.10%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	4,000,000	1.10%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in note 28 to the financial statements.

Notes:

(1) Dr. Lo Kou Hong was deemed to be interested in the 4,700,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.

(2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 4,700,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

In addition to the above, as at 31 March 2007, certain director(s) of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Save as disclosed above, as at 31 March 2007, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 March 2007, the following interests of 5% or more 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)*	57.90%
Equity Trustee Limited	Long	Trustee	210,000,000 *(Note)*	57.90%
Galaxy China Opportunities Fund	Long	Beneficial owner	18,606,000	5.13%

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 in the shares and underlying shares of the Company".

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY (continued)

Save as disclosed above, as at 31 March 2007, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company", 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.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in notes 33 and 35(a) to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2007, to the best knowledge of the directors of the Company, none of the directors of the Company and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/ or the Group.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 August 2007 to Wednesday, 29 August 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed bonus issue of shares of the Company and attending and voting at the annual general meeting of the Company to be held on Wednesday, 29 August 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 23 August 2007.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lo Kou Hong
Chairman

Hong Kong
10 July 2007

ERNST & YOUNG

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To the shareholders of Lo's Enviro-Pro Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements of Lo's Enviro-Pro Holdings Limited set out on pages 33 to 84, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

■ 安永會計師事務所

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
10 July 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
REVENUE	5	**186,616**	183,339
Other income and gains	5	**2,588**	1,975
Staff costs		**(137,798)**	(139,112)
Depreciation		**(1,683)**	(1,780)
Impairment of goodwill	14	**(126)**	–
Impairment of trade receivables and bad debts written off		**(9,403)**	(222)
Impairment of other receivables		**(1,058)**	–
Other operating expenses		**(73,108)**	(48,999)
Finance costs	7	**(573)**	–
Share of loss of an associate		**–**	(4)
LOSS BEFORE TAX	6	**(34,545)**	(4,803)
Tax	10	**9**	246
LOSS FOR THE YEAR		**(34,536)**	(4,557)
Attributable to:			
Equity holders of the parent	11	**(34,170)**	(3,946)
Minority interests		**(366)**	(611)
		(34,536)	(4,557)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**(HK10.5 cents)**	(HK1.32 cents)

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**3,503**	3,997
Goodwill	*14*	**–**	126
Interest in an associate	*16*	**–**	–
Deposit paid for acquisition of plant and equipment		**4,952**	–
Total non-current assets		**8,455**	4,123
CURRENT ASSETS			
Financial asset at fair value through profit or loss	*17*	**3,862**	–
Due from an associate	*16*	**1,043**	913
Contract work in progress	*18*	**1,535**	6,670
Trade receivables	*19*	**34,957**	26,930
Prepayments, deposits and other receivables		**3,159**	3,070
Tax recoverable		**29**	21
Pledged cash and bank balances	*20*	**–**	4,110
Pledged time deposits	*20*	**16,130**	15,318
Cash and cash equivalents	*20*	**38,285**	32,092
Total current assets		**99,000**	89,124
CURRENT LIABILITIES			
Trade payables	*21*	**9,597**	4,914
Other payables and accrued liabilities	*22*	**16,532**	13,885
Due to a minority shareholder of subsidiaries	*23*	**1,088**	838
Interest-bearing bank borrowings, secured	*24*	**4,096**	–
Tax payable		**–**	1
Total current liabilities		**31,313**	19,638
NET CURRENT ASSETS		**67,687**	69,486
TOTAL ASSETS LESS CURRENT LIABILITIES		**76,142**	73,609
NON-CURRENT LIABILITY			
Provision for long service payments	*26*	**817**	1,039
Net assets		**75,325**	72,570
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*27*	**3,627**	3,000
Reserves	*29(a)*	**72,549**	70,055
		76,176	73,055
Minority interests		**(851)**	(485)
Total equity		**75,325**	72,570

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

		Attributable to equity holders of the parent									
	Notes	Issued share capital HK$'000 (note 27)	Share premium account HK$'000 (note 27)	Share option reserve HK$'000	Contributed surplus HK$'000 (note 27(a))	Retained profits/ (accumulated losses) HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005		3,000	17,138	–	26,758	28,436	–	3,000	78,332	–	78,332
Loss for the year and total income and expense for the year		–	–	–	–	(3,946)	–	–	(3,946)	(611)	(4,557)
Final 2005 dividend declared		–	–	–	–	–	–	(3,000)	(3,000)	–	(3,000)
Equity-settled share option arrangements		–	–	1,669	–	–	–	–	1,669	–	1,669
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	126	126
At 31 March 2006 and 1 April 2006		3,000	17,138	1,669	26,758	24,490	–	–	73,055	(485)	72,570
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	–	–	(17)	–	(17)	–	(17)
Loss for the year		–	–	–	–	(34,170)	–	–	(34,170)	(366)	(34,536)
Total income and expense for the year		–	–	–	–	(34,170)	(17)	–	(34,187)	(366)	(34,553)
Equity-settled share option arrangements		–	–	605	–	–	–	–	605	–	605
Issue of shares	27(a)	600	36,000	–	–	–	–	–	36,600	–	36,600
Issue of shares upon exercise of options	27(b)	27	1,447	–	–	–	–	–	1,474	–	1,474
Share issue expenses	27	–	(1,371)	–	–	–	–	–	(1,371)	–	(1,371)
Transfer of reserve upon exercise of options	27(b)	–	253	(253)	–	–	–	–	–	–	–
At 31 March 2007		3,627	53,467*	2,021*	26,758*	(9,680)*	(17)*	–	76,176	(851)	75,325

* *These reserve accounts comprise the consolidated reserves of HK$72,549,000 (2006: HK$70,055,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(34,545)**	(4,803)
Adjustments for:			
Finance costs	*7*	**573**	–
Depreciation	*6*	**1,683**	1,780
Bank interest income	*5*	**(1,533)**	(1,005)
Loss/(gain) on disposal of items of property, plant and equipment	*5, 6*	**612**	(72)
Gain on disposal of equity investments at fair value through profit or loss	*5*	**–**	(156)
Impairment of trade receivables and bad debts written off		**9,403**	222
Impairment of other receivables		**1,058**	–
Fair value loss on a financial asset at fair value through profit or loss	*6*	**33**	–
Equity-settled share option expense	*6*	**605**	1,669
Share of loss of an associate		**–**	4
Impairment of goodwill		**126**	–
Effect of foreign exchange rate changes, net		**(17)**	–
		(22,002)	(2,361)
Increase in an amount due from an associate		**(130)**	(913)
Decrease/(increase) in contract work in progress		**5,300**	(5,699)
Increase in trade receivables		**(17,430)**	(3,464)
Increase in prepayments, deposits and other receivables		**(1,147)**	(1,416)
Increase in trade payables		**4,683**	3,383
Increase/(decrease) in other payables and accrued liabilities		**2,647**	(2,438)
Decrease in provision for long service payments		**(222)**	(593)
Cash used in operations		**(28,301)**	(13,501)
Hong Kong profits tax refunded		**–**	1,766
Dividends paid		**–**	(3,000)
Net cash outflow from operating activities		**(28,301)**	(14,735)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*13*	**(2,072)**	(2,324)
Deposit paid for acquisition of plant and equipment		**(4,952)**	–
Proceeds from disposal of items of property, plant and equipment		**106**	847
Proceeds from disposal of equity investments at fair value through profit or loss		–	298
Purchases of a financial asset at fair value through profit or loss		**(3,895)**	–
Interest received		**1,533**	1,005
Decrease/(increase) in pledged time deposits		**(812)**	3,677
Decrease/(increase) in pledged cash and bank balances		**4,110**	(4,110)
Acquisition of an associate		**–**	(4)
Net cash outflow from investing activities		**(5,982)**	(611)

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(573)**	–
Proceeds from issue of shares	*27*	**38,074**	–
Share issue expenses	*27*	**(1,371)**	–
New bank loans		**4,096**	–
Increase in an amount due to a minority shareholder of subsidiaries		**250**	838
Net cash inflow from financing activities		**40,476**	838
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,193**	(14,508)
Cash and cash equivalents at beginning of year		**32,092**	46,600
CASH AND CASH EQUIVALENTS AT END OF YEAR		**38,285**	32,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	**19,494**	19,041
Non-pledged time deposits with original maturity of less than three months when acquired	*20*	**18,791**	13,051
		38,285	32,092

BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*15*	**47,727**	72,107
CURRENT ASSETS			
Prepayments, deposits and other receivables		**–**	18
Tax recoverable		**8**	4
Cash and cash equivalents	*20*	**27,363**	527
Total current assets		**27,371**	549
CURRENT LIABILITIES			
Other payables and accrued liabilities	*22*	**254**	133
NET CURRENT ASSETS		**27,117**	416
Net assets		**74,844**	72,523
EQUITY			
Issued capital	*27*	**3,627**	3,000
Reserves	*29(b)*	**71,217**	69,523
Total equity		**74,844**	72,523

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

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 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 engaged in the provision of cleaning and related services and the provision of 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 certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. 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.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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 objectives, 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.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 *Interim Financial Reporting*, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about the products and services provided by the segments, geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HKAS 23 (Revised), HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (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 non-financial assets other than goodwill

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 in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (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;

(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; or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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.

2.4 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

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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 subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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 the income statement.

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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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 them 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.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities, including trade and other payables, an amount due to a minority shareholder of subsidiaries and interest-bearing loans and borrowings, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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 the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 services have been 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.

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 to the financial statements. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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.

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 by 1 January 2005 and to those granted on or after 1 January 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.

2.4 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 currencies

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 income statement. 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.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Profitability and percentage of completion of construction contracts

The Group determines the profitability of its construction contracts based on the net income that could be obtained after deducting its estimation of the total costs of the contracts. The Group also recognises its revenue from its contracts by the percentage of completion of the contracts which is measured by reference to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts.

Judgement is also made on the contingency costs that may arise from variation orders and claims as well as the recovery of such costs from their customers.

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.

Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other 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 and other receivables requires the use of judgement 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 period 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 offers 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 2007 and 2006:

	Cleaning and related services		Building maintenance and renovation		Elimination		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue:								
Service income from external customers	**154,276**	161,444	**32,340**	21,895	**–**	–	**186,616**	183,339
Other income and gains	**986**	1,197	**369**	–	**(300)**	(300)	**1,055**	897
Total	**155,262**	162,641	**32,709**	21,895	**(300)**	(300)	**187,671**	184,236
Segment results	**2,016**	3,616	**(27,679)**	(2,423)	**–**	–	**(25,663)**	1,193
Interest income and unallocated gains							**1,533**	1,078
Impairment of goodwill	**–**	–	**(126)**	–	**–**	–	**(126)**	–
Corporate and other unallocated expenses							**(9,716)**	(7,070)
Finance costs			**(573)**	–			**(573)**	–
Share of loss of an associate							**–**	(4)
Loss before tax							**(34,545)**	(4,803)
Tax							**9**	246
Loss for the year							**(34,536)**	(4,557)
Assets and liabilities								
Segment assets	**113,217**	89,298	**12,535**	16,613	**(27,677)**	(13,598)	**98,075**	92,313
Due from an associate	**1,043**	913	**–**	–	**–**	–	**1,043**	913
Corporate and other unallocated assets							**8,337**	21
Total assets							**107,455**	93,247
Segment liabilities	**16,487**	15,285	**38,106**	18,151	**(27,677)**	(13,598)	**26,916**	19,838
Due to a minority shareholder of subsidiaries	**–**	–	**1,088**	838	**–**	–	**1,088**	838
Interest-bearing bank borrowings, secured	**–**	–	**4,096**	–	**–**	–	**4,096**	–
Corporate and other unallocated liabilities							**30**	1
Total liabilities							**32,130**	20,677
Other segment information:								
Capital expenditure	**1,988**	1,263	**84**	1,061	**–**	–	**2,072**	2,324
Depreciation	**1,626**	1,724	**222**	56	**–**	–	**1,848**	1,780
Impairment losses recognised/(reversed) in the income statement in respect of:								
Goodwill	**–**	–	**126**	–	**–**	–	**126**	–
Trade receivables and bad debts written off	**–**	(97)	**9,403**	319	**–**	–	**9,403**	222
Other receivables	**–**	–	**1,058**	–	**–**	–	**1,058**	–

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:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Cleaning and related service fee income	**154,276**	161,444
Building maintenance and renovation contracts	**32,340**	21,895
	186,616	183,339
Other income and gains		
Bank interest income	**1,533**	1,005
Management fee received	**575**	700
Gain on disposal of equity investments at fair value through profit or loss	**–**	156
Gain on disposal of items of property, plant and equipment	**–**	72
Sundry income	**480**	42
	2,588	1,975

6. LOSS BEFORE TAX

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

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Cost of services rendered*		**139,901**	146,399
Cost of contract works performed#		**46,724**	21,078
Auditors' remuneration		**619**	442
Minimum lease payments under operating leases in respect of land and buildings		**1,141**	1,184
Depreciation	*13*	**1,848**	1,780
Less: Amounts capitalised to long-term construction contract		**(165)**	–
		1,683	1,780
Fair value loss on a financial asset at fair value through profit or loss		**33**	–
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages, salaries and other benefits		**134,323**	135,996
Equity-settled share option expense		**605**	1,669
Retirement benefits scheme contributions		**4,609**	4,457
Forfeited contributions		**(2,180)**	(3,648)
Net retirement benefits scheme contributions		**2,429**	809
Provision/(write-back of provision) for long service payments – net	*26*	**(161)**	407
Provision for untaken paid leave		**602**	231
		137,798	139,112
Loss/(gain) on disposal of items of property, plant and equipment		**612**	(72)

* The cost of services rendered included employee benefits expense of HK$125,433,000 (2006: HK$129,278,000) incurred for the provision of services which have been included in the employee benefits expense above.

\# The cost of contract works performed is included in "Other operating expenses" on the face of the consolidated income statement.

At 31 March 2007, the Group had forfeited contributions of HK$280,000 available to reduce its contributions to the retirement benefits schemes in future years (2006: HK$148,000).

7. FINANCE COSTS

	Group 2007 HK$'000	2006 HK$'000
Interest on bank overdrafts and bank loans wholly repayable within five years	**573**	–

8. DIRECTORS' REMUNERATION

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

	Group 2007 HK$'000	2006 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries and allowances	**5,092**	5,148
Employee share option benefits	**356**	1,136
Retirement benefits scheme contributions	**426**	426
	5,874	6,710
	6,234	7,070

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 recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007			
Mr. Chiu Wai Piu	**120**	**6**	**126**
Mr. Cheng Kai Tai, Allen	**120**	**6**	**126**
Mr. Poon Kwok Kiu	**48**	**2**	**50**
Mr. Wang Oi	**72**	**4**	**76**
	360	**18**	**378**
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

There were no other emoluments payable to the independent non-executive directors during the year (2006: 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*
2007				
Dr. Lo Kou Hong	**2,232**	**112**	**144**	**2,488**
Ms. Ko Lok Ping, Maria Genoveffa	**1,040**	**112**	**96**	**1,248**
Mr. Leung Tai Tsan, Charles	**1,300**	**66**	**120**	**1,486**
Mr. Cheung Pui Keung, James	**520**	**66**	**48**	**634**
	5,092	**356**	**408**	**5,856**
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

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 (2006: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2006: one) non-director, highest paid employee for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries and allowances	**488**	440
Employee share option benefits	**13**	94
Retirement benefits scheme contributions	**12**	9
	513	543

The remuneration of the remaining one (2006: 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 recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax for the year ended 31 March 2006 had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Provision for the year	**–**	40
Overprovision in prior years	**(9)**	(16)
Deferred *(note 25)*	**–**	(270)
Tax credit for the year	**(9)**	(246)

10. TAX (continued)

A reconciliation of the tax credit applicable to loss before tax using the statutory rate to the tax credit at the effective tax rate is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Loss before tax	**(34,545)**	(4,803)
Tax at the statutory tax rates applicable to the profits arising in the countries concerned	**(6,087)**	(841)
Adjustments in respect of current tax of previous periods	**(9)**	(16)
Income not subject to tax	**(176)**	(129)
Expenses not deductible for tax	**263**	263
Deferred tax assets not recognised	**5,978**	471
Others	**22**	6
Tax credit at the Group's effective rate of 0.03% (2006: 5.1%)	**(9)**	(246)

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 March 2007 includes a loss of HK$34,987,000 (2006: HK$9,948,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$34,170,000 (2006: HK$3,946,000), and the weighted average number of 324,737,000 (2006: 300,000,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2006 and 2007 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. 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 2007					
At 31 March 2006 and at 1 April 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
At 1 April 2006, net of accumulated depreciation	362	1,918	145	1,572	3,997
Additions	188	339	1,500	45	2,072
Disposals	(76)	(88)	(10)	(544)	(718)
Depreciation provided during the year	(315)	(869)	(406)	(258)	(1,848)
At 31 March 2007, net of accumulated depreciation	159	1,300	1,229	815	3,503
At 31 March 2007:					
Cost	826	11,456	2,013	4,896	19,191
Accumulated depreciation	(667)	(10,156)	(784)	(4,081)	(15,688)
Net carrying amount	159	1,300	1,229	815	3,503

13. 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 2006					
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. GOODWILL

Group

	HK$'000
Cost and carrying amount at 1 April 2005	–
Acquisition of additional interest in a subsidiary	126
Cost and carrying amount at 31 March 2006	126
Cost at 1 April 2006	126
Impairment during the year	(126)
Carrying amount at 31 March 2007	–
At 31 March 2007:	
Cost	126
Accumulated impairment	(126)
Net carrying amount	–

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**59,521**	59,521
Due from subsidiaries	**30,938**	21,402
	90,459	80,923
Impairment	**(42,732)**	(8,816)
	47,727	72,107

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.

In view of the deteriorating operating results of certain subsidiaries, the Company has provided an impairment loss of HK$33,916,000 (2006: HK$8,816,000) during the year.

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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	Dormant
Best Crown International Limited ("Best Crown")	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	80	Investment holding
Mak Tai Construction & Engineering Limited	Hong Kong	HK$10,000 Ordinary	–	80	Provision of building maintenance and renovation services
Yangi Construction & Engineering Limited	Hong Kong	HK$100 Ordinary	–	100	Dormant
Honest Grand International Limited#	British Virgin Islands/ Hong Kong	HK$780 Ordinary	–	100	Investment holding
Oriental Emperor Holdings Limited#	British Virgin Islands/ Hong Kong	HK$780 Ordinary	–	55	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Lo's Tsinghua Daring Environmental Technology Holdings Limited#	Hong Kong	HK$1 Ordinary	–	55	Investment holding
Siping Lo's Tsinghua Daring Environmental Technology Limited*#^	People's Republic of China ("PRC")/ Mainland China	HK$1,500,000	–	55	Handling of medical waste
Suifa Lo's Tsinghua Daring Environmental Technology Limited*#^	PRC/ Mainland China	HK$1,500,000	–	55	Handling of medical waste

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
\# Incorporated during the year.
^ Registered as wholly-foreign-owned enterprises under PRC laws.

16. INTEREST IN AN ASSOCIATE

	Group 2007 HK$'000	Group 2006 HK$'000
Unlisted shares, at cost	**4**	4
Share of net liabilities	**(4)**	(4)
Due from an associate	**1,309**	1,179
Provision for impairment	**(266)**	(266)
	1,043	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.

16. INTEREST IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activity
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:

	2007	2006
	HK$'000	*HK$'000*
Assets	**1,553**	1,463
Liabilities	**1,912**	1,729
Revenue	**1,327**	589
Loss	**93**	276

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted capped accrual note in Hong Kong, at fair value	**3,862**	–

The above investment at 31 March 2007 was classified as held for trading. The fair value of the investment is determined based on the quoted price from an investment bank. The investment has been pledged to secure certain banking facilities granted to the Group (note 24).

18. CONTRACT WORK IN PROGRESS

	Group 2007 HK$'000	Group 2006 HK$'000
Contract costs incurred plus recognised profits to date	**19,303**	11,290
Less: Progress billings received and receivable	**(17,768)**	(4,620)
Gross amount due from contract customers	**1,535**	6,670

19. 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 2007 HK$'000	Group 2006 HK$'000
Within 30 days	**16,467**	14,928
31 – 60 days	**12,857**	5,582
61 – 90 days	**1,521**	3,341
91 – 120 days	**521**	470
Over 120 days	**13,213**	2,930
	44,579	27,251
Less: Provision for impairment of trade receivables	**(9,622)**	(321)
	34,957	26,930

Included in the Group's trade receivables is an amount of HK$5,650,000 (2006: HK$5,404,000) due from a related company, Martech Building Consultant Limited ("Martech Building"), of which two minority shareholders of a non-wholly-owned subsidiary of the Group are directors. The amount is repayable on similar credit terms to those offered to the major customers of the Group. Full provision for impairment of HK$5,650,000 (2006: Nil) has been made for the amount due from Martech Building during the year. Please refer to note 33(b) for details of the related party transaction with Martech Building.

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**19,494**	23,151	**12,311**	477
Time deposits		**34,921**	28,369	**15,052**	50
		54,415	51,520	**27,363**	527
Less: Pledged short-term time deposits for banking facilities	*24*	**(16,130)**	(15,318)	**–**	–
Pledged cash and bank balances for banking facilities	*24*	**–**	(4,110)	**–**	–
Cash and cash equivalents		**38,285**	32,092	**27,363**	527

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,581,000 (2006: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank 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.

21. TRADE PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**6,838**	3,448
31 – 60 days	**865**	187
61 – 90 days	**690**	141
91 – 120 days	**461**	194
Over 120 days	**743**	944
	9,597	4,914

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

22. 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.

23. DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

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

24. INTEREST-BEARING BANK BORROWINGS, SECURED

Group	Effective interest rate	Maturity	2007 HK$'000	2006 HK$'000
Trust receipt loans – secured	Prime	April to May 2007	**4,096**	–

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

(i) the pledge of certain of the Group's time deposits amounting to HK$16,130,000 (2006: HK$15,318,000) (note 20);

(ii) the pledge of the Group's financial asset at fair value through profit or loss with a carrying value at 31 March 2007 of HK$3,862,000 (2006: Nil) (note 17);

(iii) a corporate guarantee to the extent of HK$27 million (2006: HK$36 million) provided by the Company; and

(iv) a joint and several personal guarantee to the extent of HK$1.8 million (2006: Nil) executed by two minority shareholders of a non-wholly-owned subsidiary of the Group.

As at 31 March 2006, the Group's banking facilities were also secured by certain of the Group's cash and bank balances amounting to HK$4,110,000 (note 20).

As at 31 March 2007, all the secured bank borrowings were denominated in Hong Kong dollars. The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values.

25. DEFERRED TAX LIABILITIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**–**	270
Credit for the year *(note 10)*	**–**	(270)
At end of year	**–**	–

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

	2007	2006
	HK$'000	*HK$'000*
Depreciation allowances in excess of related depreciation	**122**	(349)
Tax losses carried forward	**6,692**	732
Others	**(365)**	88
	6,449	471

The Group has tax losses arising in Hong Kong of HK$38,240,000 (2006: HK$4,185,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and the above temporary differences because it is not considered probable that taxable profits will be available against which the tax losses and temporary differences can be utilised.

26. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**1,039**	1,632
Provision/(write-back of provision) for long service payments, net *(note 6)*	**(161)**	407
Amounts utilised during the year	**(61)**	(1,000)
At end of year	**817**	1,039

The Group provides for 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 2.4 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 2007 HK$'000	2006 HK$'000
Authorised:		
1,000,000,000 (2006: 1,000,000,000)		
ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
362,680,000 (2006: 300,000,000)		
ordinary shares of HK$0.01 each	**3,627**	3,000

During the year, the movements in share capital were as follows:

(a) 60,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.61 to certain independent third parties for a total cash consideration, before expenses, of HK$36,600,000.

(b) The subscription rights attaching to 2,680,000 share options were exercised at subscription price of HK$0.55 per share (note 28), resulting in the issuance of 2,680,000 ordinary shares of HK$0.01 each for a total cash consideration, before expense, of HK$1,474,000. The related share option reserve of HK$253,000 was transferred to the share premium account accordingly.

All the shares issued during the year rank pari passu in all respects with the existing shares.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2006 and 1 April 2007	300,000,000	3,000	17,138	20,138
Issue of shares (a)	60,000,000	600	36,000	36,600
Share options exercised (b)	2,680,000	27	1,447	1,474
	362,680,000	3,627	54,585	58,212
Share issue expenses	–	–	(1,371)	(1,371)
Transfer of share option reserve (b)	–	–	253	253
At 31 March 2007	362,680,000	3,627	53,467	57,094

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 shareholders on 24 April 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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 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)

The following share options were outstanding under the Share Option Scheme during the year:

Name or category of participant	Number of share options: At 1 April 2006	Number of share options: Granted during the year	Number of share options: Exercised during the year	Number of share options: Forfeited during the year	Number of share options: At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of the Company's shares***: At grant date of options	Price of the Company's shares***: Immediately before the exercise date	Price of the Company's shares***: At exercise date of options
								HK$ per share	*HK$ per share*	*HK$ per share*	*HK$ per share*
Directors											
Dr. Lo Kou Hong	3,000,000	–	–	–	3,000,000	12-5-05	22-4-05 to 21-4-15	0.55	–	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-08 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-09 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-10 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-11 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-11-11 to 21-2-12	2.82	2.95	–	–
	3,000,000	1,700,000	–	–	4,700,000						
Ms. Ko Lok Ping, Maria Genoveffa	3,000,000	–	–	–	3,000,000	12-5-05	22-4-05 to 21-4-15	0.55	–	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-08 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-09 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-10 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-2-11 to 21-2-12	2.82	2.95	–	–
	–	340,000	–	–	340,000	22-2-07	22-11-11 to 21-2-12	2.82	2.95	–	–
	3,000,000	1,700,000	–	–	4,700,000						
Mr. Leung Tai Tsan, Charles	3,000,000	–	–	–	3,000,000	12-5-05	22-4-05 to 21-4-15	0.55	–	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-08 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-09 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-10 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-11 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-11-11 to 21-2-12	2.82	2.95	–	–
	3,000,000	1,000,000	–	–	4,000,000						
Mr. Cheung Pui Keung, James	3,000,000	–	–	–	3,000,000	12-5-05	22-4-05 to 21-4-15	0.55	–	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-08 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-09 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-10 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-2-11 to 21-2-12	2.82	2.95	–	–
	–	200,000	–	–	200,000	22-2-07	22-11-11 to 21-2-12	2.82	2.95	–	–
	3,000,000	1,000,000	–	–	4,000,000						

28. SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: At 1 April 2006	Granted during the year	Exercised during the year	Forfeited during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares***: At grant date of options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of options HK$ per share
Other employees											
In aggregate	3,660,000	–	(2,680,000)	(100,000)	880,000	12-5-05	22-4-05 to 21-4-15	0.55	–	2.05	2.11
	504,000	–	–	(504,000)	–	26-9-05	5-9-05 to 4-9-15	0.53	–	–	–
	1,000,000	–	–	(1,000,000)	–	26-9-05	5-9-06 to 4-9-15	0.53	–	–	–
	1,504,000	–	–	(1,504,000)	–	26-9-05	5-9-07 to 4-9-15	0.53	–	–	–
	1,496,000	–	–	(1,496,000)	–	26-9-05	5-9-08 to 4-9-15	0.53	–	–	–
	1,496,000	–	–	(1,496,000)	–	26-9-05	5-9-09 to 4-9-15	0.53	–	–	–
	–	1,224,000	–	–	1,224,000	22-2-07	22-2-08 to 21-2-12	2.82	2.95	–	–
	–	1,224,000	–	–	1,224,000	22-2-07	22-2-09 to 21-2-12	2.82	2.95	–	–
	–	1,224,000	–	–	1,224,000	22-2-07	22-2-10 to 21-2-12	2.82	2.95	–	–
	–	1,224,000	–	–	1,224,000	22-2-07	22-2-11 to 21-2-12	2.82	2.95	–	–
	–	1,224,000	–	–	1,224,000	22-2-07	22-11-11 to 21-2-12	2.82	2.95	–	–
	9,660,000	6,120,000	(2,680,000)	(6,100,000)	7,000,000						
	21,660,000	11,520,000	(2,680,000)	(6,100,000)	24,400,000						

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 price of the Company's share disclosed immediately before the exercise date is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted during the year was HK$18,899,000 (2006: HK$2,192,000) of which the Group recognised a share option expense of HK$757,000 (2006: HK$1,669,000) during the year ended 31 March 2007.

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 2007:

Dividend yield (%)	0%
Expected volatility (%)	87.32%
Historical volatility (%)	87.32%
Risk-free interest rate (%)	4.03% – 4.193%
Expected life of option (year)	5
Weighted average share price (HK$)	2.93

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.

The 2,680,000 share options exercised during the year resulted in the issuance of 2,680,000 ordinary shares of the Company and new share capital of HK$27,000 and share premium of HK$1,447,000 (before issue expenses), as further detailed in note 27 to the financial statements.

At the balance sheet date, the Company had 24,400,000 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 issuance of 24,400,000 additional ordinary shares of the Company and additional share capital of HK$244,000 and share premium of HK$39,326,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 24,380,000 share options outstanding under the Share Option Scheme, which represented approximately 6.72% 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 35 of the financial statements.

The Group's contributed surplus represents the differences between the nominal 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.

29. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2005		17,138	–	59,511	1,153	77,802
Loss for the year		–	–	–	(9,948)	(9,948)
Equity-settled share option arrangements		–	1,669	–	–	1,669
At 31 March 2006 and 1 April 2006		17,138	1,669	59,511	(8,795)	69,523
Loss for the year		–	–	–	(34,987)	(34,987)
Issue of shares	*27(a)*	36,000	–	–	–	36,000
Issue of shares upon exercise of option	*27(b)*	1,447	–	–	–	1,447
Share option expenses	*27*	(1,371)	–	–	–	(1,371)
Equity-settled share option arrangements		–	605	–	–	605
Transfer of reserve upon exercise of options	*27(b)*	253	(253)	–	–	–
At 31 March 2007		53,467	2,021	59,511	(43,782)	71,217

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.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

30. 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$1,972,000 (2006: HK$6,252,000) 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$1,469,000 as at 31 March 2007 (2006: HK$1,852,000), as further explained under the heading "Employee benefits" in note 2.4 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$817,000 (2006: HK$1,039,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2007.

(c) A subsidiary of the Group is currently a defendant in lawsuits brought by a third party customer and a subcontractor alleging that the subsidiary has breached certain clauses of the subcontracting agreements for the building renovation and maintenance services entered into between these third parties and that subsidiary, and they are claiming for compensation for losses suffered. The directors consider that the probability of crystallisation of the claims at this stage is uncertain, and believe that the subsidiary has valid defence to the claim and, accordingly, have not provided for any claims arising from the litigations as at 31 March 2007.

(d) Except for the pending litigations detailed in note (c) above, 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 2006 and 2007.

31. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**512**	517
In the second to fifth years, inclusive	**762**	1,065
	1,274	1,582

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK$3,572,000 (2006: Nil) contracted but not provided for in the financial statements as at 31 March 2007.

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	2007 HK$'000	2006 HK$'000
Management fee income from related companies	*(i)*	**475**	600
Rental expenses paid to related companies	*(ii)*	**400**	480
Interest income from an associate	*(iii)*	**50**	19

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.

(iii) The interest income received from an associate was charged at an interest rate of 5% per annum on the outstanding amount due from an associate.

(b) Other transaction with a related party:

During the year, progress billings of building maintenance and renovation works amounting to HK$252,000 (2006: HK$18,837,000) were issued to Martech Building, a related company of which two minority shareholders of a non-wholly-owned subsidiary of the Group are directors.

As at 31 March 2007, the trade receivable from Martech Building amounted to HK$5,650,000 (2006: HK$5,404,000), net of impairment provision of HK$5,650,000 (2006: Nil). The trade receivable from Martech Building is unsecured, interest-free and repayable within a normal credit term of 30 days.

33. RELATED PARTY TRANSACTIONS (continued)

(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 notes 16 and 23 to the financial statements, respectively.

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

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**5,092**	6,028
Post-employment benefits	**408**	426
Share-based payments	**356**	1,324
Total compensation paid to key management personnel	**5,856**	7,778

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 connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and 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 cash flow interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing such risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rate. The Group has no specific policy to deal with cash flow interest rate risk. However, management monitors the exposure and will consider hedging the interest rate risk exposure for significant cash flow risks should the need arise.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, pledged deposits, and financial asset at fair value through profit or loss, 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. POST BALANCE SHEET EVENTS

(a) On 27 April 2007, Victory Joy International Limited ("Victory Joy"), a wholly-owned subsidiary of the Group incorporated subsequent to the balance sheet date on 12 April 2007, and Tsinghua Daring China Limited ("Tsinghua"), a related company of the Group of which certain ultimate beneficial owners of Tsinghua are also ultimate beneficial owners controlling a minority shareholder of the Group's non-wholly-owned subsidiary, entered into a sale and purchase agreement. Pursuant to that sale and purchase agreement, Victory Joy agreed to acquire 65% equity interest in Seasun Group Limited ("Seasun"), a wholly-owned subsidiary of Tsinghua incorporated in the British Virgin Islands with limited liability, from Tsinghua for an aggregate consideration of HK$45,000,000 (the "Acquisition"). The consideration will be settled by (i) cash of HK$20,000,000, and (ii) the issuance of 5,000,000 new shares of the Company at HK$5 each. As part of the Acquisition, Victory Joy is expected to advance HK$220 million to Seasun by way of shareholder's loans to finance the initial development of Seasun. Further details regarding the Acquisition are set out in the Company's announcement dated 4 May 2007.

The above transaction also constitutes connected transaction as defined in Chapter 14A of the Listing Rules.

(b) On 14 May 2007, the Company entered into a share subscription agreement with certain independent third parties and three existing shareholders of the Company, to issue 25,000,000 ordinary shares of the Company at a subscription price of HK$4 per share, for a total cash consideration of HK$100,000,000, before expenses. Further details regarding the placing of the Company's new shares are set out in the Company's announcement dated 15 May 2007.

35. POST BALANCE SHEET EVENTS (continued)

(c) On 10 July 2007, the directors recommended the payment of a scrip dividend in the form of bonus shares to be allotted to the shareholders of the Company on the basis of one new share for every existing issued share of the Company held by the shareholders whose names appear on the register of members of the Company on 29 August 2007. A circular containing, among other things, details of the bonus issue of shares will be dispatched to the shareholders as soon as practicable. The issue of bonus shares of the Company is subject to shareholders' approval at the forthcoming annual general meetings and is subject to the approval of the Stock Exchange.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 July 2007.

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group, prepared on the basis set out in the note below:

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**186,616**	183,339	178,285	217,072	204,075
PROFIT/(LOSS) BEFORE TAX	**(34,545)**	(4,803)	2,197	14,317	25,625
Tax	**9**	246	(280)	(2,551)	(3,971)
PROFIT/(LOSS) FOR THE YEAR	**(34,536)**	(4,557)	1,917	11,766	21,654
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	**(34,170)**	(3,946)	1,917	11,766	21,654
MINORITY INTERESTS	**(366)**	(611)	–	–	–
	(34,536)	(4,557)	1,917	11,766	21,654

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**8,455**	4,123	4,228	8,583	7,771
CURRENT ASSETS	**99,000**	89,124	93,900	100,120	112,417
CURRENT LIABILITIES	**(31,313)**	(19,638)	(17,894)	(19,515)	(21,086)
NET CURRENT ASSETS	**67,687**	69,486	76,006	80,605	91,331
NON-CURRENT LIABILITIES	**(817)**	(1,039)	(1,902)	(2,273)	(4,783)
NET ASSETS	**75,325**	72,570	78,332	86,915	94,319
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**76,176**	73,055	78,332	86,915	94,319
MINORITY INTERESTS	**(851)**	(485)	–	–	–
TOTAL EQUITY	**75,325**	72,570	78,332	86,915	94,319

Note:

The summary of the published/combined results of the Group for the year ended 31 March 2003 and the combined balance sheet of the Group as at 31 March 2003 has been extracted from the Company's prospectus dated 15 July 2003. This summary includes the results of the companies now comprising the Group as if the current Group structure had been in existence throughout the financial years, or from the respective dates of incorporation of the companies, whichever is shorter, and is presented on the basis as set out in the Company's prospectus dated 15 July 2003. The consolidated results of the Group for the two years ended 31 March 2007 and its assets, liabilities and minority interests as at 31 March 2006 and 2007 are also set out on pages 33 and 34 of the audited financial statements, and are presented on the basis as set out in note 2.1 to the audited financial statements.