LO'S ENVIRO-PRO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

stock code : 309

Annual Report 2007/08

CONTENTS

CORPORATE INFORMATION

15 July 2008

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

Non-executive Director

Bai Qingzhong

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

Arculli Fong & Ng

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

Tricor 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

CHAIRMAN'S STATEMENT

商界展關懷
caringcompany 2007/08
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 fourth year awarded "Caring Company 2007/2008" 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 2008. The Group recorded a loss of HK$55,722,000 as compared to a net loss of HK$34,536,000 last year. Revenue (including discontinued operation) for the year was approximately HK$195,074,000, representing an increase of 4.53% over last year's approximately HK$186,616,000.

At the Group's continued efforts to control costs and improve operational efficiency, cleaning and related service business enjoyed boosted competitiveness. In addition to improving its fundamental strengths, the segment was also able to ride on a more healthy market with property owners and management companies placing greater emphasis on service quality instead of merely on price. The Group not only retained certain significant contracts, but also secure major new cleaning contracts. Such contracts brought in reasonable profit for the Group during the year.

As for medical waste treatment business, it had a challenging first year. The Group was unable to expand the business as quickly as it had hoped. However, I am glad that we are now removing the hurdles that had slowed us down and we are looking to move forward with building a good number of plants in the PRC in the next few years. The medical waste treatment market in the PRC is huge and largely untapped and the Group is confident of capturing the growth potential of the market in the years to come.

Last but not least, I would like to take this opportunity to thank our shareholders, customers and business partners for their continuous support and also to our team of dedicated staff for their devotion and hard work during the year.

Lo Kou Hong
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

As the Hong Kong economy continued to grow during the year under review, it also faced increasing inflation pressure. Rising commodity prices, especially of oil and food, were the main culprits, and the lingering impact of the US sub-prime mortgage issue was not helping overall market sentiment. On the cost front, with the 2-year wage protection movement launched by the government to end in October 2008, there have been calls in the community for the government to legislate for minimum wages. The cleaning service market though had gotten on a healthier path with customers turning their focus on quality instead of just price, and in turn the Group's profit margin broadened slightly. There was an increase in demand for stone finishing care, maintenance and restoration services which we were able to meet. That plus strong sales of a celebrated Italian stone care and maintenance products distributed by the Group brought in satisfactory income.

OPERATING RESULTS

The Group's turnover for the year ended 31 March 2008 in respect of its continuing operations amounted to HK$188,567,000, representing a 22.2% increase as compared with last year whereas the total turnover, including both continuing and discontinued operations was HK$195,074,000 representing a 4.53% increase over that of last year's. A net loss of HK$55,722,000 was recorded against a net loss of HK$34,536,000 last year. The Group's cleaning and related services recorded a profit of HK$3,472,000, which was however offset by losses of HK$8,510,000 from the medical waste treatment business, the loss of HK$2,503,000 incurred by the discontinued building maintenance and renovation business, the charge to the income statement of share options expenses of HK$7,912,000 and a write-off due to impairment of goodwill of HK$39,185,000. The cleaning and related services business of the Group secured some major new contracts as well as renewed some existing contracts at better prices, with the market shifting emphasis on quality met by the Group's strengths in delivering excellent and reliable services and success of the Group in reducing costs and keeping service charges competitive. All factors considered, we are optimistic about the prospects of the segment in the foreseeable future. During the year, apart from stepping up financial control and striving for higher operational efficiency, certain members of senior management, including all the executive directors, had volunteered to reduce their salaries to help the Group through the challenging times.

BUSINESS REVIEW

The impairment of goodwill of $39,185,000 was based on the assumptions used in the cash flow projections to undertake impairment testing of goodwill as detailed in note 14 and on the requirements as stipulated in the accounting standard in respect of impairment review of goodwill. Notwithstanding that a full impairment has been made in respect of the goodwill, the Group is continuing with every effort in developing the medical waste treatment business.

The Group saw its first medical waste treatment plant in Siping City, Jilin Province, kicked off operation during the year, employing the steam-based technology developed by the Canadian company, Hydroclave. Our partner, Tsinghua Daring China, delayed delivery of new sites for the Group to build new plants, however, the Group is confident of and will forge ahead with growing the business. The Group has stopped relying solely on its partner to look for and secure suitable plant sites, and has started to identify potential sites by itself to ensure smoother progress with growing this business. The Group is working hard to capture the huge and largely untapped potential of the medical waste treatment market in China, aiming to obtain a fair share.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, general cleaning services continued to be the major business of the Group accounting for a significant portion of its revenue. The Group obtained a 3-year contract (with the option to renew for another 3 years) to provide initial, day-to-day cleaning as well as pest and rodent control services for a top-notch shopping mall of over a million square feet and including some 900 car parking spaces in West Kowloon and a 2-year contract for providing day-to-day cleaning services for an Academy of Medicine Building in Wong Chuk Hang. The several major cleaning service contracts renewed included those for two luxurious residential estates, the largest flight kitchen in Chek Lap Kok and the biggest residential estate in terms of number of flats in Tseung Kwan O. They were renewed for periods between two to three years.

The stone finishing care, maintenance and restoration business and sale of stone care products of an Italian brand as its sole agent in Hong Kong, Mainland China and Macau, have also been developing steadily. The Group finished several stone finishing maintenance and restoration projects, including for a bank building in Central and Phase 2 of a tourist shopping arcade on the Peak. As for the stone care chemicals, sales volume has been growing at accelerating pace after it was launched by the Group to the market.

After completing all the contracts on hand, the Group disposed of its entire interest in Best Crown and its subsidiary Mak Tai Construction & Engineering Limited on 28 September 2007 and discontinued the building maintenance and renovation business.

The Group was awarded "Caring Company Logo" in the "Caring Company Scheme" launched by the Hong Kong Council of Social Service for the fourth consecutive year, recognising it as a company that cares for the environment and giving employment opportunities to the less-privileged.

FINANCIAL REVIEW

As at 31 March 2008, the Group's cash and cash equivalents and pledged time deposits were HK$84,654,000 (31 March 2007, approximately HK$54,415,000). The current ratio was 6.7 (31 March 2007, 3.2).

The Group did not have any bank borrowing as at 31 March 2008 and therefore, the Group's gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 March 2007: total bank borrowings was $4,096,000 and the gearing ratio was 5.44%). The Group's shareholders' equity amounted to HK$146,308,000 (31 March 2007: HK$75,325,000).

The Group employs a conservative approach to cash management and risks control. Its revenues, expenses and capital expenditures in relation to the cleaning and related services business are transacted in HK dollars whereas those of the medical waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balance was primarily denominated in Hong Kong dollars, RMB and US dollars.

Foreign currency risks in relation to exchange rate fluctuation of the RMB will be mitigated as future revenue in relation to the medical waste business will be in RMB which can offset future liabilities and expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2008, the Group's banking facilities were secured by the following:

(i) pledge of certain of the Group's time deposits amounting to HK$4,022,000 (31 March 2007: HK$16,130,000); and

(ii) a corporate guarantee to the extent of HK$18 million (31 March 2007: HK$27 million) provided by the Company.

BONUS SHARE ISSUE AND CAPITAL STRUCTURE

A bonus share issue of one bonus share for every one ordinary share in issue was approved at the annual general meeting of the Company held on 29 August 2007. A total of 392,680,000 ordinary shares of HK$0.01 each were issued and had been credited as fully paid by a transfer from the Company's share premium account.

ISSUE OF NEW SHARES

In July 2007, the Group raised approximately HK$98,000,000 through placing 25,000,000 new shares of the Company at HK$4.00 each to raise fund for the acquisition of 65% of the issued share capital of Seasun and the medical waste project.

In August 2007, the Group issued 5,000,000 new shares of the Company to Tsinghua Daring China as part of the consideration for acquiring from Tsinghua Daring China the 65% interest in Seasun.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,065,000 (2007: HK$1,972,000) 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$1,440,000 as at 31 March 2008 (31 March 2007: HK$1,469,000). 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$811,000 (31 March 2007: HK$817,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2008.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2008 was 2,319 (31 March 2007: 2,137). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$166,250,000 (31 March 2007: HK$137,798,000). The Group provides employees with training programmes on latest skills.

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

PROSPECTS

Notwithstanding the impact of the sub-prime mortgage problem rippling across the world from the United States, climbing crude oil price and the "weak" US dollar, the economy in Mainland China and Hong Kong are expected to keep growing steadily. Intense competition in the cleaning service business has shown signs of easing, as reflected in the Group's improved profit margin. With a strong reputation for professionalism in the market, the Group is optimistic about the business growing and expanding its market share, particularly in the middle to high class cleaning service market, in the foreseeable future. At the same time, with expertise in stone maintenance and restoration winning new projects recently from clients, the Group sees room for expansion in this business area.

Our medical waste treatment business using steam-based and environmentally friendly technology had a good beginning in Mainland China attracting favorable response. With environmental protection now a priority concern in Mainland China, the replacement of plants that incinerate medical wastes by steam-based treatment plants is going to become a prevalent trend. With support from the authority and our state-of-the-art technology, the Group has a solid platform for promoting and expanding this business in the years ahead.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Lo Kou Hong, aged 65, is the founder of the Group, an Executive Director, the Chairman of the Board, Chief Executive Officer, Managing Director, the Chairman of the Executive Committee and a member of the Remuneration Committee of the Company. Besides, he is a director of The Lo's Family Limited, the controlling shareholder of the Company. He is also a director of certain subsidiaries of the Company. Prior to establishing Lo's Cleaning Services Limited in 1975, Dr. Lo 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 of the Company, the father of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group, and the brother-in-law of Mr. Ko Yam Ping, the Senior Operations Manager of the Group.

Ms. Ko Lok Ping, Maria Genoveffa, aged 61, is the co-founder of the Group, an Executive Director and a member of the Executive Committee of the Company. She is also a director of certain subsidiaries of the Company. Besides, she is a director of The Lo's Family Limited, the controlling shareholder of the Company. 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 Kou Hong, the Chairman of the Board of the Company, the mother of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group, and the younger sister of Mr. Ko Yam Ping, the Senior Operations Manager of the Group.

Mr. Leung Tai Tsan, Charles, aged 55, is an Executive Director, the Finance Director, Qualified Accountant, Company Secretary and a member of both the Executive Committee and Remuneration Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Leung is responsible for 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 22 years of experience in accounting, auditing and financial management.

Mr. Cheung Pui Keung, James, aged 31, is an Executive Director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Cheung is responsible for the overall operation of the Group. He joined the Group in October 1999 and has over 8 years of experience in cleaning and related services. He holds a Bachelor of Business Administration degree from the Lingnan University, Hong Kong.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Professor Bai Qingzhong, aged 63, is a Non-executive Director of the Company. He joined the Group in July 2007. He is a professor of Tsinghua University. Professor Bai graduated from Tsinghua University in 1970, and further studied in Imperial College of London as a senior visiting scholar from 1994 to 1995. He has strong academic qualifications and extensive management experience. Professor Bai has served as deputy director of the Department of Environment Science and Engineering of Tsinghua University. Currently, Professor Bai is the president of Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute, the director of Environment Impact Assessment Division of Tsinghua University and the chief secretary of the Solid Waste Treatment and Utilization Committee of China Association of Environmental Protection Industry. He has engaged in the work of environmental protection for more than 30 years, accomplished various major technological research projects of the State and won various awards.

Professor Bai participated in the project of "The Research on Sewage Disposal and Reutilization in North China Cities" in the sixth Five-year State Plan and won the "Scientific and Technological Progress Award (Class 1)" granted by the State Education Commission. He took charge of and completed the project of "The Selection, Research and Production of Waterproof and Non-Leakage Landfill Materials" in the eighth Five-year State Plan and won the "Scientific and Technological Progress Award (Class 2)" granted by Ministry of Education. He participated in the work of research and design of the hazardous wastes landfill in Shenzhen, which was the first landfill in the State complying with international standards and won the "Scientific and Technological Progress Award (Class 3)" granted by the State Environmental Protection Administration. He took charge of and completed the project of "The State's Implementation Plan on the Management of Hazardous Wastes and the Research on Decision Support Information System" in the ninth Five-year State Plan and won the "Scientific and Technological Progress Award (Class 3)" granted by the Municipality of Beijing. He participated in the completion of the State 863 Project of "Technological Research on Recycling and Comprehensive Utilization of Obsolete Electric Appliance" and the State's key scientific and technological project of "Research on Technological Standard of Environmental Engineering Service". He also participated in and accomplished the feasibility, development and design works on various projects of landfill and incineration of urban, medical and hazardous wastes.

Professor Bai has published more than 50 theses and compiled the Volume on Solid Wastes of "Handbook on Engineering Technology of Disposal of the Three Kinds of Wastes", and was awarded the title of "Outstanding Technological Researcher" granted by Chinese Society For Environmental Sciences.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Kai Tai, Allen, aged 44, is an Independent Non-executive Director and the Chairman of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in 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. He has practised as a Certified Accountant in Hong Kong for over 11 years. Mr. Cheng has extensive professional experience in audit, taxation, financial management, corporate recovery and restructuring. He holds a Master degree of accountancy in Jinan University in Mainland China, and is now acting as a consultant of a number of international companies with business interests in textile, retailing, metal trading and manufacturing in Mainland China. 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 of Hong Kong Limited, stock code: 919).

Mr. Chiu Wai Piu, aged 61, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in September 2004. Mr. Chiu is a very experienced and reputable journalist and has over 40 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 53, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in August 2006. Mr. Wang is a director of Jingneng Property Co., Ltd. (formerly known as "TianChuang Property Co., Ltd.") (a company listed on the Shanghai Stock Exchange, stock code: 600791), engaging in property development in Beijing. He 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. He 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 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 Mainland China. In addition, Mr. Wang has devoted himself in developing the business connection and communication between Hong Kong and Mainland China in the field of business management and investment.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Lo-Quiroz Wai Chi, Yany, aged 26, 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. Mow Yan Loy Milton, aged 42, 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 60, is Deputy General Manager of Operations of the Group. He joined the Group in 2003 and has over 20 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. Kwok Wai Yee, Edith, aged 46, Deputy General Manager – Administration & Human Resources. She heads the Group's Administration & Human Resources team. She has over 24 years of experience in accounting, human resources and administration management.

Mr. Ko Yam Ping, aged 62, 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 52, is the Senior Operation Manager of the Group. He joined the Group in 1983.

Mr. Leung Kai Keung, Ronny, aged 49, is the Senior Operations Manager of the Group. He has been with the Group since 1993 and has over 13 years of experience in the cleaning and related services industry.

Ms. Lee Pui Ching, Joanna, aged 38, 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 16 years of experience in finance and accounting.

Ms. Fok Mun Ying, Susanna, aged 43 is the Sales and Customer Services Manager responsible for liaising with the Group's clients and has over 20 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 Company's annual report for the year ended 31 March 2008.

CORPORATE GOVERNANCE PRACTICES

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 set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 March 2008, except for the code provision A.2.1 in relation to the separation of the roles of the Chairman and Chief Executive Officer, throughout the year ended 31 March 2008.

The Company will review periodically and improve its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation of code provision are summarized below.

A. THE BOARD

(1) Responsibilities and delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to shareholders, and on behalf of the shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and acts in the interests of the Company and its shareholders at all times.

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 senior management, 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 expenses, upon reasonable request made to the Board.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are led by the Executive Committee, the Chairman/Chief Executive Officer and the senior management of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which 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 the full support of the senior management to discharge its responsibilities.

(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 currently comprises the following members:

Executive directors:

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

Non-executive director:

Professor Bai Qingzhong

Independent non-executive directors:

Mr. Cheng Kai Tai, Allen, *Chairman of both the Audit Committee and Remuneration Committee*
Mr. Chiu Wai Piu, *Member of both the Audit Committee and Remuneration Committee*
Mr. Wang Qi, *Member of both the Audit Committee and Remuneration Committee*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company 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 8 to 11 in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his/her expertise. The non-executive directors are of sufficient calibre and number for their views to carry weight and they bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the non-executive directors have made various contributions to the effective direction of the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2008, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also adopted the recommended best practices under the CG Code for having one-third of its Board members being independent non-executive directors.

The Company has received written annual confirmation from all of its existing independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers all of them independent in accordance with the independence guidelines set out in the Listing Rules.

(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 is the Chairman and Chief Executive Officer of the Company. The Board believes that Dr. Lo's taking up of both roles provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, the structure 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, Re-election and Removal of Directors

Each of the executive directors of the Company is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than three/six months' written notice. The Company has issued respective letters of appointment to its non-executive director and independent non-executive directors specifying their term of appointment. The current term of office of all the non-executive director and independent non-executive directors is up to the date of holding the Company's 2008 annual general meeting.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years at the Company's annual general meeting and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Pursuant to the aforesaid, Dr. Lo Kou Hong, Ms. Ko Lok Ping, Maria Genoveffa and Mr. Cheung Pui Keung, James shall retire and, being eligible, offer themselves for re-election at the 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.

CORPORATE GOVERNANCE REPORT

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 succession planning of directors and assessing the independence of independent non-executive directors.

The Company has also 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.

During the year ended 31 March 2008, the Board met twice, with the presence of Dr. Lo Kou Hong, Ms. Ko Lok Ping, Maria Genoveffa, Mr. Leung Tai Tsan, Charles, Mr. Cheung Pui Keung, James, Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi for the first meeting and with the presence of Ms. Ko Lok Ping, Maria Genoveffa, Mr. Leung Tai Tsan, Charles, Mr. Cheung Pui Keung, James, Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi for the second meeting to perform the following works:

(i) Review the Board structure, assessment of the independence of the independent non-executive directors and recommendation of the re-appointment of the directors standing for re-election at the 2007 annual general meeting of the Company; and

(ii) Nomination of Professor Bai Qingzhong as a non-executive director of the Company pursuant to the Directors Nomination Procedures adopted by the Company.

(5) Induction and Continuing Development for Directors

Every newly appointed director, including Professor Bai Qingzhong who was appointed during the year ended 31 March 2008, receives 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 Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. In addition, the Company has sent the latest version of the "Non-statutory Guidelines on Directors' Duties" published by the Hong Kong Companies Registry to its directors and encourages them to read such Guidelines in order to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of his/her functions and exercise of his/her powers as directors.

Besides, continuing briefings and professional development for directors will be arranged whenever necessary.

CORPORATE GOVERNANCE REPORT

(6) Board Meetings

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Finance Director, also the Qualified Accountant and Company Secretary normally attend regular Board meetings and when necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

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

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. Pursuant to the Company's Articles of Association, directors are required 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.

Directors' Attendance Records

During the year ended 31 March 2008, 8 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.

CORPORATE GOVERNANCE REPORT

The individual attendance records of each director at the Board meetings during the year ended 31 March 2008 are set out below:

Name of Director	Attendance/Number of Meetings
Dr. Lo Kou Hong	6/8
Ms. Ko Lok Ping, Maria Genoveffa	7/8
Mr. Leung Tai Tsan, Charles	7/8
Mr. Cheung Pui Keung, James	5/8
Professor Bai Qingzhong *(Note)*	3/4
Mr. Cheng Kai Tai, Allen	5/8
Mr. Chiu Wai Piu	5/8
Mr. Wang Qi	5/8

Note: Professor Bai Qingzhong was appointed as a non-executive director of the Company on 23 July 2007. Subsequent to his appointment, there were a total of 4 Board meetings held during the year ended 31 March 2008.

(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 (except Professor Bai Qingzhong) have confirmed that they have complied with the Own Code and the Model Code throughout the period from 1 April 2007 to the date of this report whereas Professor Bai Qingzhong has confirmed that he has compiled with the Own Code and the Model Code throughout the period from 23 July 2007 (the date of his appointment) to the date of this report.

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. BOARD COMMITTEES

The Board has established three Board committees, namely, the Executive Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been 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. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.(6) above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE REPORT

Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Dr. Lo Kou Hong, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Remuneration Committee

The Remuneration Committee of the Company currently comprises five 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 principal duties of the Remuneration Committee include making recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management and the remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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.

Details of the remuneration of each of the directors of the Company for the year ended 31 March 2008 are set out in note 7 to the financial statements.

During the year ended 31 March 2008, the Remuneration Committee met twice and has reviewed the remuneration packages of directors and senior management of the Company. The individual attendance records of each member at the Remuneration Committee meetings are set out below:

Name of Remuneration Committee Member	Attendance/Number of Meetings
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Wang Qi	2/2
Dr. Lo Kou Hong	0/2
Mr. Leung Tai Tsan, Charles	2/2

CORPORATE GOVERNANCE REPORT

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 or accounting or 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 are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

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

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. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

During the year ended 31 March 2008, the Audit Committee met twice and has reviewed the Group's annual results and annual report for the year ended 31 March 2007 and interim results and interim report for the six months ended 30 September 2007, 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 were invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

The individual attendance records of each member at the Audit Committee meetings are set out below:

Name of Audit Committee Member	Attendance/Number of Meetings
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Wang Qi	2/2

CORPORATE GOVERNANCE REPORT

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2008.

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 senior management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. 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 reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2008 is set out in the section headed "Independent Auditors' Report" in this annual report.

A summary of audit and non-audit services provided by the external auditors for the year ended 31 March 2008 and their corresponding remuneration is as follows:

Nature of services	**Amount** *HK$*
Audit services	800,000
Non-audit services (include review of interim financial statements, tax services fee and issuance of FORM A of the Group's Occupational Retirement Scheme)	155,300

CORPORATE GOVERNANCE REPORT

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.losgroup.com" as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business at 3/F, Caltex House, 258 Hennessy Road, Wanchai, Hong Kong or via email to info@losgroup.com for any inquiries. Inquiries are dealt with in an informative and timely manner.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the chairmen of the Remuneration Committee and Audit Committee normally attend shareholders' meetings of the Company to answer shareholders' questions. In case of their absence, they will delegate other members of the Board/Committees to attend for addressing any shareholders' concerns. During the year ended 31 March 2008, the Company held three shareholders' meeting, being two extraordinary general meetings held on 27 June 2007 and the annual general meeting held on 29 August 2007.

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 Group's developments.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

Besides, the rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles of Association of the Company. Details of such rights are also included in all circulars sent to shareholders and, where necessary, explained in the shareholders' meetings.

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 at a shareholders' meeting, the poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 99.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published 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 page 100. 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 26 and 27 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.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company purchased certain of its shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 26 to the financial statements.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate obtained from the shareholders at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net assets value per share of the Group.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK$167,095,000, 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 70% of the total service fee income for the year, and service fee income from the largest customer included therein amounted to approximately 43%.

Purchases from the Group's five largest suppliers accounted for approximately 57% of the total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 15%.

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.

REPORT OF THE DIRECTORS

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. Wang Qi

Non-executive director:

Professor Bai Qingzhong (appointed on 23 July 2007)

In accordance with Article 112 of the Company's articles of association, Dr. Lo Kou Hong, Ms. Ko Lok Ping, Maria Genoveffa and Mr. Cheung Pui Keung, James, the existing directors of the Company, will retire as a director of the Company by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi and as at the date of this report still considers them to be independent.

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 8 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 than three months' notice in writing served by either party.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS (continued)

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 35(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 and fellow subsidiaries was a party during the year.

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

As at 31 March 2008, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (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	420,000,000 *(Note (1))*	53.59%
	Long	Interest of spouse	1,700,000 *(Note (2))*	0.22%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	420,000,000 *(Note (1))*	53.59%
	Long	Beneficial owner	1,700,000 *(Note (2))*	0.22%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	280,000	0.04%

REPORT OF THE DIRECTORS

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

(1) Interests in shares of the Company (continued)

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 1,700,000 shares of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.

(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 of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	9,400,000	1.20%
	Long	Interest of spouse *(Note (1))*	9,400,000	1.20%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.20%
	Long	Interest of spouse *(Note (2))*	9,400,000	1.20%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	8,000,000	1.02%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	8,000,000	1.02%

REPORT OF THE DIRECTORS

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 (continued)

Notes:

(1) Dr. Lo Kou Hong was deemed to be interested in the 9,400,000 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 9,400,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in the section "Share option scheme" below and note 27 to the financial statements.

In addition to the above, as at 31 March 2008, 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.

Save as disclosed above, as at 31 March 2008, 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests in the shares and underlying shares of the Company" above and in the section "Share option scheme" below, 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 27 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options							
Name or category of participant	As at 1 April 2007	Granted/ Exercised/ Cancelled during the year	Forfeited during the year	Adjustment on bonus issue	As at 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors								
Dr. Lo Kou Hong	3,000,000	–	–	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	340,000	–	–	340,000	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	4,700,000	–	–	4,700,000	9,400,000			
Ms. Ko Lok Ping, Maria Genoveffa	3,000,000	–	–	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	340,000	–	–	340,000	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	340,000	–	–	340,000	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	4,700,000	–	–	4,700,000	9,400,000			
Mr. Leung Tai Tsan, Charles	3,000,000	–	–	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	200,000	–	–	200,000	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	4,000,000	–	–	4,000,000	8,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: As at 1 April 2007	Granted/ Exercised/ Cancelled during the year	Forfeited during the year	Adjustment on bonus issue	As at 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors								
Mr. Cheung Pui Keung,	3,000,000	–	–	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
James	200,000	–	–	200,000	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	200,000	–	–	200,000	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	4,000,000	–	–	4,000,000	8,000,000			
Other employees								
In aggregate	880,000	–	(14,000)	866,000	1,732,000	12-5-05	22-4-05 to 21-4-15	0.275
	1,224,000	–	(94,000)	1,190,000	2,320,000	22-2-07	22-2-08 to 21-2-12	1.41
	1,224,000	–	(94,000)	1,190,000	2,320,000	22-2-07	22-2-09 to 21-2-12	1.41
	1,224,000	–	(94,000)	1,190,000	2,320,000	22-2-07	22-2-10 to 21-2-12	1.41
	1,224,000	–	(94,000)	1,190,000	2,320,000	22-2-07	22-2-11 to 21-2-12	1.41
	1,224,000	–	(94,000)	1,190,000	2,320,000	22-2-07	22-11-11 to 21-2-12	1.41
	7,000,000	–	(484,000)	6,816,000	13,332,000			
	24,400,000	–	(484,000)	24,216,000	48,132,000			

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

* The vesting period of the share options is from the date of 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.

As at the date of this report, the total number of shares available for issue under the Scheme is 38,000,000, representing approximately 4.8% of the shares of the Company in issue as at the date of this report.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 March 2008, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares of the Company as recorded in the register required to be kept 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	420,000,000 *(Note (1))*	53.59%
Equity Trustee Limited	Long	Trustee	420,000,000 *(Note (1))*	53.59%
Galaxy China Opportunities Fund	Long	Beneficial owner	57,026,000	7.35% *(Note (2))*

Notes: (1) 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".

(2) The percentage was stated in the disclosure form sent to the Company. Based on the Company's total issued share capital as at 31 March 2008, such percentage would be 7.28%.

Save as disclosed above, as at 31 March 2008, 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 29 and 35 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2008, 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.

REPORT OF THE DIRECTORS

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 August 2008, to Tuesday, 26 August 2008 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Tuesday, 26 August 2008, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor 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 Wednesday, 20 August 2008.

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
15 July 2008

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com/china

安永會計師事務所
香港中環金融街 8 號
國際金融中心2期18樓
電話：(852) 2846 9888
傳真：(852) 2868 4432

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

We have audited the financial statements of Lo's Enviro-Pro Holdings Limited set out on pages 34 to 99, which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

INDEPENDENT AUDITORS' REPORT (Continued)

ERNST & YOUNG
安 永

■ 安永會計師事務所

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

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 2008 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
15 July 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**188,567**	154,276
Other income and gains	5	**3,086**	2,209
Staff costs		**(165,931)**	(136,480)
Depreciation		**(1,982)**	(1,626)
Impairment of goodwill	14	**(39,185)**	(126)
Impairment of due from an associate		**(274)**	–
Other operating expenses		**(37,496)**	(24,546)
LOSS BEFORE TAX	6	**(53,215)**	(6,293)
Tax	9	**–**	9
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(53,215)**	(6,284)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**(2,507)**	(28,252)
LOSS FOR THE YEAR		**(55,722)**	(34,536)
Attributable to:			
Equity holders of the parent	10	**(51,906)**	(34,170)
Minority interests		**(3,816)**	(366)
		(55,722)	(34,536)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
			(Restated)
Basic			
– For loss for the year		**(6.77 cents)**	(5.26 cents)
– For loss from continuing operations		**(6.44 cents)**	(0.91 cents)

CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**23,711**	3,503
Goodwill	14	**–**	–
Interest in an associate	16	**–**	–
Deposit paid for acquisition of plant and equipment		**14,942**	4,952
Total non-current assets		**38,653**	8,455
CURRENT ASSETS			
Financial asset at fair value through profit or loss	17	**–**	3,862
Due from an associate	16	**822**	1,043
Contract work in progress	18	**–**	1,535
Trade receivables	19	**40,226**	34,957
Prepayments, deposits and other receivables	19	**1,899**	3,159
Tax recoverable		**–**	29
Pledged time deposits	20	**4,022**	16,130
Cash and cash equivalents	20	**80,632**	38,285
Total current assets		**127,601**	99,000
CURRENT LIABILITIES			
Trade payables	21	**827**	9,597
Other payables and accrued liabilities	22	**18,308**	16,532
Due to a minority shareholder of subsidiaries	23	**–**	1,088
Interest-bearing bank borrowings, secured	24	**–**	4,096
Total current liabilities		**19,135**	31,313
NET CURRENT ASSETS		**108,466**	67,687
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,119**	76,142
NON-CURRENT LIABILITY			
Provision for long service payments	25	**811**	817
Net assets		**146,308**	75,325
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	26	**7,837**	3,627
Reserves	28(a)	**141,745**	72,549
		149,582	76,176
Minority interests		**(3,274)**	(851)
Total equity		**146,308**	75,325

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

		Attributable to equity holders of the parent									
	Notes	Issued share capital HK$'000 (note 26)	Share premium account HK$'000 (note 26)	Capital redemption reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 (note 28(a))	Retained profits/ (accumulated losses) HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 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	26	600	36,000	–	–	–	–	–	36,600	–	36,600
Issue of shares upon exercise of options	26	27	1,447	–	–	–	–	–	1,474	–	1,474
Share issue expenses	26	–	(1,371)	–	–	–	–	–	(1,371)	–	(1,371)
Transfer of reserve upon exercise of options	26	–	253	–	(253)	–	–	–	–	–	–
At 31 March 2007		3,627	53,467*	–*	2,021*	26,758*	(9,680)*	(17)*	76,176	(851)	75,325
At 1 April 2007		3,627	53,467	–	2,021	26,758	(9,680)	(17)	76,176	(851)	75,325
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	–	–	–	1,118	1,118	900	2,018
Loss for the year		–	–	–	–	–	(51,906)	–	(51,906)	(3,816)	(55,722)
Total income and expense for the year		–	–	–	–	–	(51,906)	1,118	(50,788)	(2,916)	(153,704)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	485	485
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	8	8
Equity-settled share option arrangements		–	–	–	7,912	–	–	–	7,912	–	7,912
Issue of shares	26	4,227	114,973	–	–	–	–	–	119,200	–	119,200
Share issue expenses	26	–	(1,345)	–	–	–	–	–	(1,345)	–	(1,345)
Repurchase of shares	26(e)	(17)	–	17	–	–	(1,573)	–	(1,573)	–	(1,573)
At 31 March 2008		7,837	167,095*	17*	9,933*	26,758*	(63,159)*	1,101*	149,582	(3,274)	146,308

* These reserve accounts comprise the consolidated reserves of HK$141,745,000 (2007: HK$72,549,000) in the consolidated balance sheet as at 31 March 2008.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		(53,215)	(6,293)
From a discontinued operation	11	(2,507)	(28,252)
Adjustments for:			
Finance costs	6	8	573
Depreciation	6	2,002	1,683
Interest income	5	(2,555)	(1,533)
Loss on disposal of items of property, plant and equipment	6	–	612
Loss on disposal of subsidiaries	6	634	–
Impairment of trade receivables and bad debts written off	6	–	9,403
Impairment of other receivables	6	–	1,058
Fair value (gain)/loss on a financial asset at fair value through profit or loss	6	(21)	33
Equity-settled share option expense	6	7,912	605
Impairment of goodwill		39,185	126
Impairment of due from an associate		274	–
Provision for long service payments		92	–
Effect of foreign exchange rate changes, net		–	(17)
		(8,191)	(22,002)
Increase in an amount due from an associate		(53)	(130)
Decrease in contract work in progress		1,535	5,300
Increase in trade receivables		(13,856)	(17,430)
Decrease/(increase) in prepayments, deposits and other receivables		107	(1,147)
Increase/(decrease) in trade payables		(1,656)	4,683
Increase in other payables and accrued liabilities		4,042	2,647
Decrease in provision for long service payments		(98)	(222)
Cash used in operations		(18,170)	(28,301)
Interest paid		(8)	–
Hong Kong profits tax refunded		29	–
Net cash outflow from operating activities		(18,149)	(28,301)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 31(a)	(16,442)	(2,072)
Deposit paid for acquisition of plant and equipment		(14,942)	(4,952)
Proceeds from disposal of items of property, plant and equipment		30	106
Proceeds from disposal of a financial asset at fair value through profit or loss		3,883	–
Acquisition of a subsidiary	29	(20,000)	–
Disposal of subsidiaries	30	10	–
Purchases of a financial asset at fair value through profit or loss		–	(3,895)
Interest received		2,555	1,533
Decrease/(increase) in pledged time deposits		12,108	(812)
Decrease in pledged cash and bank balances		–	4,110
Net cash outflow from investing activities		(32,798)	(5,982)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		–	(573)
Proceeds from issue of shares	26(c)	100,000	38,074
Share issue expenses	26	(1,345)	(1,371)
New bank loans		–	4,096
Repayment of bank loans		(4,096)	–
Repurchase of shares	26(e)	(1,573)	–
Increase in an amount due to a minority shareholder of subsidiaries		–	250
Net cash inflow from financing activities		92,986	40,476
NET INCREASE IN CASH AND CASH EQUIVALENTS		42,039	6,193
Cash and cash equivalents at beginning of year		38,285	32,092
Effect of foreign rate changes, net		308	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		80,632	38,285
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		10,380	19,494
Non-pledged time deposits with original maturity of less than three months when acquired		70,252	18,791
	20	80,632	38,285

BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**75,622**	47,727
CURRENT ASSETS			
Tax recoverable		**–**	8
Cash and cash equivalents	20	**70,696**	27,363
Total current assets		**70,696**	27,371
CURRENT LIABILITIES			
Other payables and accrued liabilities	22	**312**	254
NET CURRENT ASSETS		**70,384**	27,117
Net assets		**146,006**	74,844
EQUITY			
Issued capital	26	**7,837**	3,627
Reserves	28(b)	**138,169**	71,217
Total equity		**146,006**	74,844

Lo Kou Hong
Director

Leung Tai Tsan, Charles
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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, the provision of medical waste treatment services and building maintenance and renovation services. On 28 September 2007, the Group disposed of and discontinued its business of building maintenance and renovation services, further details of which are set out in note 11 to the financial statements.

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 include all Hong Kong Financial Reporting Standards, 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 (collectively referred to as the "Group") for the year ended 31 March 2008. 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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 certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
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*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 37 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The Company grants share options to the employees of its subsidiaries, which may result in the change of accounting policy for share-based payment transactions in the financial statements of the relevant subsidiaries. The interpretation has had no effect on the financial statements of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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.

HKFRS 2 Amendment	*Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 & HKAS 1 Amendments	*Puttable Financial Instruments*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Amendment to HKFRS 2 shall be effective for annual periods beginning on or after 1 January 2009. This amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group has no non-vesting conditions at the balance sheet date, this amendment is unlikely to have any impact on the Group.

HKFRS 3 (Revised) shall be effective for annual periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. As the Group has no such transactions, it is unlikely to have any financial impact on the Group.

HKFRS 8 shall be effective for annual periods beginning on or after 1 January 2009. This standard, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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

HKAS 1 (Revised) shall be effective for annual periods beginning on or after 1 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 (Revised) shall be effective for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction of production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 (Revised) shall be effective for annual periods beginning on or after 1 July 2009. The revised standard requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. As the Group currently has no change in control of its subsidiaries, the revised standard is unlikely to have any financial impact on the Group.

Amendments to HKAS 32 and HKAS 1 shall be effective for annual periods beginning on or after 1 January 2009. The amendment to HKAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to HKAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. As the Group has no puttable instruments currently, these amendments are unlikely to have any impact on the Group.

HK(IFRIC)-Int 12 shall be effective for annual periods beginning on or after 1 January 2008. The interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS

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

HK(IFRIC)-Int 13 shall be effective for annual periods beginning on or after 1 July 2008. The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 shall be effective for annual periods beginning on or after 1 January 2008. The interpretation addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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 HKFRS 8 and HKAS 1 (Revised) 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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture; or

(b) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

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. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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. The Group performs its annual impairment test of goodwill as at 31 March.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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.

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 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.

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, but 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, other than construction in progress, 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.

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:

Buildings	5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 20%
Motor vehicles	14.3% – 25%
Tools and machinery	10% – 33$^1/_2$%

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

Construction in progress represents buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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 less any allowance for impairment. 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.

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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 by adjusting the allowance account. 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 and other 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 and significant changes in the technological, market economic or legal environment that have an adverse effect on 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The related interest expense is recognised within "finance costs" in the income statement.

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.

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 that are readily convertible into known amounts of cash, 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 term 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes (continued)

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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local government. These subsidiaries are required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 14 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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;

(b) the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals; and

(c) the building maintenance and renovation segment engages in construction contract works as a subcontractor, primarily in respect of building maintenance and renovation projects, which was discontinued during the year.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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 2008 and 2007:

	Continuing operations						Discontinued operation					
	Cleaning and related services		Medical waste treatment		Total		Building maintenance and renovation		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Service income from external customers	**188,539**	154,276	**28**	–	**188,567**	154,276	**6,507**	32,340	**–**	–	**195,074**	186,616
Other income and gains	**514**	976	**–**	–	**514**	976	**13**	379	**–**	(300)	**527**	1,055
Total	**189,053**	155,252	**28**	–	**189,081**	155,252	**6,520**	32,719	**–**	(300)	**195,601**	187,671
Segment results	**3,472**	1,890	**(8,510)**	(813)	**(5,038)**	1,077	**(2,503)**	(27,553)	**–**	–	**(7,541)**	(26,476)
Interest income and unallocated gains					**2,572**	1,533	**4**	–			**2,576**	1,533
Impairment of goodwill	**–**	–	**(39,185)**	–	**(39,185)**	–	**–**	(126)			**(39,185)**	(126)
Impairment of amount due from an associate	**(274)**	–	**–**	–	**(274)**	–	**–**	–			**(274)**	–
Unallocated expenses					**(11,290)**	(8,903)	**–**	–			**(11,290)**	(8,903)
Finance costs					**–**	–	**(8)**	(573)			**(8)**	(573)
Loss before tax					**(53,215)**	(6,293)	**(2,507)**	(28,252)			**(55,722)**	(34,545)
Tax					**–**	9	**–**	–			**–**	9
Loss for the year					**(53,215)**	(6,284)	**(2,507)**	(28,252)			**(55,722)**	(34,536)

NOTES TO FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION (continued)

Business segments (continued)

	Continuing operations								Discontinued operation					
	Cleaning and related services		Medical waste treatment		Elimination		Total		Building maintenance and renovation		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities														
Segment assets	**208,937**	113,217	**40,196**	4,952	**(83,701)**	–	**165,432**	118,169	**–**	12,535	**–**	(27,677)	**165,432**	103,027
Due from an associate	**822**	1,043	**–**	–	**–**	–	**822**	1,043	**–**	–	**–**	–	**822**	1,043
Corporate and other unallocated assets							**–**	3,385	**–**	–	**–**	–	**–**	3,385
Total assets							**166,254**	122,597	**–**	12,535			**166,254**	107,455
Segment liabilities	**16,978**	16,487	**86,669**	–	**(83,701)**	–	**19,946**	16,487	**–**	38,106	**–**	(27,677)	**19,946**	26,916
Due to a minority shareholder of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,088	**–**	–	**–**	1,088
Interest-bearing bank borrowings, secured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	4,096	**–**	–	**–**	4,096
Corporate and other unallocated liabilities							**–**	30	**–**	30			**–**	30
Total liabilities							**19,946**	16,517	**–**	43,320			**19,946**	32,130
Other segment information:														
Capital expenditure	**1,536**	1,988	**19,858**	–	**–**	–	**21,394**	1,988	**–**	84	**–**	–	**21,394**	2,072
Depreciation	**1,577**	1,791	**405**	–	**–**	–	**1,982**	1,791	**20**	57	**–**	–	**2,002**	1,848
Impairment losses recognised in the income statement in respect of:														
Goodwill	**–**	–	**39,185**	–	**–**	–	**39,185**	–	**–**	126	**–**	–	**39,185**	126
Trade receivables and bad debts written off	**–**	–	**–**	–	**–**	–	**–**	–	**–**	9,403	**–**	–	**–**	9,403
Other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,058	**–**	–	**–**	1,058

NOTES TO FINANCIAL STATEMENTS

31 March 2008

4. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**195,046**	186,616	**28**	–	**–**	–	**195,074**	186,616
Other income and gains	**527**	1,055	**–**	–	**–**	–	**527**	1,055
Attributable to a discontinued operation	**(6,520)**	(32,719)	**–**	–	**–**	–	**(6,520)**	(32,719)
Revenue from continuing operations	**189,053**	154,952	**28**	–	**–**	–	**189,081**	154,952
Other segment information:								
Segment assets	**208,937**	98,075	**40,196**	4,952	**(83,701)**	–	**165,432**	103,027
Capital expenditure	**1,536**	2,072	**19,858**	–	**–**	–	**21,394**	2,072

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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:

	Note	2008 HK$'000	2007 HK$'000
Revenue			
Cleaning and related service fee income		**188,539**	154,276
Medical waste treatment income		**28**	–
Attributable to continuing operations reported in the consolidated income statement		**188,567**	154,276
Building maintenance and renovation contracts attributable to a discontinued operation	*11*	**6,507**	32,340
		195,074	186,616
Other income and gains			
Bank interest income		**2,551**	1,533
Management fee received		**400**	575
Fair value gain on a financial asset at fair value through profit or loss		**21**	–
Sundry income		**114**	101
Attributable to continuing operations reported in the consolidated income statement		**3,086**	2,209
Bank interest income attributable to a discontinued operation		**4**	–
Sundry income attributable to a discontinued operation		**13**	379
		3,103	2,588

NOTES TO FINANCIAL STATEMENTS

31 March 2008

6. LOSS BEFORE TAX

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

	Notes	**2008** **HK$'000**	2007 HK$'000
Cost of services rendered*		**168,853**	139,901
Auditors' remuneration		**800**	515
Minimum lease payments under operating leases in respect of land and buildings		**716**	1,141
Depreciation	*13*	**2,002**	1,848
Less: Amounts capitalised to long-term construction contract		**–**	(165)
		2,002	1,683
Fair value (gain)/loss on a financial asset at fair value through profit or loss		**(21)**	33
Employee benefits expense (including directors' remuneration *(note 7)*):			
Wages, salaries and other benefits		**154,457**	134,323
Equity-settled share option expense		**7,912**	605
Retirement benefits scheme contributions		**5,744**	4,609
Forfeited contributions		**(2,931)**	(2,180)
Net retirement benefits scheme contributions		**2,813**	2,429
Provision/(write-back of provision) for long service payments, net	*25*	**92**	(161)
Provision for untaken paid leave		**976**	602
		166,250	137,798
Loss on disposal of items of property, plant and equipment		**–**	612
Loss on disposal of subsidiaries	*30*	**634**	–
Impairment of trade receivables and bad debts written off		**–**	9,403
Impairment of other receivables		**–**	1,058
Finance costs representing interest on bank loans wholly repayable within five years		**8**	573

* The cost of services rendered included employee benefits expense of HK$149,883,000 (2007: HK$125,433,000) incurred in the provision of services which have been included in the employee benefits expense above.

\# The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

During the year ended 31 March 2008, the Group had no forfeited contributions (2007: HK$280,000) available to reduce its contributions to the retirement benefits schemes in future years.

7. 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	
	2008	2007
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries and allowances	**1,539**	5,092
Employee share option benefits	**3,780**	356
Retirement benefits scheme contributions	**156**	426
	5,475	5,874
	5,835	6,234

In the prior 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 27 to the financial statements. The fair value of such options, which has been recognised in 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.

(a) Independent non-executive directors

	Fees	**Retirement benefits scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*
2008			
Mr. Chiu Wai Piu	**120**	**6**	**126**
Mr. Cheng Kai Tai, Allen	**120**	**6**	**126**
Mr. Wang Qi	**120**	**6**	**126**
	360	**18**	**378**
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 Qi	72	4	76
	360	18	378

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

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7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Salaries and allowances	Employee share option benefits	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Executive directors:				
Dr. Lo Kou Hong	**–**	**1,190**	**–**	**1,190**
Ms. Ko Lok Ping, Maria Genoveffa	**–**	**1,190**	**–**	**1,190**
Mr. Leung Tai Tsan, Charles	**1,040**	**700**	**96**	**1,836**
Mr. Cheung Pui Keung, James	**416**	**700**	**38**	**1,154**
	1,456	**3,780**	**134**	**5,370**
Non-executive director:				
Professor Bai Qingzhong	**83**	**–**	**4**	**87**
	1,539	**3,780**	**138**	**5,457**
2007				
Executive directors:				
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

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2007: one) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Salaries and allowances	**1,266**	488
Employee share option benefits	**1,400**	13
Retirement benefits scheme contributions	**33**	12
	2,699	513

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	3	1

During the prior 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 27 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.

9. TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. In the prior year, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong. No corporate income tax has been provided in Mainland China as the Group did not generate any assessable profits arising in Mainland China during the year (2007: Nil).

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Provision for the year	**–**	–
Overprovision in prior years	**–**	(9)
Tax credit for the year	**–**	(9)

NOTES TO FINANCIAL STATEMENTS

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9. TAX (continued)

A reconciliation of the tax credit applicable to loss before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group

	Hong Kong		Mainland China		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax (including loss from a discontinued operation)	**(49,982)**	(34,545)	**(5,740)**	–	**(55,722)**	(34,545)
Tax at the statutory tax rates	**(8,747)**	(6,087)	**(1,435)**	–	**(10,182)**	(6,087)
Adjustments in respect of current tax of previous periods	**–**	(9)	**–**	–	**–**	(9)
Income not subject to tax	**(376)**	(176)	**–**		**(376)**	(176)
Expenses not deductible for tax	**9,305**	263	**899**	–	**10,204**	263
Tax losses utilised from previous periods	**(447)**	–	**–**	–	**(447)**	–
Tax losses not recognised	**214**	5,978	**536**	–	**750**	5,978
Other	**51**	22	**–**	–	**51**	22
Tax credit at the Group's effective rate	**–**	(9)	**–**	–	**–**	(9)
Represented by:						
Tax charge attributable to a discontinued operation *(note 11)*					**–**	–
Tax credit attributable to continuing operations reported in the consolidated income statement					**–**	(9)
					–	(9)

The Group has tax losses arising in Hong Kong of HK$8,694,000 (2007: HK$38,240,000) 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 because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Mainland China of HK$2,145,000 (2007: Nil) that are available for five years 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 because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 March 2008 includes a loss of HK$53,032,000 (2007: HK$34,987,000) which has been dealt with in the financial statements of the Company (note 28(b)).

NOTES TO FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATION

On 28 September 2007, the Group disposed of its equity interest in Best Crown International Limited ("Best Crown") and its subsidiary (collectively "Best Crown group") for cash consideration of HK$10,000, resulting in a loss on disposal of subsidiaries of HK$634,000. Best Crown group engaged in the provision of building maintenance and renovation services and was a separate business segment that is part of the Hong Kong operation. The Group has decided to cease its building maintenance and renovation business as the operating results of this business had been deteriorating in the prior year.

The results of Best Crown group for the year are presented below:

	2008	2007
	HK$'000	*HK$'000*
Revenue	**6,507**	32,340
Other income	**17**	379
Staff costs	**(319)**	(1,318)
Direct costs of contract works performed	**(7,990)**	(46,724)
Depreciation	**(20)**	(57)
Impairment of trade receivables and bad debts written off	**–**	(9,403)
Impairment of other receivables	**–**	(1,058)
Other operating expenses	**(60)**	(1,838)
Finance costs:		
Interest on bank loans wholly repayable within five years	**(8)**	(573)
Loss of the discontinued operation	**(1,873)**	(28,252)
Loss on disposal of subsidiaries	**(634)**	–
Loss before tax from the discontinued operation	**(2,507)**	(28,252)
Tax	**–**	–
Loss for the year from the discontinued operation	**(2,507)**	(28,252)

The net cash flows generated/(incurred) by Best Crown group are as follows:

	2008	2007
	HK$'000	*HK$'000*
Operating activities	**3,930**	(3,717)
Investing activities	**10**	3
Financing activities	**(4,104)**	3,773
Net cash inflow/(outflow)	**(164)**	59
Basic loss per share from the discontinued operation	**(HK0.33 cent)**	(HK4.35 cents)

The calculation of basic loss per share amount from discontinued operation for the years is based on the loss attributable to the ordinary equity holders of the parent of approximately HK$2,507,000 (2007: HK$28,252,000), and the weighted average number of approximately 767,496,767 (2007: 649,474,000) ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year.

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11. DISCONTINUED OPERATION (continued)

Diluted loss per share from the discontinued operation

Diluted loss per share amounts from the discontinued operation for the years ended 31 March 2008 and 2007 have not been disclosed, as the options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

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

Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year.

The calculations of basic loss per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(49,399)**	(5,918)
From a discontinued operation	**(2,507)**	(28,252)
Loss attributable to ordinary equity holders of the parent	**(51,906)**	(34,170)

	2008	2007 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(note (i))*	**767,496,767**	649,474,000

Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2008 and 2007 have not been disclosed, as the options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

Note (i): The weighted average number of ordinary shares used in the calculations of basic loss per share for the year ended 31 March 2007 had been adjusted to reflect the bonus issue during the year ended 31 March 2008.

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Tools and machinery HK$'000	Construction in process HK$'000	Total HK$'000
31 March 2008							
At 31 March 2007 and at 1 April 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
At 1 April 2007, net of accumulated depreciation	–	159	1,300	1,229	815	–	3,503
Additions	285	191	1,539	1,297	4,303	13,779	21,394
Disposals	–	–	(30)	–	–	–	(30)
Disposals of subsidiaries	–	–	(160)	–	–	–	(160)
Depreciation provided during the year	(27)	(177)	(908)	(561)	(329)	–	(2,002)
Transfers	6,289	–	–	–	4,930	(11,219)	–
Exchange realignment	339	–	11	60	464	132	1,006
At 31 March 2008, net of accumulated depreciation	6,886	173	1,752	2,025	10,183	2,692	23,711
At 31 March 2008:							
Cost	6,913	1,017	12,714	3,377	14,605	2,692	41,318
Accumulated depreciation	(27)	(844)	(10,962)	(1,352)	(4,422)	–	(17,607)
Net carrying amount	6,886	173	1,752	2,025	10,183	2,692	23,711

NOTES TO FINANCIAL STATEMENTS

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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 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

At 31 March 2008, the Group was in the process of obtaining the building ownership certificates of the Group's buildings. Notwithstanding this, the directors are of the opinion that the Group has obtained the legal rights to use these assets as at 31 March 2008, and that the building ownership certificates can be obtained in the near future.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

14. GOODWILL

Group

	HK$'000
Cost and carrying amount at 1 April 2006	126
Impairment during the year	(126)
Cost and carrying amount at 31 March 2007	–
At 31 March 2007:	
Cost	126
Accumulated impairment	(126)
Net carrying amount	–
Cost at 1 April 2007, net of accumulated impairment	–
Acquisition of a subsidiary *(note 29)*	39,185
Impairment during the year	(39,185)
Cost and carrying amount at 31 March 2008	–
At 31 March 2008:	
Cost	39,185
Accumulated impairment	(39,185)
Net carrying amount	–

Impairment testing of goodwill

Goodwill acquired through business combinations is related to medical waste treatment cash-generating units. Its recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 24% and cash flows beyond the five-year period are extrapolated using a growth rate of 4% which is the same as the long term average growth rate of the medical waste treatment business.

Key assumptions were used in the value in use calculation of the medical waste treatment cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units.

Growth rate – The growth rate is based on published industry research.

During the year ended 31 March 2008, impairment loss of HK$39,185,000 represented the write down of goodwill in the medical waste treatment segment to the recoverable amount with key assumptions aforementioned. This is recognised in "Impairment of goodwill" as shown on the face of the consolidated income statement of the Group.

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15. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares/ investments, at cost	**59,521**	59,521
Due from subsidiaries	**104,570**	30,938
	164,091	90,459
Impairment#	**(88,469)**	(42,732)
	75,622	47,727

\# An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$148,198,000 (before deducting the impairment loss) (2007: HK$79,497,000) because of the deteriorating operating results of certain subsidiaries.

Movements in the impairment of interests in subsidiaries are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of the year	**42,732**	8,816
Impairment losses recognised	**46,467**	33,916
Amount written off as uncollectible	**(730)**	–
At end of the year	**88,469**	42,732

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.

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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 Direct	Indirect	Principal activities
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK$100 Ordinary HK$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited	Hong Kong	HK$10,000 Ordinary	–	100	Dormant
Yangi Construction & Engineering Limited	Hong Kong	HK$100 Ordinary	–	100	Dormant
Honest Grand International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Able Win Holdings Limited#	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Victory Joy International Limited ("Victory Joy")#	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Seasun Group Limited ("Seasun")^^	British Virgin Islands/ Hong Kong	US$3,000 Ordinary	–	65	Investment holding
Lo's Tsinghua Daring Medical Waste Treatment (China) Holdings Limited#	Hong Kong	HK$1 Ordinary	–	65	Investment holding

NOTES TO FINANCIAL STATEMENTS

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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	Indirect	Principal activities
Oriental Emperor Holdings Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	55	Investment holding
Lo's Tsinghua Daring Environmental Technology Holdings Limited	Hong Kong	HK$1 Ordinary	–	55	Investment holding
Siping Lo's Tsinghua Daring Environment Technology Limited*^	People's Republic of China ("PRC")/ Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Suifa Lo's Tsinghua Daring Environment Technology Limited*^	PRC/ Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Heihe Lo's Tsinghua Daring Environment Technology Limited*#^	PRC/ Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.
# Incorporated/registered during the year.
^ Registered as wholly-foreign-owned enterprises under the PRC laws.
^^ Acquired during the year.

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16. INTEREST IN AN ASSOCIATE

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**–**	–
Due from an associate	**1,362**	1,309
Impairment#	**(540)**	(266)
	822	1,043

\# An impairment was recognised for amount due from an associate with a carrying amount of HK$1,362,000 (before deducting the impairment loss) (2007: HK$1,309,000) because of the deteriorating operating results of the associate.

Movements in the impairment of interest in an associate are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**266**	266
Impairment loss recognised	**274**	–
At end of the year	**540**	266

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 2008. The carrying amount of the amount due from an associate approximates to its fair value.

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation**	**Percentage of ownership interest attributable to the Group**	**Principal 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 member firm of the Ernst & Young global network.

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16. INTEREST IN AN ASSOCIATE (continued)

The Group has discontinued the recognition of its share of losses of the associate because the share of losses of the associate exceeded the Group's interest in the associate. The Group's unrecognised share of losses of this associate for the current year and cumulatively was HK$68,000 (2007: HK$37,000) and HK$212,000 (2007: HK$144,000), respectively.

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

	2008 ***HK$'000***	2007 *HK$'000*
Assets	**1,777**	1,553
Liabilities	**2,317**	1,912
Revenue	**2,998**	1,327
Loss	**171**	93

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008 ***HK$'000***	2007 *HK$'000*
Unlisted capped accrual note in Hong Kong, at fair value	**–**	3,862

The above investment was classified as held for trading as at balance sheet date. The fair value of the investment is determined based on the quoted price from an investment bank. As at 31 March 2007, the investment has been pledged to secure certain banking facilities granted to the Group (note 24), which was released during the year ended 31 March 2008.

18. CONTRACT WORK IN PROGRESS

	Group	
	2008 ***HK$'000***	2007 *HK$'000*
Contract costs incurred plus recognised profits to date	**–**	19,303
Less: Progress billings received and receivable	**–**	(17,768)
Gross amount due from contract customers	**–**	1,535

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER 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 and their carrying amounts approximate to their fair values.

The Group's other receivables are non-interest-bearing and their carrying amounts approximate to their fair values. Other receivables were neither past due nor impaired at the balance sheet date.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**14,207**	16,467
31 – 60 days	**9,991**	12,857
61 – 90 days	**7,575**	1,521
91 – 120 days	**3,612**	521
Over 120 days	**4,841**	13,213
	40,226	44,579
Less: impairment	**–**	(9,622)
	40,226	34,957

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**9,622**	321
Impairment losses recognised	**–**	9,301
Amount written off as uncollectible	**(9,622)**	–
At the end of the year	**–**	9,622

The above provision for impairment of trade receivables is individually impaired. The individually impaired trade receivables relate to customers that were in default or delinquency payments. The Group does not hold any collateral or other credit enhancements over these balances.

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19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The aged analysis of the trade receivables, that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**14,207**	16,467
Less than 1 month past due	**9,991**	12,857
1 to 3 months past due	**11,187**	2,042
Over 3 months past due	**4,841**	3,591
	40,226	34,957

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 March 2007, included in the Group's trade receivables is an amount of HK$5,650,000 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 has been made for the amount due from Martech Building during the prior year. Please refer to note 35(b) for details of the related party transaction with Martech Building.

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20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**10,380**	19,494	**988**	12,311
Time deposits		**74,274**	34,921	**69,708**	15,052
		84,654	54,415	**70,696**	27,363
Less: Pledged short-term time deposits for banking facilities	*24*	**(4,022)**	(16,130)	**–**	–
Cash and cash equivalents		**80,632**	38,285	**70,696**	27,363

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$3,409,000 (2007: HK$2,581,000). 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 bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. 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	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**789**	6,838
31 – 60 days	**38**	865
61 – 90 days	**–**	690
91 – 120 days	**–**	461
Over 120 days	**–**	743
	827	9,597

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

The carrying amount of the trade payables approximates to its fair value.

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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.

The carrying amount of the other payables approximates to its fair value.

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.

The carrying amount of amount due to a minority shareholder of subsidiaries approximate to its fair value.

24. INTEREST-BEARING BANK BORROWINGS, SECURED

Group

	Effective interest rate	**Maturity**	**2008** ***HK$'000***	2007 *HK$'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$4,022,000 (2007: HK$16,130,000) (note 20);

(ii) a corporate guarantee to the extent of HK$18 million (2007: HK$27 million) provided by the Company.

As at 31 March 2007, the Group's banking facilities were also secured by the Group's financial asset at fair value through profit or loss with a carrying value of HK$3,862,000 (note 17) and a joint and several personal guarantee to the extent of HK$1.8 million executed by two minority shareholders of a non-wholly-owned subsidiary of the Group.

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.

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25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**817**	1,039
Provision/(write-back of provision) for long service payments, net *(note 6)*	**92**	(161)
Amounts utilised during the year	**(98)**	(61)
At end of the year	**811**	817

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 at the balance sheet date.

26. SHARE CAPITAL

Shares

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2007: 1,000,000,000) ordinary shares of HK$0.01 each	**20,000**	10,000
Issued and fully paid:		
783,692,000 (2007: 362,680,000) ordinary shares of HK$0.01 each	**7,837**	3,627

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

(a) Pursuant to an ordinary resolution passed on 29 August 2007, the authorised share capital of the Company was increased from HK$10,000,000 to HK$20,000,000 by the creation of 1,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) 5,000,000 ordinary shares of HK$0.01 each were issued as part of the consideration for acquisition of Seasun Group Limited ("Seasun"). Further details of the acquisition are included in note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

26. SHARE CAPITAL (continued)

(c) 25,000,000 ordinary shares of HK$0.01 each were issued at price of HK$4 each to certain independent third parties and existing shareholders for a total cash consideration, before expenses, of HK$100,000,000.

(d) A bonus share for every existing share held by the members on the register of members on 29 August 2007 was made, resulting in the issue of 392,680,000 ordinary shares of HK$0.01 each. These bonus shares were credited as fully paid by a capitalisation of HK$3,927,000 from the Company's share premium account.

(e) In February 2008, the Company repurchased 1,668,000 shares of its ordinary shares on the Stock Exchange, the summary details of those transactions are as follows:

	Number of	Price per share		Total
Month	**shares repurchased**	**Highest**	**Lowest**	**price paid**
		HK$	*HK$*	*HK$'000*
February 2008	1,668,000	1.08	0.74	1,573

The premium paid on the purchase of the shares of HK$1,556,000 (inclusive of expenses of repurchase of shares) has been charged to the accumulated losses of the Company. An amount equivalent to the par value of the shares cancelled has been transferred from the accumulated losses of the Company to the capital redemption reserve.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2008

26. SHARE CAPITAL (continued)

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	300,000,000	3,000	17,138	20,138
Issue of shares	60,000,000	600	36,000	36,600
Share options exercised	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	–	–	253	253
At 31 March 2007 and 1 April 2007	362,680,000	3,627	53,467	57,094
Issue of shares for acquisition of a subsidiary (b)	5,000,000	50	19,150	19,200
Issue of shares (c)	25,000,000	250	99,750	100,000
Bonus issue (d)	392,680,000	3,927	(3,927)	–
	422,680,000	4,227	114,973	119,200
Share issue expenses	–	–	(1,345)	(1,345)
Repurchase of shares (e)	(1,668,000)	(17)	–	(17)
At 31 March 2008	783,692,000	7,837	167,095	174,932

Shares options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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27. 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.

27. SHARE OPTION SCHEME (continued)

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

	2008		2007	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HK$	***'000***	*HK$*	*'000*
At beginning of the year	**0.81**	**24,400**	0.54	21,660
Forfeited during the year	**1.38**	**(484)**	0.53	(6,100)
Granted during the year	**–**	**–**	2.82	11,520
Exercised during the year	**–**	**–**	0.55	(2,680)
Adjustment on bonus issue	**–**	**24,216**	–	–
At end of the year	**0.80**	**48,132**	0.81	24,400

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2007 was HK$2.11.

The exercise prices and exercise periods of the share options outstanding at the balance sheet date are as follows:

2008

Number of options	**Exercise price* per share**	**Exercise period**
'000	***HK$***	
4,480	1.41	22/2/08 – 21/2/12
4,480	1.41	22/2/09 – 21/2/12
4,480	1.41	22/2/10 – 21/2/12
4,480	1.41	22/2/11 – 21/2/12
4,480	1.41	22/11/11 – 21/2/12
25,732	0.275	22/4/05 – 21/4/15
48,132		

NOTES TO FINANCIAL STATEMENTS

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27. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding at the balance sheet date are as follows: (continued)

2007

Number of options '000	Exercise price* per share HK$	Exercise period
2,304	2.82	22/2/08 – 21/2/12
2,304	2.82	22/2/09 – 21/2/12
2,304	2.82	22/2/10 – 21/2/12
2,304	2.82	22/2/11 – 21/2/12
2,304	2.82	22/11/11 – 21/2/12
12,880	0.55	22/4/05 – 21/4/15
24,400		

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

The Group recognised a share option expense of HK$7,912,000 (2007: HK$605,000) during the year ended 31 March 2008 for the share options granted in prior years and vested during the year.

At the balance sheet date, the Company had 48,132,000 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 48,132,000 additional ordinary shares of the Company and additional share capital of HK$481,000 and share premium of HK$38,179,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 47,732,000 share options outstanding under the Share Option Scheme, which represented approximately 6.09% of the Company's shares in issue as at that date.

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28. 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 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.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006		17,138	–	1,669	59,511	(8,795)	69,523
Loss for the year		–	–	–	–	(34,987)	(34,987)
Issue of shares	26	36,000	–	–	–	–	36,000
Issue or share upon exercise of option	26	1,447	–	–	–	–	1,447
Share option expenses	26	(1,371)	–	–	–	–	(1,371)
Equity-settled share option arrangements		–	–	605	–	–	605
Transfer of reserve upon exercise of options	26	253	–	(253)	–	–	–
At 31 March 2007 and 1 April 2007		53,467	–	2,021	59,511	(43,782)	71,217
Loss for the year		–	–	–	–	(53,032)	(53,032)
Issue of shares	26	114,973	–	–	–	–	114,973
Share issue expenses	26	(1,345)	–	–	–	–	(1,345)
Repurchase of shares	26(e)	–	17	–	–	(1,573)	(1,556)
Equity-settled share option arrangements		–	–	7,912	–	–	7,912
At 31 March 2008		167,095	17	9,933	59,511	(98,387)	138,169

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28. RESERVES (continued)

(b) Company (continued)

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.

29. BUSINESS COMBINATION

On 27 April 2007, Victory Joy and Tsinghua Daring (China) Holdings 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 interests in Seasun, a wholly-owned subsidiary of Tsinghua which is incorporated in the British Virgin Islands with limited liability, from Tsinghua for a consideration which was satisfied by (i) cash of HK$20,000,000, and (ii) the issuance of 5,000,000 new ordinary shares of the Company with market price on the date of issuance of HK$3.84 each, resulting a total fair value of HK$19,200,000.

The fair values of the identifiable assets and liabilities of Seasun as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Other receivables		23	23
Minority interests		(8)	(8)
		15	15
Goodwill on acquisition	14	39,185	
		39,200	
Satisfied by:			
Cash consideration		20,000	
Issue of ordinary shares	26(b)	19,200	
		39,200	

NOTES TO FINANCIAL STATEMENTS

29. BUSINESS COMBINATION (continued)

Since its acquisition, Seasun remained dormant and did not contribute any revenue and profit to the Group for the year ended 31 March 2008.

Had the combination taken place at the beginning of the year, there would have remained unchanged in respect of the Group's revenue and profit from continuing operations for the year.

The above transaction constituted a discloseable and connected transaction as defined in Chapter 14 and 14A of the Listing Rules.

30. DISPOSAL OF SUBSIDIARIES

	Notes	**2008** **HK$'000**	2007 HK$'000
Net assets disposed of:			
Property, plant and equipment		**160**	–
Trade receivables		**8,587**	–
Prepayments and other receivables		**1,880**	–
Trade payables		**(7,114)**	–
Accruals and other payables		**(2,266)**	–
Due to a minority shareholder		**(1,088)**	–
Minority interests		**485**	–
		644	–
Loss on disposal of subsidiaries	*6, 11*	**(634)**	–
		10	–
Satisfied by:			
Cash		**10**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008 **HK$'000**	2007 HK$'000
Cash consideration	**10**	–

NOTES TO FINANCIAL STATEMENTS

31 March 2008

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) Included in the purchases of items of property, plant and equipment during the year amounting to HK$4,952,000 was the transfer from deposit paid for acquisition of plant and equipment in the prior year.

(b) During the year ended 31 March 2008, Victory Joy acquired 65% equity interests in Seasun at cash of HK$20,000,000 and the issuance of 5,000,000 new ordinary shares of the Company which market price on the date of issuance of HK$3.84 each, resulting in a total positive goodwill of approximately HK$39,185,000 as detailed in note 14 to the financial statements.

32. 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$1,065,000 (2007: HK$1,972,000) 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$1,440,000 as at 31 March 2008 (2007: HK$1,469,000), 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$811,000 (2007: HK$817,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2008.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2007 and 2008.

33. 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 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**505**	512
In the second to fifth years, inclusive	**270**	762
	775	1,274

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK$292,415,000 (2007: HK$3,572,000) contracted but not provided for in the financial statements as at 31 March 2008. The capital commitments are contracted to be paid by phases up to year ending 31 March 2014. The directors are of the opinion that the commitment will be adequately funded by internal resources of the Group, further capital raising exercises or external borrowings.

35. 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.

		2008	2007
	Notes	***HK$'000***	*HK$'000*
Management fee income from related companies	*(i)*	**300**	475
Rental expenses paid to related companies	*(ii)*	**60**	400
Interest income from an associate	*(iii)*	**53**	50

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

35. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

(i) For the year ended 31 March 2008, consultancy service fee of HK$1,657,000 for the provision of marketing and consultant service fee to the medical waste treatment business of the Group was paid to a related company, Medianew Investments Limited ("Medianew"), of which certain beneficial owners of Medianew are also beneficial owners controlling a minority shareholder of the Group's non-wholly-owned subsidiary.

(ii) For the year ended 31 March 2007, progress billings of building maintenance and renovation works amounting to HK$252,000 were issued to Martech Building, a related company of which two minority shareholders of a non-wholly-owned subsidiary of the Group are directors.

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

(c) Outstanding balances with related parties:

Details of the Group's amount due from an associate and the Group's amount due to a minority shareholder of subsidiaries as at the balance sheet date are disclosed in notes 16 and 23 to the financial statements, respectively.

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

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**1,456**	5,092
Post-employment benefits	**134**	408
Share-based payments	**3,080**	356
Total compensation paid to key management personnel	**4,670**	5,856

Further details of directors' emoluments are included in note 7 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2008

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 – Group

Financial assets

	Loans and receivables *HK$'000*
Due from an associate	**822**
Trade receivables	**40,226**
Financial assets included in prepayments, deposits and other receivables	**196**
Pledged time deposits	**4,022**
Cash and cash equivalents	**80,632**

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	**827**
Financial liabilities included in other payables and accrued liabilities	**16,005**

2007 – Group

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Financial asset at fair value through profit or loss	3,862	–	3,862
Due from an associate	–	1,043	1,043
Trade receivables	–	34,957	34,957
Financial assets included in prepayments, deposits and other receivables	–	1,333	1,333
Pledged time deposits	–	16,130	16,130
Cash and cash equivalents	–	38,285	38,285

NOTES TO FINANCIAL STATEMENTS

31 March 2008

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007 – Group

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	9,597
Financial liabilities included in other payables and accrued liabilities	14,446
Due to a minority shareholder of subsidiaries	1,088
Interest-bearing bank borrowings, secured	4,096

Financial assets

	Company	
	2008	2007
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Due from subsidiaries	**78,070**	10,962
Cash and cash equivalents	**70,696**	27,363

Financial liabilities

	Company	
	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accrued liabilities	**312**	254

NOTES TO FINANCIAL STATEMENTS

31 March 2008

37. 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 interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing such risks and they are summarised below.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's interest bearing financial instrument is mainly cash and short term deposits.

As at the balance sheet date, the Group's exposure to interest rate risk is considered to be relatively small as the Group's financial instruments predominately were non-interest bearing or carried at minimal interest rate.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no specific policy to deal with foreign currency risk. However, management monitors the exposure and will consider hedging the foreign currency risk exposure for significant cash flow risks should the need arise. As at the balance sheet dates, the Group's exposure to foreign currency risk is minimal as all transactions are denominated in the operating units' functional currency.

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 time deposits, amount due from an associate, other receivables, 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. Concentrations of credit risk are managed by customer. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 19 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

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.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

		2008	
		Less than	
	On demand	**3 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**–**	**827**	**827**
Other payables	**3,844**	**12,161**	**16,005**
	3,844	**12,988**	**16,832**

		2007	
		Less than	
	On demand	3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	–	9,597	9,597
Other payables	2,827	11,619	14,446
Due to a minority shareholder of subsidiaries	1,088	–	1,088
Interest-bearing bank borrowings, secured	–	4,096	4,096
	3,915	25,312	29,227

Company

		2008	
		Less than	
	On demand	**3 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Other payables	**312**	**–**	**312**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

		2007	
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Other payables	254	–	254

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a current ratio, which is current assets divided by the current liabilities. The Group's policy is to maintain net positive current assets and current ratio greater than one as shown as follows:

Group

	2008	2007
	HK$'000	*HK$'000*
Current assets	**127,601**	99,000
Current liabilities	**(19,135)**	(31,313)
Net current assets	**108,466**	67,687
Current ratio	**6.7**	3.2

38. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2008.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited financial statements of the Group, prepared on the basis set out in the note below:

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'0000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**188,567**	154,276	161,444	178,285	217,072
PROFIT/(LOSS) BEFORE TAX	**(53,215)**	(6,293)	(2,299)	2,197	14,317
Tax	–	9	246	(280)	(2,551)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(53,215)**	(6,284)	(2,053)	1,917	11,766
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**(2,507)**	(28,252)	(2,504)	–	–
PROFIT/(LOSS) FOR THE YEAR	**(55,722)**	(34,536)	(4,557)	1,917	11,766
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	**(51,906)**	(34,170)	(3,946)	1,917	11,766
MINORITY INTERESTS	**(3,816)**	(366)	(611)	–	–
	(55,722)	(34,536)	(4,557)	1,917	11,766

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'0000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**166,254**	107,455	93,247	98,128	108,703
TOTAL LIABILITIES	**(19,946)**	(32,130)	(20,677)	(19,796)	(21,788)
MINORITY INTERESTS	**3,274**	851	485	–	–
	149,582	76,176	73,055	78,332	86,915

Note:

The consolidated results of the Group for the two years ended 31 March 2008 and its assets, liabilities and minority interests as at 31 March 2007 and 2008 are also set out in the audited financial statements of the Company, and are presented on the basis as set out in note 2.1 to the audited financial statements.