LO'S ENVIRO-PRO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

stock code : 309

YOUR HEALTHY ENVIRONMENT IS OUR MISSION

Annual Report 2008/2009

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CORPORATE INFORMATION

15 July 2009

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

King & Wood

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 Fulcrum Group (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 2008/09
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 fifth year awarded "Caring Company 2008/2009" 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 2009. The Group recorded a loss of HK$37,937,000 as compared to a net loss of HK$57,785,000 last year. Revenue for the year was approximately HK$192,761,000, representing a decrease of 6.8% from last year's approximately HK$206,935,000.

It was a difficult year to Hong Kong, yet as a leading general cleaning services provider in Hong Kong, the Group's general cleaning service business continued at a steady pace braced by new and renewed contracts.

For our environmental projects in the Mainland, the Group's first medical waste treatment plant in Siping, Jilin Province is up and running while the construction of our second plant in Suihua City, Heilongjiang Province has been completed. The plant is expected to start contributing income to the group in 2009.

The Group acquired a 70% stake in a municipal solid waste treatment plant in Shuyang, Jiangsu Province ("Shuyang Plant") in December 2008. The Shuyang Plant did not commence full operation in early 2009 as originally planned, but albeit slightly behind schedule, it has since then been in operation and is expected to commence full operations in the second half of the year. I am optimistic that the Shuyang Plant, when reaching its full capacity, will generate handsome incomes for the Group. I am also optimistic that this environmentally friendly municipal solid waste treatment model will serve as an example to other municipalities and in turn place the Group in a prime position to expand in the field in the People's Republic of China and eventually worldwide.

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 dedicated staff for their devotion and hard work during the year.

Lo Kou Hong
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

The Hong Kong economy has been sluggish with the onset of the global financial crisis from the third quarter of last year, sending unemployment rate to a record high since the SARS outbreak in 2003. Governments around the world have taken action to stimulate their economies. The Hong Kong Government, likewise, has stepped up the construction of infrastructure projects to ease unemployment and boost confidence in the economy.

The Government is proceeding with legislative work for the introduction of a statutory minimum wage for cleaning workers, security guards and relevant others, subsequent to the end of the "2-year wage protection movement". The movement, launched by the Government with voluntary participation from employers, did not produce results meeting the expectations of the Government and some sectors of the community.

On China Mainland, prices of consumer goods and production costs have been generally on the decline, but economists have played down the risk of deflation on the ground that commodity prices have rebounded and that they see price reform on the horizon. Following the stabilization of the economy in the Mainland, the Group anticipates a surge in demand for waste treatment services and much development potential in this segment.

Subsequent to the end of the financial year, economies around the world have been affected by the outbreak of the H1N1 influenza. Fortunately, the virus seems to have weakened and is less threatening than previously feared.

All situations considered, the Group has been able to maintain steady growth of its cleaning services business and stone care and maintenance businesses, as well as sale of a celebrated Italian brand of stone care products which the Group is entrusted to exclusively distribute in Hong Kong, Macau and the Mainland.

OPERATING RESULTS

The Group's turnover for the year ended 31 March 2009 amounted to HK$192,761,000, representing a 6.8% decrease as compared with last year. The net loss of the year included a profit of HK$1,698,000 from the cleaning and related services counter-balanced by a loss of HK$4,335,000 from the medical waste treatment business, a loss of HK$5,807,000 from the municipal solid waste business, a charge to the income statement of share options expense of HK$3,567,000, an impairment of deposits paid for the acquisition of plant and equipment of HK$14,400,000 and an impairment of intangible assets of HK$1,800,000.

During the year, the Group continued to exercise financial control and enhance operational efficiency. The Group is optimistic about the prospects for the cleaning and related services business in the foreseeable future, as it has successfully secured some new contracts and renewed some major contracts at better prices during the year. As for the medical waste treatment business, the Group is negotiating with the partners concerned for ways to resolve issues related to the business. The impairment of deposits paid for the acquisition of plant and equipment comprised deposits made for the medical waste treatment business. The Group made provision for such as it is currently uncertain about the likely developments of the medical waste treatment business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group completed acquisition of a municipal solid waste treatment plant in Shuyang County, Jiangsu Province in December 2008. The plant is now in operation though slightly behind schedule. The Group is optimistic that it will generate handsome incomes in the future through the sale of by-products in the waste treatment process.

Construction of the Group's second medical waste treatment plant, which is in Suihua City, Heilongjiang Province, has been completed. The plant is expected to start contributing income to the Group in 2009.

During the year under review, general cleaning service continued to be the core business of the Group. The Group obtained a 3-year contract (with an option to renew for another 3 years) to provide term cleaning staff, pest control treatments as well as disposal of decoration debris for a new luxurious residential estate in Fotan, a 2-year contract for providing general cleaning and pest control services to three residential estates in Kwun Tong and Sai Kung owned or managed by a non-profit housing organization and a contract for cleaning of three shopping malls in Causeway Bay.

The several major cleaning service contracts renewed included those for the tallest office building on Hong Kong Island, a residential estate with some 6,000 units and a multi-storey car park in Tseung Kwan O and two residential estates in Tung Chung. The renewed contracts have terms ranging from one to three years.

The external wall cleaning contract for a prestigious residential estate in Tin Hau ended in June 2009. The Group has secured another external wall cleaning contract for a building in a college and a monastery in the mid-levels, which will commence when the summer vacation starts this year.

The stone finishing care, maintenance and restoration business and sale of the stone care products of a celebrated Italian brand developed steadily during the year and sales income has been on the up trend.

During the year, the Group signed a sole agency agreement for the sale in Hong Kong and Macau of a series of sprayers imported from Spain. The sprayers are widely used by pest control and horticultural professionals.

The Group has been named a 'Caring Company' by The Hong Kong Council of Social Service for the fifth consecutive year, for caring about the environment and employing the vulnerable, among other worthwhile community involvement.

The Group has also been honoured by the Mental Health Association of Hong Kong as an "Enterprise Ambassador" for its continuous efforts to provide the disabled with job opportunities and to help disabled employees improve their work skills.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 March 2009, the Group's cash and cash equivalents and pledged time deposits totalled HK$61,845,000 (31 March 2008 (restated): HK$93,907,000) and its current ratio was 4.2 (31 March 2008 (restated): 1.9). The Group's net assets increased to HK$195,622,000 (31 March 2008 (restated): HK$146,888,000) following the acquisition of a 70% stake in Peixin.

The Group did not have any bank borrowing as at 31 March 2009 and therefore, its gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 March 2008: nil). The Group's shareholders' equity amounted to HK$195,622,000 (31 March 2008 (restated): HK$146,888,000).

The Group takes a prudent approach to cash management and risk control. Its revenues, expenses and capital expenditures in relation to the cleaning and related services business are transacted in Hong Kong ("HK") dollars, whereas those of the medical waste treatment business and municipal solid waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances were primarily denominated in HK dollars, RMB and United States dollars.

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

As at 31 March 2009, the Group's banking facilities were secured by the followings:

(i) the pledge of certain of the Group's time deposits amounting to HK$4,048,000 (2008: HK$4,022,000); and

(ii) a corporate guarantee to the extent of HK$18 million (2008: HK$18 million) provided by the Company.

CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD Biotechnology Limited ("ITAD"), with a maturity date of 1 January 2012 (the "Maturity Date") as part of the total consideration for the acquisition of 70% equity interest in Peixin. The principal amount of the convertible notes shall be divided into two tranches of HK$32.5 million each, which shall be convertible into ordinary shares at the conversion price of HK$0.31 per ordinary share upon the exercise of the conversion rights during the first conversion period between 1 July 2010 and 31 December 2010 and the second conversion period between 1 July 2011 and 31 December 2011. ITAD has warranted certain targeted net profits of Shuyang ITAD Environmental Technology Limited, the principal subsidiary of Peixin, and the nominal value of the convertible notes shall be adjusted downward if there is any shortfall on targeted profits. The outstanding principal of the convertible notes that has not been converted into shares shall be redeemed in its entirety by the Company at the redemption price of HK$1 on the Maturity Date.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,159,000 (2008: HK$1,065,000) 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$2,890,000 as at 31 March 2009 (2008: HK$1,440,000). 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 and are hence eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$1,548,000 (2008: HK$811,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2009.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2008 and 2009.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2009 was 2,031 (31 March 2008 (restated): 2,121). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$170,353,000 (31 March 2008 (restated): HK$166,609,000). 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

Conservation and environment protection are issues of growing importance to communities worldwide. Traditional methods of treating municipal solid wastes by dumping them in landfills or incineration, which produce pollutants, can now be replaced in part by innovative, environmentally friendly methods. The Shuyang Plant is serving as a platform for us to demonstrate commercially-viable and environmentally-friendly alternative to treating municipal solid wastes. It will help pave the way for the Group to expand its business in the field in Mainland China and worldwide.

The "unhealthy" competition in the cleaning service business is showing signs of easing. The Group is confident of expanding its share in the market, particularly in the middle to high class cleaning service sector.

The Group will continue to work closely with its Italian partner to introduce new stone care products to cater to the changing demands of Asian markets. It sees room for expansion of the business in the foreseeable future.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Lo Kou Hong, aged 66, 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 (PTC) 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, and the father of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group.

Ms. Ko Lok Ping, Maria Genoveffa, aged 62, 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 (PTC) 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 and the mother of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group.

Mr. Leung Tai Tsan, Charles, aged 56, 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. He joined the Group in 2001 and has over 23 years of experience in accounting, auditing and financial management.

Mr. Cheung Pui Keung, James, aged 32, 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 9 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 64, 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 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, the president of Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute, and the director of Environment Impact Assessment Division of Tsinghua University. Currently, Professor Bai is the chief engineer of Beijing Guohuan Tsinghua Environmental Engineering Design & Research Institute, the deputy head of the professional committee of the Licensing Examination For Certified Environmental Protection Engineers of National Planning and Design, and the chief secretary of the Committee of Solid Waste Treatment and Utilization 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 of the People’s Republic of China. 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 Ministry of Environmental Protection of the People’s Republic of China. 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 DIRECTOR

Mr. Cheng Kai Tai, Allen, aged 45, 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 12 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). In addition, Mr. Cheng has been appointed as an independent non-executive director of Amex Entertainment Holdings Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, stock code: 959) on 20 March 2009.

Mr. Chiu Wai Piu, aged 62, 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"; and he was also elected as the Director-General in 2009. 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 contribution in this field is highly praised and recognized. On 1 September 2008, Mr. Chiu has been appointed as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, stock code: 2327).

Mr. Wang Qi, aged 54, 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. (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 Regal Hotel International (RHI) 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 27, 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 and municipal solid waste 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, holds a Master's Degree in Environmental Management from The University of Hong Kong and a diploma in the Legal Studies from the HKU SPACE. She is the daughter of Dr. Lo.

Mr. Mow Yan Loy Milton, aged 43, 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.

Dr. Shawn Wang, aged 53, is the Director of Peixin Group Ltd. and the Executive Director and the General Manager of Shuyang ITAD Environmental Technology Limited in charge of the business development of strategy, technology R&D planning, engineering design and management. Dr. Wang has 28 years' intensive experiences in scientific research and management of environmental biotechnology. He is the key person for the innovation of ITAD platform development and is also the chief commander and chief designer of Shuyang ITAD Center for Municipal Solid Waste Treatment. Dr. Wang is a Canadian-Chinese scientist and obtained B.Sc., M.Sc. Ph.D. degrees and was also a Postdoctoral Fellow of Canada Pacific Research Center.

Mr. Tan Zhong Jun, aged 42, is a Director and the General Manager of China Division of Lo's Tsinghua Daring Environmental Technology Holdings Ltd. He joined the Group in June 2007 and is responsible for overseeing the operations of medical waste treatment projects operated in the PRC. He was the General Manager of Beijing Peking University Tianchuang Infotech Co., Ltd. (北京北大天創信息技術有限公司) and the Deputy General Manager of TianChuang Science and Technology Development Co. Ltd.. He was also an associate professor of Peking University. Mr. Tan graduated from Peking University and holds an Ph.D. degree.

Mr. Li Hau Cheung, aged 61, is Deputy General Manager of Operations of the Group's cleaning and related business. 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 47, Deputy General Manager – Administration & Human Resources. She heads the Group's Administration & Human Resources team. She has over 25 years of experience in accounting, human resources and administration management.

Ms. Lee Pui Ching, Joanna, aged 39, 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 17 years of experience in finance and accounting.

Ms. Fok Mun Ying, Susanna, aged 44 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 for the year ended 31 March 2009.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group endeavours to attain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests.

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") sets out the principles of good corporate governance and two levels of corporate governance practices, being (i) the code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and (ii) the recommended best practices, for guidance only, which listed issuers are encouraged to comply with.

The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2009 with the exception of the Code Provision A.2.1 which requires that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details of the said deviation are summarized below.

The Company will continue to review and improve its corporate governance practices from time to time to ensure that its corporate governance practices comply with the regulatory requirements and meet the rising expectations of shareholders and investors.

A. THE BOARD

1. Responsibilities

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

Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

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

2. Board Composition

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 & 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 the Remuneration Committee*
Mr. Chiu Wai Piu, *Member of both the Audit Committee and the Remuneration Committee*
Mr. Wang Qi, *Member of both the Audit Committee and the 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 biographical details of the directors and the relationships among the members of the Board are disclosed under the section headed "Biographical Information of Directors and Senior Management" in this annual report.

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 non-executive director brings 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 conflict of interests and serving on Board committees, the non-executive directors make various contributions to the effective direction of the Company.

During the year ended 31 March 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one independent non-executive director, being Mr. Cheng Kai Tai, Allen, possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

3. Chairman and Chief Executive Officer

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

At present, Dr. Lo Kou Hong is both the Chairman of the Board and Chief Executive Officer of the Company. Dr. Lo is the founder of the Group and has extensive experience in the cleaning and related services. 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, it is beneficial to the business prospects and management 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 executive director 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 one year up to the date of holding the Company's 2009 annual general meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. 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 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 next general meeting after appointment.

Pursuant to the aforesaid, Mr. Leung Tai Tsan, Charles, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu shall retire by rotation and, being eligible, offer themselves for re-election at the Company's forthcoming 2009 annual general meeting. The Board recommends their re-appointment. The Company's circular, being sent to all the Shareholders together with this annual report, contains detailed information of the above three retiring directors pursuant to the Listing Rules.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment, re-appointment and succession planning of directors and assessing the independence of independent non-executive directors. In addition, the Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 31 March 2009, the Board, through its meeting held on 15 July 2008 (with all the then directors of the Company present at such meeting), has reviewed the Board structure, assessed the independence of the independent non-executive directors and recommended the re-election of the retiring directors standing for re-election at the 2008 annual general meeting of the Company.

5. Induction and Continuing Development of Directors

All the directors of the Company received an induction on appointment to ensure appropriate understanding of the business and operation of the Group and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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

6. Board Meetings

Board Practices and Conduct of Meetings

Schedules for regular board meeting are normally agreed with directors in advance to facilitate the attendance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Draft agenda of each meeting are normally made available to directors in advance. In addition, board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company 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 Chairman, the Finance Director, also the Company Secretary and all other relevant senior management normally attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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

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

CORPORATE GOVERNANCE REPORT

Directors' Attendance Records

During the year ended 31 March 2009, five board meetings were held, out of which four were regular Board meetings and were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The individual attendance records of each director at the Board meetings during the year ended 31 March 2009 are set out below:

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

7. Model Code for Securities Transactions

The Company has adopted its own code of conduct governing 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 to all the directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2009.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for governing the 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, the Remuneration Committee and the 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 section A6 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

1. Remuneration Committee

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

The duties of the Remuneration Committee are mainly to (i) make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; (ii) make recommendations on the remuneration packages of the executive directors and the senior management; and (iii) review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions.

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 consults with the Chairman/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2009, the Remuneration Committee has met twice (with all the members present at all meetings except Dr. Lo Kou Hong) and has reviewed and discussed the remuneration policy and structure of the Group, the current remuneration packages of the directors and senior management of the Group.

CORPORATE GOVERNANCE REPORT

2. **Audit Committee**

The Audit Committee comprises a total of three members, being the three independent non-executive directors, namely Mr. Cheng Kai Tai, Allen (Chairman), Mr. Chiu Wai Piu and Mr. Wang Qi. The Chairman of the Audit Committee is Mr. Cheng Kai Tai, Allen who possesses 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 (i) 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; (ii) reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and (iii) reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 March 2009, the Audit Committee has met twice (with all the members present at all meetings) and has reviewed the financial statements, results announcements and reports for the year ended 31 March 2008 and for the six months ended 30 September 2008, the financial reporting and compliance procedures, and the report from the senior management on the Company's internal control and risk management; and considered the re-appointment of external auditors. The external auditors were invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

3. **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.

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 2009.

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 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.

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.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Group to safeguard the interests of the Company' shareholders and assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis. During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group.

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 2009 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 2009 and their corresponding remuneration is as follows:

Nature of services	**Amount** *HK$*
Audit services:	999,000
Non-audit services:	
include review of interim financial statements, tax services fee, financial due diligence and issuance of FORM A of the Group's Occupational Retirement Scheme	979,500
TOTAL:	1,978,500

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 financial information and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business for any inquiries. Inquiries are dealt with in an informative and timely manner.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend the annual general meetings and other relevant shareholders' meetings to answer questions at the shareholders' meetings.

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.

Upon implementation of the amendments of the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholders' meetings of listed issuers will be voted by poll. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.losgroup.com) immediately after the relevant general meetings.

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 2009.

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 16 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 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 101.

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 102. 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 24 and 25 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 its 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 24 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 asset 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 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2009, 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 cleaning and related services' five largest customers accounted for approximately 72% of the total service fee income for the year, and service fee income from the largest customer included therein amounted to approximately 45%.

Purchases from the cleaning and related services' five largest suppliers accounted for approximately 56% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 28%.

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

Non-executive Director:

Professor Bai Qingzhong

Independent Non-executive Directors:

Mr. Cheng Kai Tai, Allen
Mr. Chiu Wai Piu
Mr. Wang Qi

In accordance with Article 112 of the Company's articles of association, Mr. Leung Tai Tsan, Charles, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu, the existing directors of the Company, will retire 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 commencing on 1 February 2003, which will continue and is subject to termination by either party giving not less than three/six months' notice in writing.

Mr. Cheung Pui Keung, James, has entered into a service contract with the Company commencing on 13 January 2004, which will continue and is subject to termination by either party giving not less than three months' notice in writing.

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 31(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 AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2009, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations 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:

A.(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))*	55.26%
	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))*	55.26%
	Long	Beneficial owner	1,700,000 *(Note (2))*	0.22%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	280,000	0.03%

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

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

Notes:

(1) These shares were owned by The Lo's Family (PTC) Limited in its capacity 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 (PTC) 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.

A.(2) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	9,400,000	1.23%
	Long	Interest of spouse	9,400,000 *(Note (1))*	1.23%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.23%
	Long	Interest of spouse	9,400,000 *(Note (2))*	1.23%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	8,000,000	1.05%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	8,000,000	1.05%

REPORT OF THE DIRECTORS

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

A.(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 below section headed "Share option scheme".

A.(3) Interests in convertible notes of the Company

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporation	167,741,935 *(Note)*	22.07%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporation	167,741,935 *(Note)*	22.07%

Note: These convertible notes were held by Triple Kind Investments Limited, the entire issued share capital of which was owned as to 50% by Dr. Lo Kou Hong and 50% by Ms. Ko Lok Ping, Maria Genoveffa.

B.(1) Associated corporation – Peixin Group Ltd. ("Peixin"), a subsidiary of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in Peixin	Percentage of Peixin's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporations	42 shares *(Note)*	30%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporations	42 shares *(Note)*	30%

Note: The 42 shares in Peixin were held through the controlled corporations of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa. As such, Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa were deemed to be interested in such shares pursuant to Part XV of the SFO.

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

B.(2) Associated corporation – Shuyang ITAD Environmental Technology Limited ("Shuyang ITAD"), a subsidiary of the Company

Name of director	Long/Short position	Capacity	Amount of registered capital in Shuyang ITAD	Percentage of Shuyang ITAD's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporations	RMB62,500,000 *(Note)*	100%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporations	RMB62,500,000 *(Note)*	100%

Note: The registered capital in Shuyang ITAD was held through the controlled corporations of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa. As such, Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa were deemed to be interested in such registered capital pursuant to Part XV of the SFO.

In addition to the above, as at 31 March 2009, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 31 March 2009, 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 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations" and in the below section headed "Share option scheme", 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 25 to the financial statements.

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

	Number of share options					Exercise price of
Name or category of participant	At 1 April 2008	Lapsed during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	share options** HK$ per share
Directors						
Dr. Lo Kou Hong	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	–	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	9,400,000	–	9,400,000			
Ms. Ko Lok Ping, Maria Genoveffa	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	–	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	9,400,000	–	9,400,000			
Mr. Leung Tai Tsan, Charles	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	8,000,000	–	8,000,000			

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: At 1 April 2008	Lapsed during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors						
Mr. Cheung Pui Keung,	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
James	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	8,000,000	–	8,000,000			
Other employees						
In aggregate	1,732,000	–	1,732,000	12-5-05	22-4-05 to 21-4-15	0.275
	2,320,000	(500,000)	1,820,000	22-2-07	22-2-08 to 21-2-12	1.41
	2,320,000	(500,000)	1,820,000	22-2-07	22-2-09 to 21-2-12	1.41
	2,320,000	(500,000)	1,820,000	22-2-07	22-2-10 to 21-2-12	1.41
	2,320,000	(500,000)	1,820,000	22-2-07	22-2-11 to 21-2-12	1.41
	2,320,000	(500,000)	1,820,000	22-2-07	22-11-11 to 21-2-12	1.41
	13,332,000	(2,500,000)	10,832,000			
	48,132,000	(2,500,000)	45,632,000			

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.

No share options have been granted/exercised/cancelled during the year.

As at the date of this report, the total number of shares available for issue under the Scheme is 40,100,000, representing approximately 5% of the Company's shares in issue as at that date.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

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 (PTC) Limited	Long	Trustee	420,000,000 *(Note)*	55.26%
Equity Trustee Limited	Long	Trustee	420,000,000 *(Note)*	55.26%
Dr. Shawn Wang	Long	Beneficial owner	524,000	0.07%

Note: These shares were owned by The Lo's Family (PTC) Limited in its capacity 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. 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 (PTC) 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 and its associated corporations".

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

Name of substantial shareholder	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. Shawn Wang	Long	Beneficial owner	2,000,000	0.26%

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

(3) Interests in convertible notes of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage of the underlying shares over the Company's issued share capital
Triple Kind Investments Limited	Long	Beneficial owner	167,741,935 *(Note (1))*	22.07%
Awards Technology Ltd.	Long	Beneficial owner	41,935,484 *(Note (2))*	5.51%
Dr. Shawn Wang	Long	Interest held by controlled corporation	41,935,484 *(Note (2))*	5.51%

Notes:

(1) These convertible notes were held by Triple Kind Investments Limited, the entire issued share capital of which was owned as to 50% by Dr. Lo Kou Hong and 50% by Ms. Ko Lok Ping, Maria Genoveffa.

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 and its associated corporations".

(2) These convertible notes were held by Awards Technology Ltd., a corporation wholly controlled by Dr. Shawn Wang.

Save as disclosed above, as at 31 March 2009, 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 and its associated corporations", 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 note 32 to the financial statements.

REPORT OF THE DIRECTORS

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 Tuesday, 25 August 2009 to Thursday, 27 August 2009 (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 Thursday, 27 August 2009, 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 Branch 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 Monday, 24 August 2009.

AUDITORS

Ernst & Young will 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 2009

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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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 35 to 101, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 2009 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 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**192,761**	206,935
Other income and gains	5	**2,101**	3,160
Staff costs		**(170,353)**	(166,609)
Depreciation and amortisation		**(2,729)**	(2,070)
Impairment of goodwill	14	**–**	(39,185)
Impairment of due from an associate		**–**	(274)
Impairment of deposits paid for acquisition of plant and equipment	6	**(14,400)**	–
Impairment of intangible assets	15	**(1,800)**	–
Other operating expenses		**(43,517)**	(57,235)
LOSS BEFORE TAX	6	**(37,937)**	(55,278)
Tax	9	**–**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(37,937)**	(55,278)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**–**	(2,507)
LOSS FOR THE YEAR		**(37,937)**	(57,785)
Attributable to:			
Equity holders of the parent	10	**(34,289)**	(53,380)
Minority interests		**(3,648)**	(4,405)
		(37,937)	(57,785)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		(Restated)
Basic			
– For loss for the year		**(4.44 cents)**	(6.96 cents)
– For loss from continuing operations		**(4.44 cents)**	(6.63 cents)

CONSOLIDATED BALANCE SHEET

31 March 2009

	Notes	**2009 HK$'000**	2008 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**102,294**	32,108
Goodwill	*14*	**–**	–
Intangible assets	*15*	**21,856**	19,261
Interest in an associate	*17*	**–**	–
Deposits paid for acquisition of plant and equipment		**427**	30,911
Total non-current assets		**124,577**	82,280
CURRENT ASSETS			
Due from an associate	*17*	**1,227**	822
Trade receivables	*18*	**30,055**	40,226
Prepayments, deposits and other receivables	*18*	**2,383**	2,383
Pledged time deposits	*19*	**4,048**	4,022
Cash and cash equivalents	*19*	**57,797**	89,885
Total current assets		**95,510**	137,338
CURRENT LIABILITIES			
Trade payables	*20*	**1,236**	827
Other payables and accrued liabilities	*21*	**21,681**	18,377
Due to a former shareholder of a subsidiary	*31(c)*	**–**	52,715
Total current liabilities		**22,917**	71,919
NET CURRENT ASSETS		**72,593**	65,419
TOTAL ASSETS LESS CURRENT LIABILITIES		**197,170**	147,699
NON-CURRENT LIABILITY			
Provision for long service payments	*22*	**1,548**	811
Net assets		**195,622**	146,888
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*24*	**7,600**	7,837
Reserves	*26*	**154,608**	142,119
		162,208	149,956
Minority interests		**33,414**	(3,068)
Total equity		**195,622**	146,888

LO KOU HONG
Director

LEUNG TAI TSAN, CHARLES
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

		Attributable to equity holders of the parent											
	Notes	Issued share capital HK$'000 (note 24)	Share premium account HK$'000 (note 24)	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000 (note 23)	Merger reserves HK$'000 (note 26(a))	Share option reserve HK$'000 (note 25)	Contributed surplus HK$'000 (note 26(a))	Accumulated losses HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007, as restated		3,627	53,467	–	–	1	2,021	26,758	(10,608)	493	75,759	(1,030)	74,729
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	–	–	–	–	–	3,383	3,383	1,874	5,257
Loss for the year		–	–	–	–	–	–	–	(53,380)	–	(53,380)	(4,405)	(57,785)
Total income and expense for the year		–	–	–	–	–	–	–	(53,380)	3,383	(49,997)	(2,531)	(52,528)
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	24	4,227	114,973	–	–	–	–	–	–	–	119,200	–	119,200
Share issue expenses	24	–	(1,345)	–	–	–	–	–	–	–	(1,345)	–	(1,345)
Repurchase of shares	24	(17)	–	17	–	–	–	–	(1,573)	–	(1,573)	–	(1,573)
At 31 March 2008 and 1 April 2008, as restated		7,837	167,095*	17*	–	1*	9,933*	26,758*	(65,561)*	3,876*	149,956	(3,068)	146,888
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	–	–	–	–	–	1,504	1,504	760	2,264
Loss for the year		–	–	–	–	–	–	–	(34,289)	–	(34,289)	(3,648)	(37,937)
Total income and expense for the year		–	–	–	–	–	–	–	(34,289)	1,504	(32,785)	(2,888)	(35,673)
Acquisition of subsidiaries		–	–	–	65,000	(78,440)	–	–	–	–	(13,440)	13,440	–
Waive of an amount due to a former shareholder of a subsidiary		–	–	–	–	60,502	–	–	–	–	60,502	25,930	86,432
Equity-settled share option arrangements		–	–	–	–	–	3,567	–	–	–	3,567	–	3,567
Repurchase of shares	24	(237)	–	237	–	–	–	–	(5,592)	–	(5,592)	–	(5,592)
At 31 March 2009		7,600	167,095*	254*	65,000*	(17,937)*	13,500*	26,758*	(105,442)*	5,380*	162,208	33,414	195,622

* These reserve accounts comprise the consolidated reserves of HK$154,608,000 (2008: HK$142,119,000) in the consolidated balance sheet as at 31 March 2009.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(37,937)**	(55,278)
From a discontinued operation	11	**–**	(2,507)
Adjustments for:			
Finance costs	6	**–**	8
Depreciation	6	**2,047**	2,039
Amortisation of intangible assets	6	**682**	51
Interest income	5	**(1,039)**	(2,625)
Loss on disposal of items of property, plant and equipment	6	**29**	–
Loss on disposal of subsidiaries	6	**–**	634
Fair value gain on a financial asset at fair value through profit or loss	6	**–**	(21)
Equity-settled share option expense	6	**3,567**	7,912
Impairment of goodwill		**–**	39,185
Impairment of intangible assets		**1,800**	–
Impairment of deposits paid for acquisition of plant and equipment	6	**14,400**	–
Impairment/(reversal of impairment) of due from an associate		**(348)**	274
Provision for long service payments		**942**	92
		(15,857)	(10,236)
Increase in an amount due from an associate		**(57)**	(53)
Decrease in contract work in progress		**–**	1,535
Decrease/(increase) in trade receivables		**10,174**	(13,856)
Decrease/(increase) in prepayments, deposits and other receivables		**26**	(66)
Increase/(decrease) in trade payables		**409**	(1,656)
Increase in other payables and accrued liabilities		**4,230**	3,960
Decrease in provision for long service payments		**(205)**	(98)
Cash used in operations		**(1,280)**	(20,470)
Interest paid		**–**	(8)
Hong Kong profits tax refunded		**–**	29
Net cash outflow from operating activities		**(1,280)**	(20,449)

continued/...

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 27(a)	**(55,136)**	(12,265)
Deposits paid for acquisition of plant and equipment		**(427)**	(35,787)
Proceeds from disposal of items of property, plant and equipment		**19**	30
Proceeds from disposal of a financial asset at fair value through profit or loss		**–**	3,883
Acquisition of a subsidiary		**–**	(20,000)
Disposal of subsidiaries		**–**	10
Addition to intangible assets		**(4,664)**	(18,368)
Interest received		**1,039**	2,625
Decrease/(increase) in pledged time deposits		**(26)**	12,108
Net cash outflow from investing activities		**(59,195)**	(67,764)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	24	**–**	100,000
Share issue expenses	24	**–**	(1,345)
Repayment of bank loans		**–**	(4,096)
Repurchase of shares	24	**(5,592)**	(1,573)
Increase in an amount due to a former shareholder of a subsidiary	27(c)	**33,717**	32,763
Net cash inflow from financing activities		**28,125**	125,749
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(32,350)**	37,536
Cash and cash equivalents at beginning of year		**89,885**	51,570
Effect of foreign rate changes, net		**262**	779
CASH AND CASH EQUIVALENTS AT END OF YEAR		**57,797**	89,885
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**35,183**	19,633
Non-pledged time deposits with original maturity of less than three months when acquired		**22,614**	70,252
	19	**57,797**	89,885

BALANCE SHEET

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**171,412**	75,622
CURRENT ASSETS			
Prepayments, deposits and other receivables		**30**	–
Cash and cash equivalents	19	**12,821**	70,696
Total current assets		**12,851**	70,696
CURRENT LIABILITIES			
Other payables and accrued liabilities	21	**206**	312
NET CURRENT ASSETS		**12,645**	70,384
Net assets		**184,057**	146,006
EQUITY			
Issued capital	24	**7,600**	7,837
Reserves	26	**176,457**	138,169
Total equity		**184,057**	146,006

LO KOU HONG
Director

LEUNG TAI TSAN, CHARLES
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2009

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 provision of waste treatment 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 (PTC) Limited, which is incorporated in the British Virgin Islands.

2.1 CORPORATE REORGANISATION

During the year, the Group acquired 70% equity interest in Peixin Group Ltd ("Peixin") (the "Acquisition"), which is mainly engaged in the provision of waste treatment services business (the "Acquired Business") from ITAD Biotechnology Limited ("ITAD") at a consideration of HK$109,800,000, to be satisfied by the issuance of convertible notes with nominal amount of HK$65 million and the subscription of new shares in Peixin at a cash consideration of RMB40 million. In addition, ITAD agreed to waive a shareholder's loan of approximately HK$86.4 million upon completion of the Acquisition. Further details of the Acquisition have been set out in the circular of the Company dated 24 November 2008.

As the Company and ITAD are ultimately controlled by Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa, the substantial shareholders who are also directors of the Company, the Acquisition should be regarded as a business combination under common control. As such, the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholders.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the Acquired Business. The effects of the Acquisition, together with the adoption of HK(IFRIC) – Int 12 as detailed in note 2.3 below, to the Group's comparative financial statements, which extracts the items being restated only, are as follows:

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.1 CORPORATE REORGANISATION (continued)

(a) Effect on the consolidated balance sheet as at 31 March 2008

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Consolidated adjustments HK$'000	Adopting HK(IFRIC)-Int 12 HK$'000	As restated HK$'000
NON-CURRENT ASSETS						
Property, plant and equipment	23,711	27,446	51,157	–	(19,049)	32,108
Goodwill	–	–	–	–	–	–
Intangible assets	–	–	–	–	19,261	19,261
Interest in an associate	–	–	–	–	–	–
Deposits paid for acquisition of plant and equipment	14,942	15,969	30,911	–	–	30,911
Total non-current assets	38,653	43,415	82,068	–	212	82,280
CURRENT ASSETS						
Due from an associate	822	–	822	–	–	822
Trade receivables	40,226	–	40,226	–	–	40,226
Prepayments, deposits and other receivables	1,899	484	2,383	–	–	2,383
Pledged time deposits	4,022	–	4,022	–	–	4,022
Cash and cash equivalents	80,632	9,253	89,885	–	–	89,885
Total current assets	127,601	9,737	137,338	–	–	137,338
CURRENT LIABILITIES						
Trade payables	827	–	827	–	–	827
Other payables and accrued liabilities	18,308	69	18,377	–	–	18,377
Due to ITAD	–	52,715	52,715	–	–	52,715
Total current liabilities	19,135	52,784	71,919	–	–	71,919
NET CURRENT ASSETS/ (LIABILITIES)	108,466	(43,047)	65,419	–	–	65,419
TOTAL ASSETS LESS CURRENT LIABILITIES	147,119	368	147,487	–	212	147,699
NON-CURRENT LIABILITY						
Provision for long service payments	811	–	811	–	–	811
Net assets	146,308	368	146,676	–	212	146,888

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.1 CORPORATE REORGANISATION (continued)

(a) Effect on the consolidated balance sheet as at 31 March 2008 (continued)

	As previously reported	The Acquired Business	Total	Consolidated adjustments	Adopting HK(IFRIC)-Int 12	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY						
Equity attributable to equity holders of the parent						
Share premium account	167,095	1	167,096	(1)	–	167,095
Merger reserve	–	–	–	1	–	1
Accumulated losses	(63,159)	(3,591)	(66,750)	1,077	112	(65,561)
Exchange fluctuation reserve	1,101	3,958	5,059	(1,187)	4	3,876
Others*	44,545	–	44,545	–	–	44,545
	149,582	368	149,950	(110)	116	149,956
Minority interests	(3,274)	–	(3,274)	110	96	(3,068)
Total equity	146,308	368	146,676	–	212	146,888

* Represented the remaining balances which have not been restated for the year ended 31 March 2008.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.1 CORPORATE REORGANISATION (continued)

(b) Effect on the consolidated income statement for the year ended 31 March 2008

	As previously reported	The Acquired Business	Total	Adopting HK(IFRIC)-Int 12	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	188,567	–	188,567	18,368	206,935
Other income and gains	3,086	74	3,160	–	3,160
Staff costs	(165,931)	(678)	(166,609)	–	(166,609)
Depreciation and amortisation	(1,982)	(290)	(2,272)	202	(2,070)
Impairment of goodwill	(39,185)	–	(39,185)	–	(39,185)
Impairment of due from an associate	(274)	–	(274)	–	(274)
Other operating expenses	(37,496)	(1,371)	(38,867)	(18,368)	(57,235)
LOSS BEFORE TAX	(53,215)	(2,265)	(55,480)	202	(55,278)
Tax	–	–	–	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(53,215)	(2,265)	(55,480)	202	(55,278)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	(2,507)	–	(2,507)	–	(2,507)
	(55,722)	(2,265)	(57,987)	202	(57,785)

2.2 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 HKICPA, 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. 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 2009. 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 intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Income, expenses and unrealised gains and losses resulting from acquisition of business under common control are accounted for using merger accounting in accordance with AG 5 issued by the HKICPA. The acquired assets are stated at carrying amounts as if the assets had been held by the Group from the beginning of the earliest period presented.

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

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for the adoption of HK(IFRIC)-Int 12 giving rise to changes to the accounting policy as further described below, the adoption of these new interpretations and amendments has had no financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

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

The principal effects of adopting HK(IFRIC)-Int 12 are as follows:

HK(IFRIC)-Int 12 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.

The Group is a medical waste treatment operator. Prior to the adoption of HK(IFRIC)-Int 12, the Group's infrastructures were recognised as property, plant and equipment and were depreciated on a straight line basis over 10 to 20 years. Upon the adoption of HK(IFRIC)-Int 12, the construction of infrastructures was classified as construction revenue, and the infrastructures under the service concession arrangements are reclassified as intangible assets and amortised over the useful economic life. HK(IFRIC)-Int 12 has been applied by the Group retrospectively and comparative amounts have been restated. The effect of the above changes is summarised below:

	2009	2008
	HK$'000	*HK$'000*
Consolidated income statement for the year ended 31 March		
Increase in construction revenue	**4,664**	18,368
Decrease in depreciation of property, plant and equipment	**1,447**	253
Increase in amortisation of intangible assets	**(682)**	(51)
Increase in other operating expenses	**(4,664)**	(18,368)
Decrease in loss before tax	**765**	202
Decrease in basic loss per share (HK cents)	**0.10**	0.03

	2009	2008
	HK$'000	*HK$'000*
Consolidated balance sheet and equity at 1 April		
Decrease in property, plant and equipment	**(19,049)**	–
Increase in intangible assets	**19,261**	–
	212	–
Increase in reserves	**212**	–
Consolidated balance sheet and equity at 31 March		
Decrease in property, plant and equipment	**(22,674)**	(19,049)
Increase in intangible assets	**23,656**	19,261
	982	212
Increase in reserves	**982**	212

NOTES TO FINANCIAL STATEMENTS

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2.4 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 1 (Revised)	First-time Adoption of HKFRS[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merger accounting for business combinations under common control

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from 1 April 2008 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

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.

2.5 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 2009

2.5 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 an 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 an impairment loss is credited to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.5 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	4.8% – 5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 31.7%
Motor vehicles	14.3% – 25%
Tools and machinery	9.5% – 33$^1/_3$%

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

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.5 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 least 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.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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.

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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 2009

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and an amount due to a former shareholder of a subsidiary, 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.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Construction contracts

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 construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) from construction contracts, on the percentage of completion basis; and

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes

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

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

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

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.

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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.

Classification between intangible assets and property, plant and equipment

The Group determines whether an asset is classified as an intangible asset under HK(IFRIC)-Int 12, and has developed criteria in making that judgement. The operator shall recognise an intangible asset to the extent that it receives a right to charge users of the public service. Therefore, the Group has to exercise judgement in determining whether an asset (1) is used to provide the public service and classified as an intangible asset under HK(IFRIC)-Int 12; or (2) is held for use in the production or supply of goods or services, or for administrative purposes and classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 15 to the financial statements.

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.

Adjustment on convertible notes

The Group assesses whether it is probable if there is any shortfall on the net profits warranted by ITAD. This requires management to estimate the future profit of the related subsidiary and determine the amount of downward adjustment on the nominal value of the convertible notes accordingly.

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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;

(c) the waste treatment segment engages in the provision of waste handling services and sale of the by-products produced during the waste handling process; and

(d) the building maintenance and renovation segment engages in construction contract works as a subcontractor, primarily in respect of building maintenance and renovation projects; this segment was discontinued during the year ended 31 March 2008.

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.

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4. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008:

	Continuing operations								Discontinued operation			
	Cleaning and related services		Medical waste treatment		Waste treatment		Total		Building maintenance and renovation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)				(Restated)
Segment revenue:												
Service income from external customers	**186,513**	188,539	**6,248**	18,396	**–**	–	**192,761**	206,935	**–**	6,507	**192,761**	213,442
Other income and gains	**458**	514	**126**	–	**130**	–	**714**	514	**–**	13	**714**	527
Total	**186,971**	189,053	**6,374**	18,396	**130**	–	**193,475**	207,449	**–**	6,520	**193,475**	213,969
Segment results	**1,698**	3,472	**(4,335)**	(8,308)	**(5,807)**	(2,339)	**(8,444)**	(7,175)	**–**	(2,503)	**(8,444)**	(9,678)
Interest income and unallocated gains							**1,039**	2,646	**–**	4	**1,039**	2,650
Impairment of goodwill	**–**	–	**–**	(39,185)	**–**	–	**–**	(39,185)	**–**	–	**–**	(39,185)
Impairment of deposits paid for acquisition of plant and equipment	**–**	–	**(14,400)**	–	**–**	–	**(14,400)**	–	**–**	–	**(14,400)**	–
Impairment of intangible assets	**–**	–	**(1,800)**	–	**–**	–	**(1,800)**	–	**–**	–	**(1,800)**	–
Reversal of impairment/(impairment) of due from an associate	**348**	(274)	**–**	–	**–**	–	**348**	(274)	**–**	–	**348**	(274)
Unallocated expenses							**(14,680)**	(11,290)	**–**	–	**(14,680)**	(11,290)
Finance costs							**–**	–	**–**	(8)	**–**	(8)
Loss before tax							**(37,937)**	(55,278)	**–**	(2,507)	**(37,937)**	(57,785)
Tax							**–**	–	**–**	–	**–**	–
Loss for the year							**(37,937)**	(55,278)	**–**	(2,507)	**(37,937)**	(57,785)

NOTES TO FINANCIAL STATEMENTS

31 March 2009

4. SEGMENT INFORMATION (continued)

Business segments (continued)

	Continuing operations										Discontinued operation			
	Cleaning and related services		Medical waste treatment		Waste treatment		Elimination		Total		Building maintenance and renovation		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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
				(Restated)		(Restated)				(Restated)				(Restated)
Assets and liabilities														
Segment assets	261,864	208,937	24,597	40,408	129,918	53,152	(197,519)	(83,701)	218,860	218,796	–	–	218,860	218,796
Due from an associate	1,227	822	–	–	–	–	–	–	1,227	822	–	–	1,227	822
Total assets									220,087	219,618	–	–	220,087	219,618
Segment liabilities	19,026	16,978	90,849	86,669	112,109	52,784	(197,519)	(83,701)	24,465	72,730	–	–	24,465	72,730
Other segment information:														
Capital expenditure	227	1,536	4,973	19,858	71,111	24,016	–	–	76,311	45,410	–	–	76,311	45,410
Depreciation and amortisation	1,444	1,577	947	203	338	290	–	–	2,729	2,070	–	20	2,729	2,090
Impairment losses recognised in the income statement in respect of:														
Goodwill	–	–	–	39,185	–	–	–	–	–	39,185	–	–	–	39,185
Intangible assets	–	–	1,800	–	–	–	–	–	1,800	–	–	–	1,800	–
Deposits paid for acquisition of plant and equipment	–	–	14,400	–	–	–	–	–	14,400	–	–	–	14,400	–

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 2009 and 2008:

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)				(Restated)
Segment revenue:								
Sales to external customers	186,513	195,046	6,248	18,396	–	–	192,761	213,442
Other income and gains	458	527	256	–	–	–	714	527
Attributable to a discontinued operation	–	(6,520)	–	–	–	–	–	(6,520)
Revenue from continuing operations	186,971	189,053	6,504	18,396	–	–	193,475	207,449
Other segment information:								
Segment assets	261,864	208,937	154,515	93,560	(197,519)	(83,701)	218,860	218,796
Capital expenditure	227	1,536	76,084	43,874	–	–	76,311	45,410

NOTES TO FINANCIAL STATEMENTS

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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	2009 HK$'000	2008 HK$'000 (Restated)
Revenue			
Cleaning and related service fee income		**186,513**	188,539
Medical waste treatment income		**1,584**	28
Construction revenue		**4,664**	18,368
Attributable to continuing operations reported in the consolidated income statement		**192,761**	206,935
Building maintenance and renovation contracts attributable to a discontinued operation	*11*	**–**	6,507
		192,761	213,442
Other income and gains			
Bank interest income		**1,039**	2,625
Management fee received		**400**	400
Fair value gain on a financial asset at fair value through profit or loss		**–**	21
Reversal of impairment of due from an associate		**348**	–
Sundry income		**314**	114
Attributable to continuing operations reported in the consolidated income statement		**2,101**	3,160
Bank interest income attributable to a discontinued operation		**–**	4
Sundry income attributable to a discontinued operation		**–**	13
		2,101	3,177

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6. LOSS BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Cost of services rendered*		**169,779**	168,853
Auditors' remuneration		**999**	800
Minimum lease payments under operating leases in respect of land and buildings		**708**	911
Depreciation	*13*	**2,047**	2,039
Amortisation of intangible assets	*15*	**682**	51
Fair value gain on a financial asset at fair value through profit or loss		**–**	(21)
Employee benefits expense (including directors' remuneration) *(note 7)*:			
Wages, salaries and other benefits		**160,384**	155,002
Equity-settled share option expense		**3,567**	7,912
Retirement benefits scheme contributions		**6,839**	5,877
Forfeited contributions		**(2,482)**	(2,931)
Net retirement benefits scheme contributions		**4,357**	2,946
Provision for long service payments, net	*22*	**942**	92
Provision for untaken paid leave		**1,103**	976
		170,353	166,928
Loss on disposal of items of property, plant and equipment		**29**	–
Loss on disposal of subsidiaries	*11*	**–**	634
Finance costs representing interest on bank loans wholly repayable within five years		**–**	8
Construction cost**		**4,664**	18,368
Impairment of deposits paid for acquisition of plant and equipment***		**14,400**	–

* The cost of services rendered included employee benefits expense of HK$152,375,000 (2008: HK$149,883,000) incurred in the provision of services which have been included in the employee benefits expense above.

** The construction cost is included in "Other operating expenses" on the face of the consolidated income statement.

*** A deposit paid for acquisition of plant and equipment was impaired during the year because in the opinion of the directors, the recoverability of the deposit is remote.

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

At 31 March 2009, the Group had forfeited contributions of HK$104,000 (2008: nil) 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	
	2009	2008
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries and allowances	**5,387**	1,539
Equity-settled share option expense	**2,262**	3,780
Retirement benefits scheme contributions	**373**	156
	8,022	5,475
	8,382	5,835

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 25 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*
2009			
Mr. Chiu Wai Piu	**120**	**6**	**126**
Mr. Cheng Kai Tai, Allen	**120**	**6**	**126**
Mr. Wang Qi	**120**	**6**	**126**
	360	**18**	**378**
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

There were no other emoluments payable to the independent non-executive directors during the year (2008: 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*
2009				
Executive directors:				
Dr. Lo Kou Hong	**2,341**	**712**	**111**	**3,164**
Ms. Ko Lok Ping, Maria Genoveffa	**1,064**	**712**	**74**	**1,850**
Mr. Leung Tai Tsan, Charles	**1,330**	**419**	**117**	**1,866**
Mr. Cheung Pui Keung, James	**532**	**419**	**47**	**998**
	5,267	**2,262**	**349**	**7,878**
Non-executive director:				
Mr. Bai Qingzhong	**120**	**–**	**6**	**126**
	5,387	**2,262**	**355**	**8,004**
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:				
Mr. Bai Qingzhong	83	–	4	87
	1,539	3,780	138	5,457

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2008: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2008: three) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries and allowances	**390**	1,266
Equity-settled share option expense	**670**	1,400
Retirement benefits scheme contributions	**10**	33
	1,070	2,699

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
	1	3

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 25 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.

NOTES TO FINANCIAL STATEMENTS

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9. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, 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. 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 (2008: Nil).

A reconciliation of the tax expense 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**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)
Loss before tax (including loss from a discontinued operation)	**(28,402)**	(49,982)	**(9,535)**	(7,803)	**(37,937)**	(57,785)
Tax at the statutory tax rates	**(4,686)**	(8,747)	**(2,384)**	(1,951)	**(7,070)**	(10,698)
Income not subject to tax	**(211)**	(376)	**(25)**	(18)	**(236)**	(394)
Expenses not deductible for tax	**4,110**	9,305	**2,105**	1,439	**6,215**	10,744
Tax losses utilised from previous periods	**–**	(447)	**–**	–	**–**	(447)
Tax losses not recognised	**787**	214	**304**	530	**1,091**	744
Other	**–**	51	**–**	–	**–**	51
Tax expense at the Group's effective rate	**–**	–	**–**	–	**–**	–

The Group has tax losses arising in Hong Kong of HK$10,416,000 (2008: HK$8,694,000) 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$3,335,000 (2008 (restated): HK$2,121,000) 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 2009 includes a loss of HK$24,924,000 (2008: HK$53,032,000) which has been dealt with in the financial statements of the Company (note 26(b)).

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 was 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 are presented below:

	2009	2008
	HK$'000	*HK$'000*
Revenue	–	6,507
Other income	–	17
Staff costs	–	(319)
Direct costs of contract works performed	–	(7,990)
Depreciation	–	(20)
Other operating expenses	–	(60)
Finance costs:		
Interest on bank loans wholly repayable within five years	–	(8)
Loss of the discontinued operation	–	(1,873)
Loss on disposal of subsidiaries *(note 6)*	–	(634)
Loss before tax from the discontinued operation	–	(2,507)
Tax	–	–
Loss for the year from the discontinued operation	–	(2,507)

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11. DISCONTINUED OPERATION (continued)

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

	2009	2008
	HK$'000	*HK$'000*
Operating activities	–	3,930
Investing activities	–	10
Financing activities	–	(4,104)
Net cash outflow	–	(164)
Basic loss per share from the discontinued operation	–	(HK0.33 cents)

The calculation of basic loss per share amount from discontinued operation for the year ended 31 March 2008 was based on the loss attributable to the ordinary equity holders of the parent of approximately HK$2,507,000, and the weighted average number of approximately 767,496,767 ordinary shares in issue during that year, as adjusted to reflect the bonus issue during that year.

Diluted loss per share from the discontinued operation

Diluted loss per share amount from the discontinued operation for the year ended 31 March 2008 have not been disclosed, as the options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

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.

The calculations of basic loss per share are based on:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(34,289)**	(50,873)
From a discontinued operation	**–**	(2,507)
Loss attributable to ordinary equity holders of the parent	**(34,289)**	(53,380)

	Numbers of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**772,413,556**	767,496,767

Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2009 and 2008 have not been disclosed, as the options and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Tools and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
31 March 2009							
At 31 March 2008 and at 1 April 2008:							
Cost	556	1,017	13,456	3,783	4,900	26,219	49,931
Accumulated depreciation	(21)	(844)	(11,264)	(1,509)	(4,185)	–	(17,823)
Net carrying amount	535	173	2,192	2,274	715	26,219	32,108
At 1 April 2008, net of accumulated depreciation	535	173	2,192	2,274	715	26,219	32,108
Additions	78	–	667	–	282	70,620	71,647
Disposals	–	–	(28)	–	–	–	(28)
Write-off	–	–	(21)	–	–	–	(21)
Depreciation provided during the year	(42)	(131)	(1,077)	(694)	(103)	–	(2,047)
Exchange realignment	12	–	13	32	–	578	635
At 31 March 2009, net of accumulated depreciation	583	42	1,746	1,612	894	97,417	102,294
At 31 March 2009:							
Cost	646	1,017	13,698	3,722	5,182	97,417	121,682
Accumulated depreciation	(63)	(975)	(11,952)	(2,110)	(4,288)	–	(19,388)
Net carrying amount	583	42	1,746	1,612	894	97,417	102,294

NOTES TO FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings *HK$'000* (Restated)	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000* (Restated)	Motor vehicles *HK$'000* (Restated)	Tools and machinery *HK$'000* (Restated)	Construction in progress *HK$'000* (Restated)	Total *HK$'000* (Restated)
31 March 2008							
At 1 April 2007:							
Cost	287	826	12,042	2,385	4,896	1,202	21,638
Accumulated depreciation	(3)	(667)	(10,260)	(839)	(4,081)	–	(15,850)
Net carrying amount	284	159	1,782	1,546	815	1,202	5,788
At 1 April 2007, net of accumulated depreciation	284	159	1,782	1,546	815	1,202	5,788
Additions	59	191	1,636	1,297	3	23,856	27,042
Disposals	–	–	(30)	–	–	–	(30)
Disposals of subsidiaries	–	–	(160)	–	–	–	(160)
Depreciation provided during the year	(17)	(177)	(1,088)	(653)	(104)	–	(2,039)
Transfers	172	–	–	–	–	(172)	–
Exchange realignment	37	–	52	84	1	1,333	1,507
At 31 March 2008, net of accumulated depreciation	535	173	2,192	2,274	715	26,219	32,108
At 31 March 2008:							
Cost	556	1,017	13,456	3,783	4,900	26,219	49,931
Accumulated depreciation	(21)	(844)	(11,264)	(1,509)	(4,185)	–	(17,823)
Net carrying amount	535	173	2,192	2,274	715	26,219	32,108

At 31 March 2009, 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 2009, and that the building ownership certificates can be obtained in the near future.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

14. GOODWILL

Group

	HK$'000
Cost and carrying amount at 1 April 2007	–
Acquisition of a subsidiary	39,185
Impairment during the year	(39,185)
Cost and carrying amount at 31 March 2008	–
At 31 March 2008, 1 April 2008 and 31 March 2009	
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.

NOTES TO FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

Group

	HK$'000
Cost at 1 April 2008, net of accumulated amortisation and impairment:	
As previously reported	–
Effect on adopting HK(IFRIC)-Int 12 *(note 2.3)*	19,261
As restated	19,261
Additions	4,664
Impairment during the year	(1,800)
Amortisation during the year *(note 6)*	(682)
Exchange realignment	413
At 31 March 2009	21,856
At 31 March 2009:	
Cost	24,393
Accumulated amortisation and impairment	(2,537)
Net carrying amount	21,856

NOTES TO FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS (continued)

Group

	HK$'000
At 1 April 2007	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
Cost at 1 April 2007, net of accumulated amortisation and impairment:	
As previously reported	–
Effect on adopting HK(IFRIC)-Int 12 *(note 2.3)*	–
As restated	–
Additions	18,368
Amortisation during the year *(note 6)*	(51)
Exchange realignment	944
At 31 March 2008	19,261
At 31 March 2008:	
Cost	19,315
Accumulated amortisation and impairment	(54)
Net carrying amount, as restated	19,261

Impairment testing of intangible assets

During the year, certain items of intangible assets of a subsidiary of the Group, which was engaged in medical waste treatment operation, were impaired based on the projected results of the subsidiary discounted to its current value. An impairment loss of HK$1,800,000 (2008: nil) was charged to the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

16. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**59,521**	59,521
Due from subsidiaries	**218,360**	104,570
	277,881	164,091
Impairment #	**(106,469)**	(88,469)
	171,412	75,622

\# An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$211,425,000 (before deducting the impairment loss) (2008: HK$148,198,000) because of the deteriorating operating results of certain subsidiaries.

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

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**88,469**	42,732
Impairment losses recognised	**18,000**	46,467
Amount written off as uncollectible	**–**	(730)
At end of the year	**106,469**	88,469

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

16. 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	Percentage of equity attributable to the Company Indirect	Principal activities
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK$100 Ordinary HK$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited	Hong Kong	HK$10,000 Ordinary	–	100	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	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Seasun Group Limited	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
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

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Siping Lo's Tsinghua Daring Environmental 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 Environmental Technology Limited*^	PRC/ Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Heihe Lo's Tsinghua Daring Environmental Technology Limited*^	PRC/ Mainland China	HK$10,000,000	–	55	Dormant
Marce International Limited#	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Peixin Group Ltd.##	British Virgin Islands/ Hong Kong	–	–	70	Investment holding
Shuyang ITAD Environmental Technology Limited*^## ("Shuyang ITAD")	PRC/ Mainland China	RMB62,500,000	–	70	Provision of waste treatment services

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

NOTES TO FINANCIAL STATEMENTS

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17. INTEREST IN AN ASSOCIATE

	Group 2009 HK$'000	2008 HK$'000
Share of net assets	**–**	–
Due from an associate	**1,419**	1,362
Impairment#	**(192)**	(540)
	1,227	822

An impairment was recognised for amount due from an associate with a carrying amount of HK$1,419,000 (before deducting the impairment loss) (2008: HK$1,362,000) because of the deteriorating operating results of the associate.

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

	Group 2009 HK$'000	2008 HK$'000
At beginning of the year	**540**	266
Impairment loss recognised	**–**	274
Reversal of impairment during the year	**(348)**	–
At end of the year	**192**	540

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 2009. 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.

17. 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 nil (2008: HK$68,000) and HK$73,000 (2008: HK$212,000), respectively.

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

	2009	2008
	HK$'000	*HK$'000*
Assets	**2,016**	1,777
Liabilities	**2,208**	2,317
Revenue	**2,630**	2,998
Profit/(Loss)	**350**	(171)

18. 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. Trade receivables are non-interest-bearing.

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	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**15,120**	14,207
31 – 60 days	**8,948**	9,991
61 – 90 days	**4,203**	7,575
91 – 120 days	**1,731**	3,612
Over 120 days	**53**	4,841
	30,055	40,226
Less: impairment	**–**	–
	30,055	40,226

NOTES TO FINANCIAL STATEMENTS

31 March 2009

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

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**–**	9,622
Amount written off as uncollectible	**–**	(9,622)
At end of the year	**–**	–

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.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**15,120**	14,207
Less than 1 month past due	**8,948**	9,991
1 to 3 months past due	**5,934**	11,187
Over 3 months past due	**53**	4,841
	30,055	40,226

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.

NOTES TO FINANCIAL STATEMENTS

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19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Cash and bank balances	**35,183**	19,633	**12,767**	988
Time deposits	**26,662**	74,274	**54**	69,708
	61,845	93,907	**12,821**	70,696
Less: Pledged short-term time deposits for banking facilities	**(4,048)**	(4,022)	**–**	–
Cash and cash equivalents	**57,797**	89,885	**12,821**	70,696

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,079,000 (2008 (restated): HK$12,431,000). 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 banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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$4,048,000 (2008: HK$4,022,000);

(ii) a corporate guarantee to the extent of HK$18 million (2008: HK$18 million) provided by the Company.

NOTES TO FINANCIAL STATEMENTS

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20. TRADE PAYABLES

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**1,234**	789
31 – 60 days	**2**	38
	1,236	827

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

21. 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.

22. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**811**	817
Provision for long service payments, net *(note 6)*	**942**	92
Amounts utilised during the year	**(205)**	(98)
At end of year	**1,548**	811

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 2.5 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the balance sheet date.

23. CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD, with a maturity date of 1 January 2012 (the "Maturity Date") as part of the total consideration for the acquisition of 70% equity interest in Peixin. The principal amount of the convertible notes shall be divided into two tranches of HK$32.5 million each, which shall be convertible into ordinary shares at the conversion price of HK$0.31 per ordinary share upon the exercise of the conversion rights during the first conversion period from 1 July 2010 to 31 December 2010 and the second conversion period from 1 July 2011 to 31 December 2011. ITAD has warranted certain targeted net profits of Shuyang ITAD, the principal subsidiary of Peixin, and the nominal value of the convertible notes shall be adjusted downward if there is any shortfall on targeted profits. The outstanding principal of the convertible notes that has not been converted into shares shall be redeemed in its entirety by the Company at a redemption price of HK$1 on the Maturity Date. There was no movement in the number of these convertible notes during the year.

The convertible notes issued during the year have been split as to the liability and equity components, as follows:

	2009	2008
	HK$'000	*HK$'000*
Nominal value of convertible notes issued during the year	**65,000**	–
Equity component	**(65,000)**	–
Liability component at the issuance date and at 31 March	**–**	–

24. SHARE CAPITAL

Shares

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2008: 2,000,000,000)		
ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
759,986,000 (2008: 783,692,000)		
ordinary shares of HK$0.01 each	**7,600**	7,837

NOTES TO FINANCIAL STATEMENTS

31 March 2009

24. SHARE CAPITAL (continued)

During the year, the Company repurchased 23,706,000 shares of its ordinary shares on the Stock Exchange, the summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
September 2008	2,511,000	0.235	0.159	516
October 2008	16,797,000	0.255	0.229	4,199
November 2008	3,535,000	0.196	0.183	690
December 2008	863,000	0.197	0.182	187
	23,706,000			5,592

The premium paid on the purchase of shares of HK$5,355,000 (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.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2009

24. 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 capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2007	362,680,000	3,627	53,467	57,094
Issue of shares for acquisition of a subsidiary	5,000,000	50	19,150	19,200
Issue of shares	25,000,000	250	99,750	100,000
Bonus issue	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	(1,668,000)	(17)	–	(17)
At 31 March 2008 and 1 April 2008	783,692,000	7,837	167,095	174,932
Repurchase of shares	(23,706,000)	(237)	–	(237)
At 31 March 2009	759,986,000	7,600	167,095	174,695

Shares options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 25 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

25. 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.

25. SHARE OPTION SCHEME (continued)

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

	2009		2008	
	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	**0.80**	**48,132**	0.81	24,400
Forfeited during the year	**1.41**	**(2,500)**	1.38	(484)
Adjustment on bonus issue	**–**	**–**	–	24,216
At end of the year	**0.77**	**45,632**	0.80	48,132

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

2009

Number of options	Exercise price* per share	Exercise period
'000	*HK$*	
3,980	**1.41**	**22/2/08 – 21/2/12**
3,980	**1.41**	**22/2/09 – 21/2/12**
3,980	**1.41**	**22/2/10 – 21/2/12**
3,980	**1.41**	**22/2/11 – 21/2/12**
3,980	**1.41**	**22/11/11 – 21/2/12**
25,732	**0.275**	**22/4/05 – 21/4/15**
45,632		

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25. SHARE OPTION SCHEME (continued)

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

2008

Number of options *'000*	Exercise price* per share *HK$*	Exercise period
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		

* 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$3,567,000 (2008: HK$7,912,000) during the year ended 31 March 2009 for the share options granted in prior years and amortised during the year.

At the balance sheet date, the Company had 45,632,000 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 45,632,000 additional ordinary shares of the Company and additional share capital of HK$456,000 and share premium of HK$34,679,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 45,632,000 share options outstanding under the Share Option Scheme, which represented approximately 6.00% of the Company's shares in issue as at that date.

26. 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.

The Group's merger reserve arose from the business combination under common control in respect of the acquisition of Peixin during the year.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007		53,467	–	–	2,021	59,511	(43,782)	71,217
Loss for the year		–	–	–	–	–	(53,032)	(53,032)
Issue of shares	24	114,973	–	–	–	–	–	114,973
Share issue expenses	24	(1,345)	–	–	–	–	–	(1,345)
Repurchase of shares	24	–	17	–	–	–	(1,573)	(1,556)
Equity-settled share Option arrangements		–	–	–	7,912	–	–	7,912
At 31 March 2008 and 1 April 2008		167,095	17	–	9,933	59,511	(98,387)	138,169
Loss for the year		–	–	–	–	–	(24,924)	(24,924)
Acquisition of subsidiaries		–	–	65,000	–	–	–	65,000
Repurchase of shares	24	–	237	–	–	–	(5,592)	(5,355)
Equity-settled share option arrangements		–	–	–	3,567	–	–	3,567
At 31 March 2009		167,095	254	65,000	13,500	59,511	(128,903)	176,457

NOTES TO FINANCIAL STATEMENTS

31 March 2009

26. 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 2.5 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.

27. 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$16,511,000 (2008(restated): HK$14,777,000) was the transfer from deposit paid for acquisition of plant and equipment in the prior year.

(b) During the year ended 31 March 2009, convertible notes with a nominal value of HK$65 million were issued as part of the total consideration for the acquisition of 70% interest in Peixin.

(c) During the year ended 31 March 2009, an amount due to a former shareholder of a subsidiary of HK$86,432,000 was waived and was transferred to the merger reserve of the Group.

28. 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$1,159,000 (2008: HK$1,065,000) 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$2,890,000 as at 31 March 2009 (2008: HK$1,440,000), as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$1,548,000 (2008: HK$811,000) in respect of such payments has been made in the consolidated balance sheet as at 31 March 2009.

(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 and 2009.

29. 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 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Within one year	**273**	552
In the second to fifth years, inclusive	**–**	270
	273	822

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK$295,445,000 (2008 (restated): HK$344,001,000) contracted but not provided for in the financial statements as at 31 March 2009. The directors are of the opinion that the commitment amounted to HK$289,600,000 is not required to be paid within one year from 31 March 2009.

31. 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.

		2009	2008
	Notes	***HK$'000***	*HK$'000*
Management fee income from related companies	*(i)*	**300**	300
Rental expenses paid to related companies	*(ii)*	**–**	60
Interest income from an associate	*(iii)*	**57**	53

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 2009

31. 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) During the year, the Group acquired 70% equity interest in Peixin from ITAD. Further details of which the substantial shareholders of ITAD are also substantial shareholders of the Group are set out in note 2.1 to the financial statements.

(c) Outstanding balances with related parties:

(i) As at 31 March 2008, the Group had an amount due to a former shareholder of a subsidiary of HK$52,715,000. The balance was unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's amount due from an associate as at the balance sheet date are disclosed in note 17 to the financial statements.

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

	2009	2008
	HK$'000	*HK$'000*
Short-term employee benefits	**5,267**	1,456
Post-employment benefits	**349**	134
Equity-settled share option expense	**2,262**	3,080
Total compensation paid to key management personnel	**7,878**	4,670

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

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32. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Group	
	2009	2008
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
		(Restated)
Due from an associate	**1,227**	822
Trade receivables	**30,055**	40,226
Financial assets included in prepayments, deposits and other receivables	**545**	646
Pledged time deposits	**4,048**	4,022
Cash and cash equivalents	**57,797**	89,885

Financial liabilities

	Group	
	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**1,236**	827
Due to a former shareholder of a subsidiary	**–**	52,715
Financial liabilities included in other payables and accrued liabilities	**18,756**	16,075

NOTES TO FINANCIAL STATEMENTS

31 March 2009

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	2009	2008
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Due from subsidiaries	**132,465**	78,070
Cash and cash equivalents	**12,821**	70,696

Financial liabilities

	Company	
	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accrued liabilities	**206**	312

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are 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 interesting 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 rates.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and other receivables, 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. At the balance sheet date, the Group has certain concentrations of credit risk as 58% and 75% of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the cleaning and related services segment.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 18 to the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2009

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

		2009	
		Less than	
	On demand	**3 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**–**	**1,236**	**1,236**
Financial liabilities included in other payables and accrued liabilities	**5,936**	**12,820**	**18,756**
	5,936	**14,056**	**19,992**

		2008	
		Less than	
	On demand	3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Trade payables	–	827	827
Due to a former shareholder of a subsidiary	52,715	–	52,715
Financial liabilities included in other payables and accrued liabilities	3,914	12,161	16,075
	56,629	12,988	69,617

Company

		2009	
		Less than	
	On demand	**3 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Financial liabilities included in other payables and accrued liabilities	**206**	**–**	**206**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Company (continued)

	2008 On demand *HK$'000*	Less than 3 months *HK$'000*	Total *HK$'000*
Financial liabilities included in other payables and accrued liabilities	312	–	312

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 for managing capital during the years ended 31 March 2009 and 2008.

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

	2009 ***HK$'000***	2008 *HK$'000* (Restated)
Current assets	**95,510**	137,338
Current liabilities	**(22,917)**	(71,919)
Net current assets	**72,593**	65,419
Current ratio	**4.2**	1.9

34. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, the comparative amounts have been re-presented to conform with the current year's presentation in relation to the Acquisition accounted for by merger accounting. In addition, as further explained in note 2.3 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of merger accounting and the retrospective changes in adopting the HK(IFRIC)-Int 12, as detailed in note 2.1 and 2.3 to the financial statements.

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**192,761**	206,935	154,276	161,444	178,285
PROFIT/(LOSS) BEFORE TAX	**(37,937)**	(55,278)	(7,620)	(2,299)	2,197
Tax	**–**	–	9	246	(280)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(37,937)**	(55,278)	(7,611)	(2,053)	1,917
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**–**	(2,507)	(28,252)	(2,504)	–
PROFIT/(LOSS) FOR THE YEAR	**(37,937)**	(57,785)	(35,863)	(4,557)	1,917
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	**(34,289)**	(53,380)	(35,099)	(3,946)	1,917
MINORITY INTERESTS	**(3,648)**	(4,405)	(764)	(611)	–
	(37,937)	(57,785)	(35,863)	(4,557)	1,917

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2009	2008	2007	2006	2005
TOTAL ASSETS	**220,087**	219,618	126,835	93,247	98,128
TOTAL LIABILITIES	**(24,465)**	(72,730)	(52,106)	(20,677)	(19,796)
MINORITY INTERESTS	**(33,414)**	3,068	1,030	485	–
	162,208	149,956	75,759	73,055	78,332