LO'S ENVIRO-PRO HOLDINGS LIMITED
勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 309)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010, together with the comparative figures for the year ended 31 March 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
REVENUE	4	**176,926**	192,761
Cost of sales of fertilisers		**(4,325)**	–
Other income and gains	4	**995**	2,101
Staff costs		**(159,202)**	(170,353)
Depreciation and amortisation		**(3,717)**	(2,729)
Impairment of a deposit paid for acquisition of plant and equipment		**–**	(14,400)
Impairment of intangible assets		**–**	(1,800)
Other operating expenses		**(33,529)**	(43,517)
Finance costs	6	**(35)**	–
LOSS BEFORE TAX	5	**(22,887)**	(37,937)
Income tax expense	7	**–**	–
LOSS FOR THE YEAR		**(22,887)**	(37,937)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax		**1,284**	2,264
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(21,603)**	(35,673)
Loss attributable to:			
Owners of the parent		**(17,976)**	(34,289)
Minority interests		**(4,911)**	(3,648)
		(22,887)	(37,937)
Total comprehensive loss attributable to:			
Owners of the parent		**(17,111)**	(32,785)
Minority interests		**(4,492)**	(2,888)
		(21,603)	(35,673)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For loss for the year		**(2.36 cents)**	(4.44 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**106,579**	102,294
Goodwill		**–**	–
Intangible assets	*9*	**21,298**	21,856
Interest in an associate		**–**	–
Deposits paid for acquisition of plant and equipment		**350**	427
Total non-current assets		**128,227**	124,577
CURRENT ASSETS			
Inventories		**3,342**	–
Due from an associate		**1,263**	1,227
Trade receivables	*10*	**29,272**	30,055
Prepayments, deposits and other receivables	*10*	**2,469**	2,383
Pledged time deposits		**4,002**	4,048
Cash and cash equivalents		**35,810**	57,797
Total current assets		**76,158**	95,510
CURRENT LIABILITIES			
Trade payables	*11*	**1,050**	1,236
Other payables and accrued liabilities		**24,031**	21,681
Total current liabilities		**25,081**	22,917
NET CURRENT ASSETS		**51,077**	72,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**179,304**	197,170
NON-CURRENT LIABILITY			
Provision for long service payments		**865**	1,548
Net assets		**178,439**	195,622
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**7,667**	7,600
Reserves		**141,850**	154,608
		149,517	162,208
Minority interests		**28,922**	33,414
Total equity		**178,439**	195,622

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. 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 the provision of waste treatment services.

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 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 Group for the year ended 31 March 2010. 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.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendments to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*

HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one statement.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, impairment losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments.

	Cleaning and related services		Medical waste treatment		Waste treatment		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**174,003**	186,513	**2,540**	6,248	**383**	–	**176,926**	192,761
Other income and gains	**692**	458	**–**	126	**24**	130	**716**	714
Total	**174,695**	186,971	**2,540**	6,374	**407**	130	**177,642**	193,475
Segment results	**2,518**	1,698	**(3,503)**	(4,335)	**(11,842)**	(5,807)	**(12,827)**	(8,444)
Reconciliation:								
Interest income and unallocated gains							**279**	1,387
Unallocated expenses							**(10,304)**	(30,880)
Finance costs							**(35)**	–
Loss before tax							**(22,887)**	(37,937)

	Cleaning and related services		Medical waste treatment		Waste treatment		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**257,330**	261,864	**24,601**	24,597	**120,593**	129,918	**(199,402)**	(197,519)	**203,122**	218,860
Reconciliation:										
Due from an associate									**1,263**	1,227
Total assets									**204,385**	220,087
Segment liabilities	**17,553**	19,026	**92,572**	90,849	**115,223**	112,109	**(199,402)**	(197,519)	**25,946**	24,465
Other segment information:										
Capital expenditure	**860**	227	**64**	4,973	**8,194**	71,111	**–**	–	**9,118**	76,311
Depreciation and amortisation	**895**	1,444	**1,049**	947	**4,140**	338	**–**	–	**6,084**	2,729
Impairment losses recognised in the profit or loss in respect of:										
Intangible assets	**–**	–	**–**	1,800	**–**	–	**–**	–	**–**	1,800
A deposit paid for acquisition of plant and equipment	**–**	–	**–**	14,400	**–**	–	**–**	–	**–**	14,400

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**174,003**	186,513
Mainland China	**2,923**	6,248
	176,926	192,761

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**1,507**	1,982
Mainland China	**126,720**	122,595
	128,227	124,577

The revenue information and non-current assets information above is based on the location of the customers and assets respectively.

Information about a major customer

Revenue of approximately HK$76,360,000 (2009: HK$84,606,000) was derived from sales by the cleaning and related services segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold. An analysis of the Group's revenue, other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Cleaning and related service fee income	**174,003**	186,513
Medical waste treatment income	**2,518**	1,584
Construction revenue	**22**	4,664
Sales of organic fertilisers	**383**	–
	176,926	192,761
Other income and gains		
Bank interest income	**92**	1,039
Management fee received	**280**	400
Reversal of impairment of an amount due from an associate	**187**	348
Gain on disposal of property, plant and equipment	**312**	–
Sundry income	**124**	314
	995	2,101

5. LOSS BEFORE TAX

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

	Note	**2010** **HK$'000**	2009 HK$'000
Cost of inventories sold*		**4,325**	–
Cost of services rendered**		**156,774**	169,779
Auditors' remuneration		**999**	999
Minimum lease payments under operating leases in respect of land and buildings		**766**	708
Depreciation		**5,295**	2,047
Amortisation of intangible assets	*9*	**789**	682
Employee benefit expense (including directors' remuneration):			
Wages, salaries and other benefits		**150,288**	160,384
Equity-settled share option expense		**2,569**	3,567
Retirement benefit scheme contributions		**7,406**	6,839
Forfeited contributions		**(2,152)**	(2,482)
Net retirement benefit scheme contributions		**5,254**	4,357
Provision for/(write-back of provision for) long service payments, net		**(372)**	942
Provision for untaken paid leave		**1,398**	1,103
Provision for severance payment		**65**	–
		159,202	170,353
Loss on property, plant and equipment written off		**14**	21
Loss/(gain) on disposal of items of property, plant and equipment		**(312)**	8
Construction cost***		**22**	4,664
Impairment of a deposit paid for acquisition of plant and equipment****		**–**	14,400
Impairment of trade receivables***		**318**	–

* The cost of inventories sold for the year ended 31 March 2010 included an amount of depreciation of HK$2,367,000. Such amount has also been included in the respective expense item disclosed above.

** The cost of services rendered included employee benefit expense of HK$141,398,000 (2009: HK$152,375,000) incurred in the provision of services which has been included in the employee benefit expense above.

*** The construction cost and impairment of trade receivables are included in "Other operating expenses" in the consolidated statement of comprehensive income.

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

At 31 March 2009, the Group had forfeited contributions of HK$104,000 available to reduce its contributions to the retirement benefit schemes in future years.

6. FINANCE COSTS

The finance costs represent interest on bank loans wholly repayable within five years.

7. INCOME 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 (2009: Nil). 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 (2009: Nil).

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

Basic loss per share

The calculation of the 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 of 760,373,321 (2009: 772,413,556) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution as the impact of the share options and convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**17,976**	34,289

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**760,373,321**	772,413,556

9. INTANGIBLE ASSETS

	HK$'000
Cost at 1 April 2009, net of accumulated amortisation and impairment	21,856
Additions	22
Amortisation during the year *(note 5)*	(789)
Exchange realignment	209
At 31 March 2010	21,298
At 31 March 2010:	
Cost	24,635
Accumulated amortisation and impairment	(3,337)
Net carrying amount	21,298
Cost at 1 April 2008, net of accumulated amortisation and impairment	19,261
Additions	4,664
Impairment during the year	(1,800)
Amortisation during the year *(note 5)*	(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

Impairment testing of intangible assets

During the year ended 31 March 2009, 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 was charged to the profit or loss.

10. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 *HK$'000*	2009 *HK$'000*
Trade receivables	**29,592**	30,055
Impairment	**(320)**	–
	29,272	30,055

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 end of the reporting period.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Within 30 days	**13,808**	15,120
31 – 60 days	**8,067**	8,948
61 – 90 days	**7,154**	4,203
91 – 120 days	**132**	1,731
Over 120 days	**111**	53
	29,272	30,055

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

	2010 *HK$'000*	2009 *HK$'000*
At beginning of the year	**–**	–
Impairment losses recognised *(note 5)*	**318**	–
Exchange realignment	**2**	–
At end of the year	**320**	–

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.

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

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,808**	15,120
Less than 1 month past due	**8,067**	8,948
1 to 3 months past due	**7,286**	5,934
Over 3 months past due	**111**	53
	29,272	30,055

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.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**1,049**	1,234
31 – 60 days	**1**	2
	1,050	1,236

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

12. CAPITAL COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK$292,983,000 (2009: HK$295,445,000) contracted but not provided for in the financial statements as at 31 March 2010. 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 2010.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

With the gradual recovery worldwide from the brunt of the financial tsunami, the Hong Kong economy has shown signs of recovery.

The unemployment rate dropped to 4.4% in the first quarter of 2010. The Hang Seng index surged over 50% on the massive rise of liquidity marking the highest annual gain in the past 10 years.

Soaring property prices, mainly attributable to the unprecedented capital inflow, has spurred government concern over the risk of an asset bubble. Investors have repeatedly been advised to consider their risk tolerance levels before making property investments.

In February 2010, a Provisional Minimum Wage Commission was appointed to give impartial advice to the government on the mechanism for determining the statutory minimum wage and the initial minimum wage rate. A report of the Commission is expected in the third quarter of the year.

The overall severity of H1N1 influenza pandemic turned out less than originally feared as the levels of severe illness from H1N1 appear similar to the local seasonal influenza period.

The economy in Mainland China continued its robust growth though the government objective of expanding domestic demand has encountered some impediments. To prevent the economy from overheating, the Central Government is contemplating certain measures to rein in economic growth/potential asset bubbles, including raising the bank deposit reserve ratio and transforming the previously loose monetary policy to a moderately loose one.

Highlights of the year under review within the Group's core businesses include progressively steady growth in our cleaning, pest management, and stone maintenance and care services as well as sales of a series of stone maintenance products of a celebrated brand from Italy.

Operating Results

The Group's turnover for the year ended 31 March 2010 amounted to HK$176,926,000, representing a 8.2% decrease as compared with last year. The loss for the Group for the year was HK$22,887,000 (2009: HK$37,937,000). Cleaning and related services business made a profit of HK$2,518,000 whereas the medical waste treatment business and the waste treatment business made losses of HK$3,503,000 and HK$11,842,000 respectively.

The cleaning and related services business has been the Group's main business over the years and has remained a solid contributor in generating turnover and producing a reasonable profit. The two medical waste treatment plants in Siping City and Suihua City are currently in operation and are expected to produce higher income over time.

Business Review

General cleaning service continued to be the principal business of the Group. We succeeded in the renewal and acquisition of two contracts for the provision of term cleaning staff for a prestigious office building in Central and a luxury apartment estate in Fotan, Shatin for a term of three years, with an option to renew for another three. We also won a bid for a two-year contract to service another grade-A commercial building in Central, owned and managed by a leading real estate developer. Several other existing contracts, set to expire during the year, were renewed for a term of one to two years.

The municipal waste treatment plant in Shuyang County, Jiangsu Province has commenced operation. Certain modifications to our existing equipment have been found to be necessary in order to cater for the specific content of the municipal solid wastes being delivered to the Shuyang Plant. After the soon-to-be-completed modifications, the Shuyang Plant will re-commence operation in the near future. The Group is now concentrating on the promotion and sale of organic fertilisers produced from the Shuyang Plant in Mainland China, Hong Kong and elsewhere in Asia.

Both medical waste treatment plants in Siping City and Suihua City have also been in operation and have brought in revenue to the Group.

For the sixth consecutive year, the Group has been honored as a 'Caring Company' by the Hong Kong Council of Social Service for our caring of the community, our employees as well as the environment.

Financial Review

As at 31 March 2010, the Group's cash and cash equivalents and pledged time deposits totalled HK$39,812,000 (31 March 2009: HK$61,845,000) and its current ratio was 3.04 (31 March 2009: 4.17). The Group's net assets decreased to HK$178,439,000 (31 March 2009: HK$195,622,000).

The Group did not have any bank borrowings as at 31 March 2010 and therefore, its gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 March 2009: nil). The Group's shareholders' equity amounted to HK$178,439,000 (31 March 2009: HK$195,622,000).

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 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 fluctuations of RMB will be mitigated as future revenues from the medical waste treatment business and waste treatment business are primarily in RMB, which can offset future liabilities and expenses.

As at 31 March 2010, the Group's banking facilities were secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to HK$4,002,000 (2009: HK$4,048,000); and

(ii) a corporate guarantee to the extent of HK$18 million (2009: 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 Group Ltd. ("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, a former owner of Peixin, has warranted certain targeted net profits of Shuyang ITAD Environmental Technology Limited ("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 the redemption price of HK$1 on the Maturity Date. There was no movement in the number of these convertible notes during the year.

During the year, the convertible notes have been adjusted downward by HK$65,000,000 due to the shortfall on targeted net profits based on the audited net loss of Shuyang ITAD for the year ended 31 December 2009 and the profit forecast for the year ending 31 December 2010 estimated by management. Accordingly, the equity component of the convertible notes of HK$65,000,000 was transferred to the merger reserve.

Contingent Liabilities

At the end of the reporting period, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,468,000 (2009: HK$1,159,000) in respect of certain services provided to various customers by the Group.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$1,532,000 as at 31 March 2010 (2009: HK$2,890,000). The contingent liability has arisen because, at the end of the reporting period, 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$865,000 (2009: HK$1,548,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2010.

(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 2009 and 2010.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2010 was 1,541 (31 March 2009: 2,031). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$159,202,000 (31 March 2009: HK$170,353,000). 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

Environmental Protection is of primary concern throughout the world today and is regarded as one of the stewardship duties of mankind. We believe that our municipal waste and medical waste treatment businesses are well-positioned, in line with the trend, towards sustainable growth.

Professional and effective management systems, which have been enhanced over years, have been a major competitive strength of our cleaning and related services. We are still aiming to secure contracts of middle to high-class properties and are confident that our market share in these areas will be enlarged.

The stone care and maintenance products formulated and manufactured by our business partner in Italy, have gradually earned recognition and acceptance in the market in view of their cost-effectiveness. Our Italian partner is introducing new products specially formulated to cater for the needs of the Asian market. The Group maintains an optimistic outlook about the prospects for market expansion in the years ahead.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 27 August 2010 to Tuesday, 31 August 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Tuesday, 31 August 2010, 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 Thursday, 26 August 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in 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, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. Dr Lo Kou Hong currently assumes the roles of both Chairman and Chief Executive Officer of the Company. He 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.

Detailed disclosure of the Company's corporate governance practice will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 March 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises 3 members, namely, Mr Cheng Kai Tai, Allen (Chairman of Audit Committee), Mr Chiu Wai Piu and Mr Wang Qi, who are independent non-executive directors of the Company. The Audit Committee has reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting processes including the review of the Company's consolidated financial statements for the year ended 31 March 2010.

DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, namely, Dr Lo Kou Hong, Ms Ko Lok Ping, Maria Genoveffa, Mr Leung Tai Tsan, Charles and Mr Cheung Pui Keung, James; two non-executive directors, namely, Professor Bai Qingzhong and Mr Xu Rong; and three independent non-executive directors, namely, Mr Cheng Kai Tai, Allen, Mr Chiu Wai Piu and Mr Wang Qi.

On behalf of the Board
Lo's Enviro-Pro Holdings Limited
Lo Kou Hong
Chairman

Hong Kong, 15 July 2010