



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

Interim Report

2007/2008





CORPORATE INFORMATION

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

P.C. Woo & Co

REGISTERED OFFICE

P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F Caltex House
258 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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.logroup.com



RESULTS

The board of directors (the “Board”) of Lo’s Enviro-Pro Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007 together with the comparative figures for the corresponding period of last year, as follows. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000 (Restated)
	Notes		
CONTINUING OPERATIONS			
REVENUE	3	92,574	74,215
Other income and gains	4	1,689	1,159
Staff costs		(79,640)	(63,825)
Depreciation		(744)	(807)
Impairment of goodwill		–	(126)
Other operating expenses		(16,393)	(11,721)
LOSS BEFORE TAX	5	(2,514)	(1,105)
Tax	6	–	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,514)	(1,105)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	(2,393)	(20,513)
LOSS FOR THE PERIOD		(4,907)	(21,618)
Attributable to:			
Equity holders of the parent		(4,912)	(17,595)
Minority interests		5	(4,023)
		(4,907)	(21,618)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8		
– For loss for the period		(HK0.66 cent)	(HK2.93 cents)
– For loss from continuing operations		(HK0.34 cent)	(HK0.18 cent)

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		11,394	3,503
Goodwill	14	39,185	–
Interest in an associate		–	–
Deposit paid for acquisition of plant and equipment		20,202	4,952
Total non-current assets		70,781	8,455
CURRENT ASSETS			
Financial asset at fair value through profit and loss		–	3,862
Due from a minority shareholder of a subsidiary	18(c)	2,448	–
Due from an associate	18(c)	1,043	1,043
Contract work in progress		–	1,535
Trade receivables	10	33,750	34,957
Prepayments, deposits and other receivables		4,211	3,159
Tax recoverable		30	29
Pledged time deposits	12	8,044	16,130
Cash and cash equivalents		93,202	38,285
Total current assets		142,728	99,000
CURRENT LIABILITIES			
Trade payables	11	2,957	9,597
Other payables and accrued liabilities		17,290	16,532
Due to a minority shareholder of subsidiaries	18(c)	–	1,088
Interest-bearing bank borrowings, secured	12	–	4,096
Total current liabilities		20,247	31,313
NET CURRENT ASSETS		122,481	67,687
TOTAL ASSETS LESS CURRENT LIABILITIES		193,262	76,142
NON-CURRENT LIABILITY			
Provision for long service payments		655	817
Net assets		192,607	75,325
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	7,854	3,627
Reserves		185,106	72,549
		192,960	76,176
Minority interests		(353)	(851)
Total equity		192,607	75,325

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the parent								
		Issued share capital	Share premium account	Share option reserve	Contributed surplus	Retained profits/ losses	Exchange fluctuation reserve	Total	Minority interests	Total equity
Notes		HK\$'000 (note (13))	HK\$'000 (note (13))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 April 2007 (audited)	3,627	53,467	2,021	26,758	(9,680)	(17)	76,176	(851)	75,325
	Exchange realignment and total income and expenses for the period recognised directly in equity (unaudited)	-	-	-	-	-	(204)	(204)	-	(204)
	Loss for the period (unaudited)	-	-	-	-	(4,912)	-	(4,912)	5	(4,907)
	Total income and expense for the period (unaudited)	3,627	53,467	2,021	26,758	(14,592)	(221)	71,060	(846)	70,214
	Issue of shares (unaudited)	13	4,227	114,973	-	-	-	119,200	-	119,200
	Share issue expenses (unaudited)	13	-	(1,345)	-	-	-	(1,345)	-	(1,345)
	Equity-settled share option arrangements (unaudited)		-	-	4,045	-	-	4,045	-	4,045
	Disposal of a subsidiary (unaudited)		-	-	-	-	-	-	485	485
	Acquisition of a subsidiary (unaudited)	14	-	-	-	-	-	-	8	8
	At 30 September 2007 (unaudited)	7,854	167,095*	6,066*	26,758*	(14,592)*	(221)*	192,960	(353)	192,607
	At 1 April 2006 (audited)	3,000	17,138	1,669	26,758	24,490	-	73,055	(485)	72,570
	Loss for the period (unaudited)	-	-	-	-	(17,595)	-	(17,595)	(4,023)	(21,618)
	Equity-settled share option arrangements (unaudited)		-	-	(152)	-	-	(152)	-	(152)
	At 30 September 2006 (unaudited)	3,000	17,138	1,517	26,758	6,895	-	55,308	(4,508)	50,800

The Group's contributed surplus represents the difference between the nominal value of the shares of subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* These reserve amounts comprise the consolidated reserves of HK\$185,106,000 in the condensed consolidated balance sheet as at 30 September 2007.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(8,700)	(20,604)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(30,730)	(5,222)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>94,551</u>	<u>5,058</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	55,121	(20,768)
Cash and cash equivalents at beginning of period	38,285	32,092
Effect of foreign exchange rate changes, net	<u>(204)</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>93,202</u>	<u>11,324</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,901	18,432
Non-pledged time deposits with original maturity of less than three months when acquired	79,301	—
Bank overdrafts	<u>—</u>	<u>(7,108)</u>
	<u>93,202</u>	<u>11,324</u>



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group’s annual financial statements for the year ended 31 March 2007, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations (“Ints”)) that affect the Group and are adopted for the first time for the current period’s condensed consolidated financial statements as disclosed in note 2 below.

2. IMPACT OF NEW OR REVISED HKFRSs

The HKICPA has issued a number of new or revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2007. The Group has adopted the following new or revised HKFRSs which are relevant to its operations:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new or revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

Besides, the Group has not early adopted the following new or revised HKFRSs, which have been issued but not yet effective, in these condensed consolidated financial statements:

HKAS 23 (Revised)	Borrowing Cost
HKFRS 8	Operating Segments
HK(IFRIC) – Int 12	Service Concession Arrangement
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of these new or revised HKFRSs is not expected to result in material impact on the Group’s financial statements in the period of initial application.

3. SEGMENT INFORMATION

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. The following table presents revenue and results for the Group's primary segments for the six months ended 30 September 2007 and 2006.

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	Cleaning and related services		Building maintenance and renovation			
	2007	2006	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Service income from external customers	92,574	74,215	6,507	12,946	99,081	87,161
Other income and gains	350	449	17	1	367	450
Total	92,924	74,664	6,524	12,947	99,448	87,611
Segment results	1,367	992	(1,751)	(20,246)	(384)	(19,254)
Interest income and unallocated gains					1,339	710
Corporate and other unallocated expenses					(5,220)	(2,807)
Loss on disposal of a disposal group	-	-	(634)	-	(634)	-
Finance costs	-	-	(8)	(267)	(8)	(267)
Loss before tax					(4,907)	(21,618)
Tax					-	-
Loss for the period					(4,907)	(21,618)



4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	1,339	710
Management fee received	200	350
Fair value gain on a financial asset at fair value through profit and loss	21	–
Gain on disposal of items of property, plant and equipment	1	17
Foreign exchange gains	74	–
Sundry income	71	83
	<u>1,706</u>	<u>1,160</u>
Attributable to continuing operations reported in the consolidated income statement	1,689	1,159
Attributable to a discontinued operation (<i>note 7</i>)	17	1
	<u>1,706</u>	<u>1,160</u>

5. LOSS BEFORE TAX

The Group's loss before tax for the period, including the loss before tax for the period from a discontinued operation, is arrived at after charging cost of services rendered of approximately HK\$93,095,000 (2006: HK\$90,980,000).

6. 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 period (2006: Nil).

7. DISCONTINUED OPERATION

On 28 September 2007, the Group disposed of its equity interest in Best Crown International Limited ("Best Crown") and its subsidiary (collectively "Best Crown group") for cash consideration of HK\$10,000, resulting in a loss on disposal of subsidiaries of HK\$634,000. Best Crown group engaged in the provision of building maintenance and renovation services and was a separate business segment that was 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.

7. DISCONTINUED OPERATION (Continued)

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	6,507	12,946
Other income	17	1
Staff costs	(314)	(742)
Direct costs of contract works performed	(7,876)	(24,739)
Depreciation	(20)	(32)
Impairment of trade receivables and bad debts written off	–	(6,009)
Impairment of other receivables	–	(870)
Finance costs:		
Interest on bank overdrafts and bank loans wholly repayable within five years	(8)	(267)
Other operating expenses	(65)	(801)
Loss of the discontinued operation	(1,759)	(20,513)
Loss on disposal of a disposal group	(634)	–
Loss before tax from the discontinued operation	(2,393)	(20,513)
Tax	–	–
Loss for the period from the discontinued operation	(2,393)	(20,513)
Attributable to:		
Equity holders of the parent	(2,393)	(16,490)
Minority interests	–	(4,023)
	(2,393)	(20,513)

The net cash flows incurred by Best Crown group are as follows:

	For the six months ended 30 September	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Operating activities	3,930	(12,238)
Investing activities	10	3
Financing activities	(4,104)	12,166
Net cash outflow	(164)	(69)
Basic loss per share from discontinued operation	(HK0.32 cent)	(HK2.75 cents)



7. DISCONTINUED OPERATION (Continued)

The calculation of basic loss per share amount from discontinued operation for the period is based on the loss from discontinued operation attributable to the ordinary equity holders of the parent of approximately HK\$2,393,000 (2006: HK\$16,490,000), and the weighted average number of approximately 739,021,202 (2006: 600,000,000) ordinary shares in issue during the period, as adjusted to reflect the bonus issue during the period.

Diluted loss per share

Diluted loss per share amounts from discontinued operation for the periods ended 30 September 2007 and 2006 have not been disclosed, as the options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

8. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the bonus issue during the period.

The calculations of basic loss per share are based on:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	(2,519)	(1,105)
From a discontinued operation	(2,393)	(16,490)
	<hr/>	<hr/>
Loss attributable to ordinary equity holders of the parent	(4,912)	(17,595)

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)

Shares

Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	739,021,202	600,000,000
	<hr/>	<hr/>

Diluted loss per share

Diluted loss per share amounts for the periods ended 30 September 2007 and 2006 have not been disclosed, as the options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.



9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months period ended 30 September 2007 (2006: Nil).

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 90 days for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	17,676	16,467
31 – 60 days	8,707	12,857
61 – 90 days	4,942	1,521
91 – 120 days	636	521
Over 120 days	1,789	13,213
	33,750	44,579
Less: Provision for impairment of trade receivables	–	(9,622)
	33,750	34,957

As at 31 March 2007, the Group's trade receivables included an amount due from a related company, Martech Building Consultants Limited ("Martech Building"), of which two minority shareholders of a non-wholly-owned subsidiary of the Company are directors, of HK\$5,650,000. The amount was repayable on similar credit terms to those offered to the major customers of the Group. Full provision for impairment of HK\$5,650,000 had been made for the amount due from Martech Building during the year ended 31 March 2007. Martech Building ceased to be a related company of the Group after the disposal of the Group's equity interest in Best Crown group as disclosed in note 7. Please refer to note 18(b) for details of related party transaction with Martech Building.



11. TRADE PAYABLES

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

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	2,439	6,838
31 – 60 days	503	865
61 – 90 days	15	690
91 – 120 days	–	461
Over 120 days	–	743
	2,957	9,597

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

12. INTEREST-BEARING BANK BORROWINGS, SECURED

	Effect		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	interest rate	Maturity		
	(%)			
Trust receipt loans – secured	Prime	April to May 2007	–	4,096

At 30 September 2007, the Group's banking facilities were secured by the following:

- (i) the pledge of certain of the Group's time deposits amounting to HK\$8,044,000 (31 March 2007: HK\$16,130,000); and
- (ii) a corporate guarantee to the extent of HK\$18 million (31 March 2007: HK\$27 million) executed from the Company.

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

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



13. SHARE CAPITAL

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 March 2007: 1,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>10,000</u>
Issued and fully paid:		
785,360,000 (31 March 2007: 362,680,000) ordinary shares of HK\$0.01 each	<u>7,854</u>	<u>3,627</u>

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

- (a) Pursuant to an ordinary resolution passed on 29 August 2007, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$20,000,000 by the creation of 1,000,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) A bonus share for every existing share held by the members on the register of members of the Company on 29 August 2007 was made, resulting in the issue of 392,680,000 ordinary shares of HK\$0.01 each (the "Bonus Issue"). These bonus shares were credited as fully paid by a capitalisation of HK\$3,927,000 from the Company's share premium account.
- (c) 5,000,000 ordinary shares of HK\$0.01 each were issued as part of the consideration for acquisition of Seasun Group Limited ("Seasun"). Further details of the acquisition are included in note 14 to the condensed consolidated interim financial statements.
- (d) 25,000,000 ordinary shares of HK\$0.01 each were issued at price of HK\$4 each to certain independent third parties and existing shareholders for a total cash consideration, before expenses, of HK\$100,000,000.

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

13. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 October 2006	300,000,000	3,000	17,138	20,138
Issue of shares	60,000,000	600	36,000	36,600
Share options exercised	2,680,000	27	1,447	1,474
	<u>362,680,000</u>	<u>3,627</u>	<u>54,585</u>	<u>58,212</u>
Share issue expenses	–	–	(1,371)	(1,371)
Transfer of share option reserve	–	–	253	253
At 31 March 2007 and 1 April 2007	<u>362,680,000</u>	<u>3,627</u>	<u>53,467</u>	<u>57,094</u>
Issue of shares for acquisition of a subsidiary (c)	5,000,000	50	19,150	19,200
Issue of shares (d)	25,000,000	250	99,750	100,000
Bonus issue (b)	392,680,000	3,927	(3,927)	–
Share issue expenses	–	–	(1,345)	(1,345)
At 30 September 2007	<u>785,360,000</u>	<u>7,854</u>	<u>167,095</u>	<u>174,949</u>

Employee 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.

As at 1 April 2007, there were 24,400,000 share options under the Share Option Scheme. During the six months ended 30 September 2007, 244,000 share options were lapsed upon resignation of certain employees of the Group. As a result of the issue of bonus shares as detailed in note 13(b) above, the number of share options and the exercise prices of the share options granted under the Share Option Scheme have been adjusted. Accordingly, the Company had 48,372,000 (31 March 2007: 24,400,000) share options outstanding under the Share Option Scheme as at the balance sheet date. The exercise in full of the remaining share options would under the present capital structure of the Company, result in the issue of 48,372,000 (31 March 2007: 24,400,000) additional ordinary shares of the Company and additional share capital of HK\$484,000 (31 March 2007: HK\$244,000) and share premium of HK\$38,515,000 (31 March 2007: HK\$39,326,000) (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 48,312,000 share options outstanding under the existing Share Option Scheme, which represented approximately 6.15% of the Company's shares in issue as at that date.

14. BUSINESS COMBINATION

On 27 April 2007, Victory Joy International Limited ("Victory Joy"), a wholly-owned subsidiary of the Group, and Tsinghua Daring (China) Holdings Limited ("Tsinghua Daring China"), a related company of the Group of which certain ultimate beneficial owners of Tsinghua Daring China are also ultimate beneficial owners controlling a minority shareholder of the Group's non-wholly-owned subsidiary, entered into a sale and purchase agreement. Pursuant to that sale and purchase agreement, Victory Joy agreed to acquire 65% equity interest in Seasun, a wholly-owned subsidiary of Tsinghua Daring China which is incorporated in the British Virgin Islands with limited liability, from Tsinghua Daring China for a consideration which was satisfied by (i) cash of HK\$20,000,000, and (ii) the issuance of 5,000,000 new ordinary shares of the Company with market price on the date of issuance of HK\$3.84 each, resulting a total fair value of HK\$19,200,000.

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

		Fair value recognised on acquisition	Carrying amount
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other receivables		23	23
Minority interests		(8)	(8)
		<hr/>	<hr/>
		15	15
		<hr/>	<hr/>
Goodwill on acquisition		39,185	
		<hr/>	
		39,200	
		<hr/>	
Satisfied by:			
Cash consideration		20,000	
Issue of ordinary shares	<i>13(c)</i>	19,200	
		<hr/>	
		39,200	
		<hr/>	

Since its acquisition, Seasun remained dormant and did not contribute any revenue and profit to the Group for the period ended 30 September 2007.

Had the combination taken place at the beginning of the period, the Group's revenue and profit from continuing operations for the period would have been similar to the current period actual amount.



15. CONTINGENT LIABILITIES

At the balance sheet date, the Group's contingent liabilities are as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$931,000 (31 March 2007: HK\$1,972,000) in respect of certain services provided to various customers by the Group.
- (ii) 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 30 September 2007 and 31 March 2007.

16. 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 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases due as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within one year	319	512
In the second to fifth years, inclusive	413	762
	732	1,274

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$291,801,000 (31 March 2007: HK\$3,572,000) contracted but not provided for in the condensed consolidated interim financial statements as at 30 September 2007.



18. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Management fee income	<i>(i)</i>	150	300
Rental expenses	<i>(ii)</i>	60	240

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 areas occupied.
- (b) Other transaction with a related party:

During the period ended 30 September 2006, progress billings of building maintenance and renovation works amounting to HK\$252,000 were issued to Martech Building, a related company of which two minority shareholders of a non-wholly-owned subsidiary of the Company were directors. Martech Building ceased to be a related company of the Group after the disposal of the Group's equity interest in Best Crown group as disclosed in note 7 to the condensed consolidated interim financial statements.

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



18. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

The amount due from an associate is unsecured, bears interest at a rate of 5% per annum and is repayable on or before 14 November 2008 (31 March 2007: unsecured, bore interest at a rate of 5% per annum and was repayable on 14 November 2007).

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

The amount due to a minority shareholder of subsidiaries as at 31 March 2007 was unsecured, interest-free and had no fixed terms of repayment.

The carrying amounts of these balances with related parties approximate to their fair values.

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

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	728	2,834
Post-employment benefits	67	175
Share-based payments	3,781	—
Total compensation paid to key management personnel	<u>4,576</u>	<u>3,009</u>

19. COMPARATIVE AMOUNTS

The comparative condensed consolidated income statement has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 7).

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 December 2007.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

In the six months under review, with exports, consumer demand and investment growing strong and despite the looming concern that the sub-prime property market in the United States might affect the global economy, the Hong Kong economy performed better than expected. The economy in Mainland China also made fast progress even in the face of continual introduction of macroeconomic policies by the government to cool down overheated economic activities.

In Hong Kong, as the economy strengthened and unemployment rate fell, commodity prices and wages rose and so did inflation. A mid-term review of the Wage Protection Movement, launched by the government in October 2006 for a term of two years, had been taken in October 2007 and a final review will be conducted in October 2008. Discussion on minimum wage legislation for two “low-pay occupations – cleaners and security guards” has started. Competition in the cleaning service sector has intensified commanding competitive bids and squeezing earning margins. As for the stone finishing care, maintenance and restoration segment, it has relatively more handsome profit margin and grew at a satisfactory pace during the review period. The environmental protection segment in Mainland China also continued on the growth track.

Operating Results

The Group's turnover for the six months ended 30 September 2007 amounted to HK\$92,574,000, representing a 24.7% increase as compared with the same period last year. A net loss of HK\$4,907,000 was recorded against a net loss of HK\$21,618,000 for the same period last year. The Group had, in effect, turned around its business to profit in the amount of HK\$1,477,000 for the current period, but unfortunately this profit was offset by the loss of HK\$2,393,000 incurred by the discontinued business of building maintenance and renovation and the charge to the income statement of share option expenses of HK\$3,991,000, resulting in HK\$4,907,000 in net loss for the period. The turnaround was achieved as the Group was able to secure some major new contracts and renewed some existing contracts at better prices for its cleaning and related business. Its reputation and strengths in delivering excellent and reliable services and effectiveness in reducing costs to assure competitive service charges were factors behind the new contract wins and renewal. We are optimistic about the prospects of our cleaning service business in the foreseeable future. During the period, the Group continued to exercise financial control and strive for higher operational efficiency so as to enhance competitiveness and increase market share.



Business Review

Despite the difficult operating environment in the cleaning service industry with room for expansion shrinking, the Group was still able to obtain and renew several major contracts with clients, including two luxurious residential estates and a top-notch shopping mall in West Kowloon, the biggest residential estate in terms of number of flats in Tseung Kwan O, an Academy of Medicine Building in Wong Chuk Hang, and the biggest flight kitchen in Chek Lap Kok.

During the period under review, the Group completed the marble restoration works including marble and granite finishing in the entrance hall, lift lobbies and linking foot-bridges for a bank building in Central District in July and the marble floor repolishing works for a luxurious shopping mall in West Kowloon of floor area over 1 million square feet in September. Excellent delivery of phase one of marble restoration works for a prestigious shopping mall on the Peak had earned for the Group the contract for the second phase.

The medical waste treatment business of the Group in Mainland China has been developing on track. Construction of the Group's first commercial non-incineration medical waste treatment centre in Siping City, Jilin Province was completed and is expected to bring in revenue for the Group from the second half of 2007/2008. It marked the Group's formal entry into the environmental protection business. The construction of two other medical wastes treatment plants in Heilongjiang Province are underway and are expected to be completed in the first half of 2008/2009. The Group is exploring opportunities of acquiring licenses from operators of medical wastes treatment centres to hasten expansion of the business and making progress. The Group is confident that the medical waste treatment business will become another major revenue source in the not too distant future.

The Group disposed of its entire interest in Best Crown and its subsidiary Mak Tai Construction & Engineering Limited on 28 September 2007 as the Group has now ceased the building and maintenance and renovation business after finishing all the contracts on hand. This marked the exit of the Group from the said business.

For the fourth consecutive year, the Group was nominated by the Mental Health Association of Hong Kong for the "Caring Company Scheme" run by the Hong Kong Council of Social Service. Care for the community is one of the Group's core values.



Financial Review

As at 30 September 2007, the Group's financial position was sound with current ratio at 7.0 (31 March 2007: 3.2). Cash and cash equivalents and pledged time deposits totalled approximately HK\$101,246,000 (31 March 2007: approximately HK\$54,415,000). The Group did not have any bank borrowing as at 30 September 2007 and therefore, the Group's gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 March 2007: total bank borrowings was \$4,096,000 and the gearing ratio was 5.44%). The Group's shareholders' equity amounted to HK\$192,607,000 as at 30 September 2007 (31 March 2007: HK\$75,325,000).

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

As at 30 September 2007, the Group's banking facilities were secured by the following:

- (i) pledge of certain of the Group's time deposits amounting to HK\$8,044,000 (31 March 2007: HK\$16,130,000); and
- (ii) a corporate guarantee to the extent of HK\$18 million (31 March 2007: HK\$27 million) executed from the Company.

Bonus Share Issue and Capital Structure

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

Issue of New Shares

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

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



Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2007 was 2,187 (31 March 2007: HK\$2,137). Total staff costs, including director's emoluments and net pension contributions, for the period under review amounted to HK\$79,640,000 (30 September 2006: HK\$63,825,000). The Group provides employees with training programmes on latest skills.

Staff remunerations are commensurate with the nature of jobs, experience and market conditions. Performance related bonuses are granted to some 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

The cleaning service business is expected to face yet more intense competition. However, with a well-established reputation and recognised professionalism, in particular in the middle to high-end cleaning service market, the Group is confident of maintaining steady growth of the business in the years ahead. The highly humid weather in Hong Kong calls for diligent maintenance and regular restoration of stone finishings. Thus, the Group is also optimistic that its stone care business will continue on the up trend in the foreseeable future.

The Group's medical wastes processing operation in Mainland China uses steam-based technology which is not only environmentally friendly but also of low cost. It is leading the mainland market in employing low-cost technology to replace the more expensive incineration technologies, some of which falling behind increasingly stringent emission requirements. In addition to introducing the state-of-the-art technology to cities new to it, the Group is also targeting to take over incineration plants with difficulty meeting current requirements and replacing their facilities with the steam-based system. Proper handling of certain medical wastes is deemed critical by the Chinese Government for safeguarding public health amid threats of different contagious diseases. We are confident that the Group's competence in appropriate treatment of such wastes will lead to a sizeable market share in the medical waste processing segment in China.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

As set out in note 13 to these interim financial statements, the Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (including employees and directors of the Group and other eligible persons specified in the Share Option Scheme) who contribute to the success of the Group's operations.

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

Name or category of participants	Number of share options					At 30 September 2007	Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options ⁽²⁾ <i>HK\$ per share</i>
	At 1 April 2007	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Adjustment on Bonus Issue				
Directors									
Dr. Lo Kou Hong	3,000,000	-	-	-	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>	<u>9,400,000</u>			
Ms. Ko Lok Ping, Maria Genoveffa	3,000,000	-	-	-	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	340,000	-	-	-	340,000	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>	<u>9,400,000</u>			
Mr. Leung Tai Tsan, Charles	3,000,000	-	-	-	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>8,000,000</u>			

SHARE OPTION SCHEME (Continued)

Name or category of participants	Number of share options					At 30 September 2007	Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options ⁽²⁾ <i>HK\$ per share</i>
	At 1 April 2007	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Adjustment on Bonus Issue				
Directors									
Mr. Cheung Pui Keung, James	3,000,000	-	-	-	3,000,000	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	200,000	-	-	-	200,000	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>8,000,000</u>			
Other employees									
In aggregate	880,000	-	-	(14,000)	866,000	1,732,000	12-5-05	22-4-05 to 21-4-15	0.275
	1,224,000	-	-	(46,000)	1,190,000	2,368,000	22-2-07	22-2-08 to 21-2-12	1.41
	1,224,000	-	-	(46,000)	1,190,000	2,368,000	22-2-07	22-2-09 to 21-2-12	1.41
	1,224,000	-	-	(46,000)	1,190,000	2,368,000	22-2-07	22-2-10 to 21-2-12	1.41
	1,224,000	-	-	(46,000)	1,190,000	2,368,000	22-2-07	22-2-11 to 21-2-12	1.41
	1,224,000	-	-	(46,000)	1,190,000	2,368,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>(244,000)</u>	<u>6,816,000</u>	<u>13,572,000</u>			
	<u>24,400,000</u>	<u>-</u>	<u>-</u>	<u>(244,000)</u>	<u>24,216,000</u>	<u>48,372,000</u>			

Notes:

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share options has been adjusted due to the Bonus Issue.



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

At 30 September 2007, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of shares	Percentage of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	420,000,000 (Note (1))	53.47%
	Long	Interest of spouse	1,700,000 (Note (2))	0.22%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	420,000,000 (Note(1))	53.47%
	Long	Beneficial owner	1,700,000 (Note(2))	0.22%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	280,000	0.04%

Notes:

- (1) These shares were owned by The Lo's Family Limited as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members.

Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, and Ms. Ko Lok Ping, Maria Genoveffa, as one of the beneficiaries of The Lo's Family Trust, were deemed to be interested in the shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

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

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

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

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	9,400,000	1.19%
	Long	Interest of spouse	9,400,000 <i>(Note (1))</i>	1.19%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.19%
	Long	Interest of spouse	9,400,000 <i>(Note (2))</i>	1.19%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	8,000,000	1.01%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	8,000,000	1.01%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed under the paragraph headed "Share Option Scheme" above.

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.

In addition to the above, as at 30 September 2007, certain director(s) of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

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

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 September 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights during the six months ended 30 September 2007.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2007, the following interests of 5% or more in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO (after taking account of the Bonus Issue):

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
The Lo's Family Limited	Long	Trustee	420,000,000 (Note (1))	53.47%
Equity Trustee Limited	Long	Trustee	420,000,000 (Note (1))	53.47%
Galaxy China Opportunities Fund	Long	Beneficial owner	57,026,000	7.35% (Note (2))

Notes:

- (1) These shares were owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust, of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust.

Such interest was also disclosed as the interest of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests in the shares and underlying shares of the Company".

- (2) The percentage was stated in the disclosure form sent to the Company. Based on the Company's total issued share capital as at 30 September 2007, such percentage would be 7.26%.

Save as disclosed above, as at 30 September 2007, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company", had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the “Own Code”) on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standard set out in the Model Code. For this purpose, “Relevant Employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.

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 contained in Appendix 14 of the Main Board Listing Rules, except that there is no separation of the role of the Chairman and Chief Executive Officer as laid down in the code provision A.2.1. Dr Lo Kou Hong currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure 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 Company.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely Mr Cheng Kai Tai, Allen (Chairman of the Audit Committee), Mr Chiu Wai Piu and Mr Wang Qi, has reviewed with the senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 12 December 2007