



**LO'S ENVIRO-PRO HOLDINGS LIMITED**

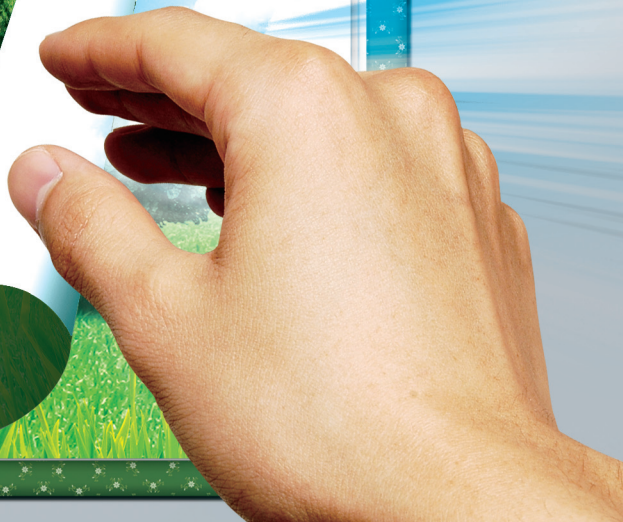
**勞氏環保控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 309

Interim Report

**2008/09**



## 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

Arculli Fong & Ng

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F Caltex House  
258 Hennessy Road  
Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield 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](http://www.losgroup.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 2008 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

		<b>For the six months ended 30 September</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	<b>91,158</b>	92,574
Other income and gains	4	<b>924</b>	1,689
Staff costs		<b>(82,587)</b>	(79,640)
Depreciation		<b>(1,609)</b>	(744)
Other operating expenses		<b>(15,331)</b>	(16,393)
LOSS BEFORE TAX	5	<b>(7,445)</b>	(2,514)
Tax	6	<b>–</b>	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		<b>(7,445)</b>	(2,514)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation	7	<b>–</b>	(2,393)
LOSS FOR THE PERIOD		<b>(7,445)</b>	(4,907)
Attributable to:			
Equity holders of the parent		<b>(6,371)</b>	(4,912)
Minority interests		<b>(1,074)</b>	5
		<b>(7,445)</b>	(4,907)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8		
– For loss for the period		<b>(HK0.81 cent)</b>	(HK0.66 cent)
– For loss from continuing operations		<b>N/A</b>	(HK0.34 cent)

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>24,456</b>	23,711
Deposit paid for acquisition of plant and equipment		<b>14,514</b>	14,942
<b>Total non-current assets</b>		<b>38,970</b>	38,653
<b>CURRENT ASSETS</b>			
Due from an associate		<b>822</b>	822
Trade receivables	10	<b>35,372</b>	40,226
Prepayments, deposits and other receivables		<b>4,605</b>	1,899
Pledged time deposits	11	<b>4,037</b>	4,022
Cash and cash equivalents		<b>80,917</b>	80,632
<b>Total current assets</b>		<b>125,753</b>	127,601
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>1,468</b>	827
Other payables and accrued liabilities		<b>19,932</b>	18,308
<b>Total current liabilities</b>		<b>21,400</b>	19,135
<b>NET CURRENT ASSETS</b>		<b>104,353</b>	108,466
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>143,323</b>	147,119
<b>NON-CURRENT LIABILITY</b>			
Provision for long service payments		<b>1,630</b>	811
<b>Net assets</b>		<b>141,693</b>	146,308
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	13	<b>7,837</b>	7,837
Reserves		<b>137,967</b>	141,745
		<b>145,804</b>	149,582
<b>Minority interests</b>		<b>(4,111)</b>	(3,274)
<b>Total equity</b>		<b>141,693</b>	146,308

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued share capital	Share premium account	Share option reserve	Contributed surplus	Accumulated losses	Exchange fluctuation reserve	Total		
	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 2008 (audited)	7,837	167,095	9,933	26,775	(63,159)	1,101	149,582	(3,274)	146,308
Exchange realignment and total income and expenses for the period recognized directly in equity (unaudited)	-	-	-	-	-	289	289	237	526
Loss for the period (unaudited)	-	-	-	-	(6,371)	-	(6,371)	(1,074)	(7,445)
Total income and expense for the period (unaudited)	-	-	-	-	(6,371)	289	(6,082)	(837)	(6,919)
Equity-settled share option arrangements (unaudited)	-	-	2,304	-	-	-	2,304	-	2,304
At 30 September 2008 (unaudited)	<u>7,837</u>	<u>167,095*</u>	<u>12,237*</u>	<u>26,775*</u>	<u>(69,530)*</u>	<u>1,390*</u>	<u>145,804</u>	<u>(4,111)</u>	<u>141,693</u>
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 recognized 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)	-	-	-	-	(4,912)	(204)	(5,116)	5	(5,111)
Issue of shares (unaudited)	4,227	114,973	-	-	-	-	119,200	-	119,200
Share issue expenses (unaudited)	-	(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)	-	-	-	-	-	-	-	8	8
At 30 September 2007 (unaudited)	<u>7,854</u>	<u>167,095</u>	<u>6,066</u>	<u>26,758</u>	<u>(14,592)</u>	<u>(221)</u>	<u>192,960</u>	<u>(353)</u>	<u>192,607</u>

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\$137,967,000 in the condensed consolidated balance sheet as at 30 September 2008.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,136	(8,700)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(922)	(30,730)
NET CASH INFLOW FROM FINANCING ACTIVITIES	—	94,551
NET INCREASE IN CASH AND CASH EQUIVALENTS	214	55,121
Cash and cash equivalents at beginning of period	80,632	38,285
Effect of foreign exchange rate changes, net	71	(204)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	80,917	93,202
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,962	13,901
Non-pledged time deposits with original maturity of less than three months when acquired	50,955	79,301
	80,917	93,202

## 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 2008, 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 AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements.

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

The adoption of these new interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim 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 interim financial statements. Among the new and revised HKFRSs, only HKFRS 8 and HKAS 1 (Revised) are relevant to the Group's financial statements upon them become effective:

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

## 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

The Group has not early adopted these new HKFRSs in the financial statements for the period ended 30 June 2008. 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.



### 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 2008 and 2007.

	Continuing operations						Discontinued operation			
	Cleaning and related services		Medical waste treatment		Total		Building maintenance and renovation		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Service income from external customers	90,460	92,574	698	-	91,158	92,574	-	6,507	91,158	99,081
Other income and gains	231	350	125	-	356	350	-	17	356	367
<b>Total</b>	<b>90,691</b>	<b>92,924</b>	<b>823</b>	<b>-</b>	<b>91,514</b>	<b>92,924</b>	<b>-</b>	<b>6,524</b>	<b>91,514</b>	<b>99,448</b>
Segment results	965	1,367	(2,408)	-	(1,443)	1,367	-	(1,751)	(1,443)	(384)
Interest income and unallocated gains									568	1,339
Corporate and other unallocated expenses									(6,570)	(5,220)
Loss on disposal of a disposal group					-	-	-	(634)	-	(634)
Finance costs					-	-	-	(8)	-	(8)
Loss before tax									(7,445)	(4,907)
Tax									-	-
<b>Loss for the period</b>									<b>(7,445)</b>	<b>(4,907)</b>

#### 4. OTHER INCOME AND GAINS

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Bank interest income	568	1,339
Management fee received	200	200
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
Foreign exchange gains	–	74
Sundry income	156	71
	<b>924</b>	<b>1,706</b>
Attributable to continuing operations reported in the consolidated income statement	924	1,689
Attributable to a discontinued operation (note 7)	–	17
	<b>924</b>	<b>1,706</b>

#### 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\$82,005,000 (2007: HK\$93,095,000).

#### 6. TAX

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

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	–	6,507
Other income	–	17
Staff costs	–	(314)
Direct costs of contract works performed	–	(7,876)
Depreciation	–	(20)
Impairment of trade receivables and bad debts written off	–	–
Impairment of other receivables	–	–
Finance costs:		
Interest on bank overdrafts and bank loans wholly repayable within five years	–	(8)
Other operating expenses	–	(65)
	<hr/>	<hr/>
Loss of the discontinued operation	–	(1,759)
Loss on disposal of a disposal group	–	(634)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	–	(2,393)
Tax	–	–
	<hr/>	<hr/>
Loss for the period from the discontinued operation	–	(2,393)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent	–	(2,393)
Minority interests	–	–
	<hr/>	<hr/>
	–	(2,393)
	<hr/>	<hr/>

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

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating activities	–	3,930
Investing activities	–	10
Financing activities	–	(4,104)
	<hr/>	<hr/>
Net cash outflow	–	(164)
	<hr/>	<hr/>
Basic loss per share from discontinued operation	<b>N/A</b>	<b>(HK0.32 cent)</b>
	<hr/>	<hr/>

## 7. DISCONTINUED OPERATION (Continued)

The calculation of basic loss per share from discontinued operation for the six months ended 30 September 2007 is based on the loss from discontinued operation attributable to the ordinary equity holders of the parent of approximately HK\$2,393,000, and the weighted average number of approximately 739,021,202 ordinary shares in issue, as adjusted to reflect the bonus issue during the six months ended 30 September 2007.

### Diluted loss per share

Diluted loss per share from discontinued operation for the period ended 30 September 2007 has not been disclosed, as the options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

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

### Basic loss per share

The calculation of basic loss per share 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 six months ended 30 September 2007.

The calculations of basic loss per share are based on:

	<b>For the six months ended 30 September 2008 (Unaudited) HK\$'000</b>	<b>2007 (Unaudited) HK\$'000</b>
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	(6,371)	(2,519)
From a discontinued operation	—	(2,393)
	<u>(6,371)</u>	<u>(4,912)</u>
Loss attributable to ordinary equity holders of the parent	<u>(6,371)</u>	<u>(4,912)</u>
	<b>For the six months ended 30 September 2008 (Unaudited)</b>	<b>2007 (Unaudited)</b>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>783,692,000</u>	<u>739,021,202</u>

### Diluted loss per share

Diluted loss per share for the periods ended 30 September 2008 and 2007 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 ended 30 September 2008 (2007: 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:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	<b>31 March 2008 (Audited) HK\$'000</b>
Within 30 days	<b>14,963</b>	14,207
31 – 60 days	<b>9,682</b>	9,991
61 – 90 days	<b>5,662</b>	7,575
91 – 120 days	<b>3,815</b>	3,612
Over 120 days	<b>1,250</b>	4,841
	<b>35,372</b>	40,226
Less: Provision for impairment of trade receivables	–	–
	<b>35,372</b>	40,226

## 11. PLEDGED TIME DEPOSITS

The Group's banking facilities amounting to HK\$10 million (31 March 2008: HK\$10 million), of which no banking facilities (31 March 2008: Nil) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's time deposits amounting to HK\$4,037,000 (31 March 2008: HK\$4,022,000) and a corporate guarantee to the extent of HK\$18 million (31 March 2008: HK\$18 million).

## 12. TRADE PAYABLES

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

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Within 30 days	1,290	789
31 – 60 days	161	38
61 – 90 days	–	–
91 – 120 days	17	–
Over 120 days	–	–
	<u>1,468</u>	<u>827</u>

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

## 13. SHARE CAPITAL

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Unaudited) HK\$'000
Authorised:		
2,000,000,000 (31 March 2008: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:		
783,692,000 (31 March 2008: 783,692,000) ordinary shares of HK\$0.01 each	<u>7,837</u>	<u>7,837</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 2008, there were 48,132,000 share options under the Share Option Scheme. During the six months ended 30 September 2008, 400,000 share options were lapsed upon resignation of certain employees of the Group. As at 30 September 2008, there were 47,732,000 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 issue of 47,732,000 additional ordinary shares of the Company and additional share capital of HK\$477,000 and share premium of HK\$37,619,000 (before issue expenses).



### 13. SHARE CAPITAL (Continued)

#### Employee share option scheme (Continued)

At the date of approval of these condensed consolidated interim financial statements, the Company had 47,732,000 share options outstanding under the existing Share Option Scheme, which represented approximately 6.13% of the Company's shares in issue as at that date.

### 14. 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\$1,065,000 (31 March 2008: HK\$1,065,000) 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 2008 and 31 March 2008.

### 15. 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 the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases due as follows:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Within one year	443	505
In the second to fifth years, inclusive	<u>80</u>	<u>270</u>
	<u><b>523</b></u>	<u>775</u>

### 16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$291,685,000 (31 March 2008: HK\$292,415,000) contracted but not provided for in the condensed consolidated interim financial statements as at 30 September 2008.

## 17. 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.

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Management fee income	<i>(i)</i>	<b>150</b>	150
Rental expenses	<i>(ii)</i>	<b>–</b>	<b>60</b>

*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) During the period ended 30 September 2007, 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) 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 2009 (31 March 2008: unsecured, bore interest at a rate of 5% per annum and was repayable on 14 November 2008).

- (c) Compensation of key management personnel of the Group:

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<i>HK\$'000</i>
Short term employee benefits		<b>2,325</b>	728
Post-employment benefits		<b>139</b>	67
Share-based payments		<b>2,261</b>	<b>3,781</b>
Total compensation paid to key management personnel		<b>4,725</b>	4,576

## **18. POST BALANCE SHEET EVENT**

On 26 October 2008 and 3 November 2008, the Company entered into share purchase agreements (the "Acquisition Agreement" and "Supplemental Agreement"), respectively, with ITAD Biotechnology Limited ("ITAD"), a company incorporated in Hong Kong with limited liability and the immediate holding company of Peixin Group Ltd. (the "Peixin"), to purchase 58 shares and subscribe for 40 new shares in Peixin, representing 70% equity interests of Peixin, at the consideration of HK\$109.8 million (the "Acquisition"). The consideration comprised of issue of the convertible notes of HK\$65 million and cash consideration of HK\$44.8 million.

As Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa, the directors of the Company are also directors of ITAD, the Acquisition constitutes a connected transaction of the Company and is subject to independent shareholders' approval pursuant to the requirement under Chapter 14A of the Main Board Listing Rules. The Acquisition was approved by independent shareholders at an extraordinary general meeting held on 10 December 2008.

## **19. APPROVAL OF THE INTERIM FINANCIAL REPORT**

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Environment

The market generally believes that the full impact of the global economic meltdown, described by some as the worst in a century, has yet to be fully felt. In the past few months, the economy in Mainland China has slow down. Many factories in the Pearl River Delta region were closed because of plummeting international demand for manufactured goods. In Hong Kong, unemployment has been on the rise across sectors and is expected to continue to worsen in the foreseeable future.

The 2-year “wage protection movement” for cleaning workers and security guards ended in October 2008 with result found unsatisfactory by the government. The finding has prompted the government to move on to legislation of minimum wage.

With consumers shifting their focus from pricing on to service quality, the profit margin of the cleaning services business of the Group widened slightly. Stone care, maintenance and restoration services and sales of a celebrated Italian brand of stone care and maintenance products by the Group also brought in gradually increasing income.

### Operating Results

The Group made turnover of HK\$91,158,000 for the six months ended 30 September 2008, representing a 1.53% decrease as compared with the same period last year. A net loss of HK\$7,445,000 was recorded against a net loss of HK\$4,907,000 for the same period last year. Cleaning and related business’s profit of HK\$965,000 and interest income earned of HK\$568,000, were offset by loss of HK\$2,408,000 incurred by the medical waste treatment business, a charge to the profit and loss account of share option cost of HK\$2,304,000 and other corporate expenses of HK\$4,266,000.

### Business Review

During the six months under review, general cleaning services continued to be the major business of the Group. The Group obtained a 2-year contract to provide day-to-day cleaning services to 3 shopping arcades in the heart of the shopping area in Causeway Bay. Several cleaning services contracts for shopping malls, residential estates and commercial buildings with various real estate developers and property management establishments were renewed for between 2 to 3 years with reasonable increase in contract sum.

The Group was also able to secure an external wall cleaning contract with the management of a luxurious residential estate in Tin Hau and related work is expected to commence in the first quarter of 2009.

The Group is continuing with its effort to obtain a fair share in the medical waste treatment market in the Mainland China by employing the “steam-based technology” developed by a Canadian company – Hydroclave. The second medical waste treatment plant of the Group in Suifa City, Heilongjiang Province is near completion and is expected to start contributing to the Group’s income in the second half of the 2008/2009 financial year.

## Financial Review

As at 30 September 2008, the Group's cash and cash equivalents and pledged time deposits amounted to HK\$84,954,000 (31 March 2008: HK\$84,654,000) with current ratio at 5.9 (31 March 2008: 6.7).

The Group did not have any bank borrowing as at 30 September 2008 and therefore, its gearing ratio, expressed as total bank borrowings to shareholders' equity, was nil (31 March 2008: nil). The Group had shareholders' equity amounted to HK\$141,693,000 (31 March 2008: HK\$146,308,000).

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

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

As at 30 September 2008, the Group's banking facilities were secured by the following:

- (i) pledge of certain of the Group's time deposits amounting to HK\$4,037,000 (31 March 2008: HK\$4,022,000); and
- (ii) a corporate guarantee to the extent of HK\$18 million (31 March 2008: HK\$18 million) provided by the Company.

## Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2008 was 2,167 (31 March 2008: 2,319). Total staff costs, including directors' emoluments and net pension contributions for the period under review amounted to HK\$82,587,000 (30 September 2007: HK\$79,640,000). The Group provides employees with training programmes on latest skills.

Staff remunerations are commensurate with individual job nature, work experience and market levels, 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

Market analysts generally believe that the Mainland China and Hong Kong economy would continue to worsen in coming months. However, the Group is optimistic about its cleaning services and stone maintenance businesses, and sales of stone care products continuing to expand at a reasonable pace, given the good reputation of the Group and strong customer confidence in its quality services and products.

The Group is negotiating for a contract to re-polish the marble flooring of a top-end shopping mall and believes it has a good chance to secure the contract.

The Italian stone finishing care, maintenance and restoration products distributed solely by the Group in Mainland China, Hong Kong and Macau are well-known in the local market and have continued to report commendable sales. The Group is working closely with the Italian manufacturer in reviewing market demand regularly and the timing for introducing new products and improved formula to the different Asian markets.

As for the medical waste treatment business, it sees ample room for growth in Mainland China particularly when it is armed with a leading steam-based technology that is environmentally friendly and relatively inexpensive. The Group has an advantage in gradually capturing a good share of the market.

The Group has signed an agreement to acquire 70% interest in Peixin, which, through its wholly-owned subsidiary, Shuyang ITAD Environmental Technology Ltd., operates a municipal solid waste treatment plant (the "Plant") in Shuyang County, Jiangsu Province. The Plant is scheduled to commence operation in or about January 2009 after which, it will generate income for the Group through sales of products, such as organic fertilizers, nutrient soils, plastic pellets and refuse-derived fuel, converted from the wastes collected. This acquisition shall mark the formal entry of the Group into municipal solid waste treatment business, expanding its waste treatment operation profile in China.



## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2008, the Company repurchased a total of its 2,511,000 shares on The Stock Exchange of Hong Kong Limited. Details of such repurchase of shares are summarised as follows:

Month of repurchase	Number of shares repurchased	Price per share		Total price paid (inclusive of expenses of repurchase of shares) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September 2008	2,511,000	0.235	0.159	510,764

1,000,000 shares and 1,511,000 shares of the Company were cancelled on 2 October 2008 and 13 October 2008 respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 six months ended 30 September 2008 is set out as follows:

Name or category of participants	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options <i>HK\$ per share</i>
	At 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	At 30 September 2008			
<b>Directors</b>								
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
	<u>9,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,400,000</u>			
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
	<u>9,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,400,000</u>			
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
	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>			

## SHARE OPTION SCHEME (Continued)

Name or category of participants	Number of share options				At 30 September 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options  <i>HK\$ per share</i>
	At 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period				
<b>Directors</b>								
Mr. Cheung Pui Keung, James	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
	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>			
<b>Other employees</b>								
In aggregate	1,732,000	-	-	-	1,732,000	12-5-05	22-4-05 to 21-4-15	0.275
	2,320,000	-	-	(80,000)	2,240,000	22-2-07	22-2-08 to 21-2-12	1.41
	2,320,000	-	-	(80,000)	2,240,000	22-2-07	22-2-09 to 21-2-12	1.41
	2,320,000	-	-	(80,000)	2,240,000	22-2-07	22-2-10 to 21-2-12	1.41
	2,320,000	-	-	(80,000)	2,240,000	22-2-07	22-2-11 to 21-2-12	1.41
	2,320,000	-	-	(80,000)	2,240,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>13,332,000</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>12,932,000</u>			
	<u>48,132,000</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>47,732,000</u>			

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

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

At 30 September 2008, 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 ordinary shares of the Company

Name of director	Long/Short position	Capacity	Number of shares	Percentage of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	420,000,000 (Note (1))	53.59%
	Long	Interest of spouse	1,700,000 (Note (2))	0.22%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	420,000,000 (Note (1))	53.59%
	Long	Beneficial owner	1,700,000 (Note (2))	0.22%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	280,000	0.04%

Notes:

- (1) These shares were owned by The Lo's Family (PTC) 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 (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.

## 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	1.20%
	Long	Interest of spouse	9,400,000 <i>(Note (1))</i>	1.20%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.20%
	Long	Interest of spouse	9,400,000 <i>(Note (2))</i>	1.20%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	8,000,000	1.02%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	8,000,000	1.02%

Details of the above share options as required to be disclosed by the Main Board 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 2008, certain director(s) of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

## 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 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) 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 2008.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2008, the following interests of 5% or more in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
The Lo's Family (PTC) Limited	Long	Trustee	420,000,000 (Note)	53.59%
Equity Trustee Limited	Long	Trustee	420,000,000 (Note)	53.59%

*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, 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".

Save as disclosed above, as at 30 September 2008, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company", had an interest or a short position in the shares and underlying shares of the Company 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 (the "CG Code") contained in Appendix 14 to 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 of the CG Code. 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 report.

On behalf of the Board  
**Lo Kou Hong**  
*Chairman*

Hong Kong, 12 December 2008