



LO'S ENVIRO-PRO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
stock code : 309



2010 / 2011 Interim Report

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

Xu Rong

Independent Non-executive Directors

Cheng Kai Tai, Allen
Chiu Wai Piu
Wang Qi

AUDIT COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi

REMUNERATION COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi
Lo Kou Hong
Leung Tai Tsan, Charles

COMPANY SECRETARY

Leung Tai Tsan, Charles

QUALIFIED ACCOUNTANT

Leung Tai Tsan, Charles

AUDITORS

Ernst & Young

SOLICITORS

King & Wood
Loong & Yeung

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

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 609
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



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 2010. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	3	85,696	88,415
Cost of sales of fertilisers		(6,199)	–
Other income and gains	4	159	318
Staff costs		(73,472)	(79,797)
Depreciation and amortisation		(1,562)	(1,198)
Other operating expenses		(18,589)	(18,778)
Finance cost	5	(11)	(4)
Share of profit of an associate		79	–
LOSS BEFORE TAX	6	(13,899)	(11,044)
Income tax expense	7	–	–
LOSS FOR THE PERIOD		(13,899)	(11,044)
Other comprehensive income:			
Exchange differences on translation of foreign operations and other comprehensive income for the period, net of tax		2,767	170
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,132)	(10,874)
Loss attributable to:			
Equity holders of the parent		(11,035)	(8,769)
Non-controlling interests		(2,864)	(2,275)
		(13,899)	(11,044)
Total comprehensive loss attributable to:			
Equity holders of the parent		(9,177)	(8,654)
Non-controlling interests		(1,955)	(2,220)
		(11,132)	(10,874)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	(HK1.44 cents)	(HK1.15 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		106,801	106,579
Intangible assets		22,609	21,298
Deposit paid for acquisition of plant and equipment		94	350
Interest in an associate		83	–
Total non-current assets		129,587	128,227
CURRENT ASSETS			
Inventories		2,560	3,342
Due from an associate		1,294	1,263
Trade receivables	10	29,125	29,272
Prepayments, deposits and other receivables		5,082	2,469
Pledged time deposits	11	14,021	4,002
Cash and cash equivalents		22,559	35,810
Total current assets		74,641	76,158
CURRENT LIABILITIES			
Trade payables	12	2,038	1,050
Finance lease payable	14	42	–
Other payables and accrued liabilities		24,593	24,031
Total current liabilities		26,673	25,081
NET CURRENT ASSETS		47,968	51,077
TOTAL ASSETS LESS CURRENT LIABILITIES		177,555	179,304
NON-CURRENT LIABILITIES			
Provision for long service payments		665	865
Finance lease payable	14	179	–
Deferred income		6,594	–
Total non-current liabilities		7,438	865
Net assets		170,117	178,439
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	7,667	7,667
Reserves		135,483	141,850
		143,150	149,517
Non-controlling interests		26,967	28,922
Total equity		170,117	178,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2010

	Attributable to equity holders of the parent												
	Issued share capital HK\$'000 (note 15)	Share premium account HK\$'000 (note 15)	Capital redemption reserve HK\$'000	Equity component of convertible notes HK\$'000 (note 13)	Merger reserves HK\$'000	Share option reserve HK\$'000 (note 15)	Warrant reserve HK\$'000 (note 15)	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2009 (audited)	7,600	167,095	254	65,000	(17,937)	13,500	-	26,758	(105,442)	5,380	162,208	33,414	195,622
Loss for the period (unaudited)	-	-	-	-	-	-	-	-	(8,769)	-	(8,769)	(2,275)	(11,044)
Other comprehensive income (unaudited)	-	-	-	-	-	-	-	-	-	115	115	55	170
Equity-settled share option arrangements	-	-	-	-	-	1,331	-	-	-	-	1,331	-	1,331
Adjustment on convertible notes	-	-	-	(32,500)	32,500	-	-	-	-	-	-	-	-
At 30 September 2009 (unaudited)	7,600	167,095	254	32,500	14,563	14,831	-	26,758	(114,211)	5,495	154,885	31,194	186,079
At 1 April 2010 (audited)	7,667	169,290	254	-	47,063	15,658	-	26,758	(123,418)	6,245	149,517	28,922	178,439
Loss for the period (unaudited)	-	-	-	-	-	-	-	-	(11,035)	-	(11,035)	(2,864)	(13,899)
Other comprehensive income (unaudited)	-	-	-	-	-	-	-	-	-	1,858	1,858	909	2,767
Issue of warrants	-	-	-	-	-	-	2,265	-	-	-	2,265	-	2,265
Equity-settled share option arrangements	-	-	-	-	-	545	-	-	-	-	545	-	545
At 30 September 2010 (unaudited)	7,667	169,290*	254*	-*	47,063*	16,203*	2,265*	26,758*	(134,453)*	8,103*	143,150	26,967	170,117

* These reserve accounts comprise the consolidated reserves of HK\$135,483,000 in the condensed consolidated statement of financial position as at 30 September 2010.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(8,471)	(6,229)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(7,083)	(15,606)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>2,235</u>	<u>2,289</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,319)	(19,546)
Cash and cash equivalents at beginning of period	35,810	57,797
Effect of foreign exchange rate changes, net	<u>68</u>	<u>40</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>22,559</u>	<u>38,291</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,485	23,195
Non-pledged time deposits with original maturity of less than three months when acquired	<u>74</u>	<u>15,096</u>
	<u>22,559</u>	<u>38,291</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("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 2010, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), (which include all HKFRSs, HKASs and Interpretations) that are adopted for the first time for the current period's Financial Statements as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for these Financial Statements. Except for certain cases giving rise to new and revised accounting policies, presentation and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these Financial Statements. Accordingly, no prior period adjustment has been recognised.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendments	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvement to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

2.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these Financial Statements.

HKFRSs Amendments	Improvement to HKFRSs May 2010 ¹
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2010 which set out amendments and transition requirements for amendments to a number of HKFRSs. For Improvements to HKFRSs 2010, the amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

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 HKAS 24 (Revised) may result in changes in accounting policies and disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



3. OPERATING 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 operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2010 and 2009.

	Cleaning and related services		Medical waste treatment		Waste treatment		Total	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Segment revenue:								
Service income from external customers	82,029	87,307	3,514	1,108	153	-	85,696	88,415
Other income and gains	102	254	-	-	3	9	105	263
Total	82,131	87,561	3,514	1,108	156	9	85,801	88,678
Segment results	184	995	(842)	(2,000)	(8,470)	(5,073)	(9,128)	(6,078)
Reconciliation:								
Interest income and unallocated gains							54	55
Unallocated expenses							(4,893)	(5,017)
Finance costs							(11)	(4)
Share of profit of an associate							79	-
Loss before tax							(13,899)	(11,044)

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Bank interest income	45	55
Management fee received	80	200
Gain on disposal of items of property, plant and equipment	-	18
Sundry income	25	45
Reversal of impairment on interest in an associate	4	-
Reversal of impairment of due from an associate	5	-
	159	318

5. FINANCE COSTS

The finance costs represent finance charges on finance lease payables wholly repayable within five years (2009: interest on bank loans wholly repayable within five years).

6. LOSS BEFORE TAX

This is arrived at after charging:

	For the six months ended 30 September	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold*	6,199	–
Cost of services rendered	74,123	78,922
Depreciation	4,644	857
Amortisation of intangible assets	709	341
Impairment of inventories	981	–

* The cost of inventories sold for the period ended 30 September 2010 included an amount of depreciation of HK\$3,791,000. Such amount has also been included in the respective expense item disclosed above.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: Nil). No corporate income tax has been provided in Mainland China as the Group did not generate any assessable profits arising in Mainland China during the period (2009: Nil).

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.

The calculation of basic loss per share is based on:

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	(11,035)	(8,769)
	<i>Number of shares</i>	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	766,718,000	759,986,000

Diluted loss per share

Diluted loss per share amounts for the periods ended 30 September 2010 and 2009 have not been disclosed, as the share options and warrants 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 2010 (2009: 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.

At the end of the reporting period, the aged analysis of trade receivables, based on invoice date, is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 30 days	14,507	13,808
31 – 60 days	8,672	8,067
61 – 90 days	4,989	7,154
91 – 120 days	454	132
Over 120 days	830	111
	<hr/> 29,452	<hr/> 29,272
Less: impairment	(327)	–
	<hr/> 29,125	<hr/> 29,272

11. PLEDGED TIME DEPOSITS

The Group's banking facilities amounting to HK\$14,000,000 (31 March 2010: HK\$4,000,000), of which no banking facilities (31 March 2010: Nil) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK\$14,021,000 (31 March 2010: HK\$4,002,000) and a corporate guarantee to the extent of HK\$28,000,000 (31 March 2010: HK\$18,000,000).

12. TRADE PAYABLES

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 30 days	2,026	1,049
31 – 60 days	10	1
91 – 120 days	2	–
	2,038	1,050

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

13. CONVERTIBLE NOTES

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

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

14. FINANCE LEASE PAYABLE

The Group leases certain of its property, plant and equipment for its daily operation. This lease is classified as finance leases and has remaining lease term of 5 years.

As at 30 September 2010, the total minimum lease payments under finance lease payable was as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Amount payable:		
Within one year	60	–
In the second year	60	–
In the third to fifth year, inclusive	150	–
	<hr/>	<hr/>
Total minimum finance lease payments	270	–
Future finance charges	(49)	–
	<hr/>	<hr/>
Total net finance lease payable	221	–
Portion classified as current liabilities	(42)	–
	<hr/>	<hr/>
Non-current portion	179	–
	<hr/>	<hr/>

15. SHARE CAPITAL

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 March 2010: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
	<hr/>	<hr/>
Issued and fully paid:		
766,718,000 (31 March 2010: 766,718,000) ordinary shares of HK\$0.01 each	7,667	7,667
	<hr/>	<hr/>

15. SHARE CAPITAL *(Continued)*

Employee share option scheme

As at 1 April 2010, there were 38,700,000 share options under the Share Option Scheme. During the six months ended 30 September 2010, 2,000,000 share options were lapsed upon resignation of certain employees of the Group. As at 30 September 2010, there were 36,700,000 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 36,700,000 additional ordinary shares of the Company and additional share capital of HK\$367,000 and share premium of HK\$29,815,000 (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 36,500,000 share options outstanding under the existing Share Option Scheme, which represented approximately 4.76% of the Company's shares in issue as at that date.

Warrants

On 26 August 2010, the Company and the placing agent entered into warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 151,000,000 unlisted warrants at the warrant issue price of HK\$0.015 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each at a subscription price of HK\$0.51 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to 7 March 2012.

On 8 September 2010, 151,000,000 warrants of HK\$0.05 each were issued pursuant to the warrant placing agreement dated 26 August 2010 for a total cash consideration, before related expenses, of HK\$2,265,000.

During the period, no warrants of the Company were exercised. At the end of the reporting period, the Company had 151,000,000 outstanding warrants.

16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities are as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$1,562,000 (31 March 2010: HK\$1,468,000) in respect of certain services provided to various customers by the Group.
- (ii) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$1,137,000 as at 30 September 2010 (31 March 2010: HK\$1,532,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$665,000 (31 March 2010: HK\$865,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2010.
- (iii) 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 2010 and 31 March 2010.

17. 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 end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases due as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	762	812
In the second to fifth years, inclusive	825	1,180
	1,587	1,992

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$299,587,000 (31 March 2010: HK\$292,983,000) contracted but not provided for in the condensed consolidated interim financial statements as at 30 September 2010. The directors are of the opinion that the commitment amounted to HK\$289,600,000 is not required to be paid within one year from 30 September 2010.

19. 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.

	Notes	Six months ended 30 September 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Management fee income from related companies	(i)	30	150
Interest income from an associate	(ii)	26	30

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 interest income received from an associate was charged at an interest rate of 5% per annum on the outstanding amount due from an associate.

(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 2010.

19. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	2,651	2,651
Post-employment benefits	210	210
Share-based payments	430	1,448
Total compensation paid to key management personnel	3,291	4,309

20. EVENTS AFTER THE REPORTING PERIOD

Exercise of Warrants

On 23 November 2010, a total of 50,000,000 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.51 per share as a result of the exercise of the Company's warrants made by certain warrant holders for a total cash consideration, before related expenses, of HK\$25,500,000.

On 25 November 2010, a total of 35,000,000 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.51 per share as a result of the exercise of the Company's warrants made by certain warrant holders for a total cash consideration, before related expenses, of HK\$17,850,000.

21. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

Hong Kong has been one of the more fortunate economies that are staging an early and strong recovery from the financial tsunami. The local economy has been expanding visibly with further improvements on the domestic and external fronts. However, inflationary pressure, though still moderate, has notched up alongside sustained economic recovery.

The property price upsurge, brought about obviously by the large inflow of funds and continuously low interest rates, has drawn concerns. The measures introduced by the government in April and again in August this year to curb excessive speculation and to stabilize prices, in particular prices of luxury properties, seemed to have achieved only minimum effect. As a result, strength of the measures has further been enhanced by the government in late November, including the introduction of a special stamp duty for properties which are resold within 24 months and lowering the loan-to-value ratio for property mortgages etc, in response to property market conditions.

The Minimum Wage Ordinance, the aim of which as advocated by the government is to provide the grass-roots workforce with a decent living wage, was passed by the Legislative Council in July this year. The government has recommended an initial minimum wage rate at HK\$28 per hour to come into force on 1 May 2011. The proposal will certainly have an impact on the cleaning industry.

Operating Results

The Group's turnover of HK\$85,696,000 for the six months ended 30 September 2010 represented a 3.08% decrease as compared to HK\$88,415,000 for the same period last year. The loss for the Group for the six months ended 30 September 2010 was HK\$13,899,000 against a loss of HK\$11,044,000 for the same six-month period last year. Cleaning and related services business made a profit of HK\$184,000 whereas the medical waste treatment business generated a loss of HK\$842,000, waste treatment business generated a loss of HK\$8,470,000 and corporate expenses and finance costs amounted to HK\$2,003,000.

Business Review

During the six-month period under review, general cleaning services were still the core business of the Group. We obtained a two-year contract (with an option to renew for another two years) to provide term cleaning staff, disposal of decoration wastes, pest management and initial cleaning to a new residential estate, comprising about 1,400 apartments with abundant amenities in Tai Wai, Shatin; two one-year contracts with a non-profit making housing organization to provide professional cleaning to their two residential estates in Tuen Mun and Tsing Yi; and a contract for eighteen months rendering external curtain wall cleaning of two high-rise towers accommodating hotels and apartments in West Kowloon. A contract for cleaning of the entire external wall and fabric roof of the data centre of a leading bank has also been confirmed with commencement of work in the fourth quarter of 2010. Several major contracts which had expired during the period under review were also renewed with reasonable adjustments on the contract sums.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

The two medical waste treatment plants of the Group in Siping City and Suihua City on the Mainland have been in smooth operation, bringing positive cash flow to the Group.

The municipal solid waste treatment plant in Shuyang County, Jiangsu Province has re-commenced operation in early October 2010, following the re-modification and finetuning of the machineries in order to accommodate the specific content of the municipal solid wastes being delivered to the plant for treatment. At this initial stage, the plant is not operating at its designated capacity as yet. We expect, though, that the plant will be running smoothly soon, by which time the plant will be operating at its full designated capacity.

Financial Review

As at 30 September 2010, the Group's cash and cash equivalents and pledged time deposits totalled HK\$36,580,000 (31 March 2010: HK\$39,812,000) and its current ratio was 2.8 (31 March 2010: 3.04). The Group's net assets decreased to HK\$170,117,000 (31 March 2010: HK\$178,439,000).

The Group did not have any bank borrowings but the Group had finance lease payable of HK\$221,000 as at 30 September 2010 (31 March 2010: Nil) and therefore, its gearing ratio, representing ratio of total bank borrowings and finance lease payable to shareholders' equity, was 0.13% (31 March 2010: Nil). The Group's shareholders' equity amounted to HK\$170,117,000 (31 March 2010: HK\$178,439,000).

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

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

As at 30 September 2010, the Group's banking facilities were secured by the following:

- (i) the pledge of certain of the Group's time deposits amounting to HK\$14,021,000 (31 March 2010: HK\$4,002,000) and
- (ii) a corporate guarantee to the extent of HK\$28 million (31 March 2010: HK\$18 million) provided by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Convertible Notes

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK\$65 million to ITAD, with a maturity date of 1 January 2012 as part of the total consideration for the acquisition of 70% equity interest in Peixin. Details of the conversion terms of the convertible notes are disclosed in note 13 to the condensed consolidated interim financial statements.

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

Warrants

On 8 September 2010, an aggregate of 151,000,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected with the Company and its connected persons at the issue price of HK\$0.015 per warrant and the subscription price of HK\$0.51 per warrant. The subscription period for the warrants was from the date of issue of the warrants to the expiry of the 18 months of the issue of the warrants.

Upon the exercise in full of the subscription rights attaching to the warrants, a maximum of 151,000,000 shares of the Company will be issued and allotted. As at 30 September 2010, no warrant holders have exercised the subscription rights attached to the warrants.

On 23 November 2010, a total of 50,000,000 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.51 per share as a result of the exercise of the Company's warrants made by certain warrant holders for a total cash consideration, before related expenses, of HK\$25,500,000.

On 25 November 2010, a total of 35,000,000 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.51 per share as a result of the exercise of the Company's warrants made by certain warrant holders for a total cash consideration, before related expenses, of HK\$17,850,000.

Contingent Liabilities

At the end of the reporting period, the Group's contingent liabilities were as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$1,562,000 (31 March 2010: HK\$1,468,000) in respect of certain services provided to various customers by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Contingent Liabilities (Continued)

- (ii) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$1,137,000 as at 30 September 2010 (31 March 2010: HK\$1,532,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$665,000 (31 March 2010: HK\$865,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2010.
- (iii) 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 2010 and 31 March 2010.

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2010 was 1,888 (31 March 2010: 1,945). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$73,472,000 (30 September 2009: HK\$79,797,000).

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

Prospects

Effective management systems of the Group will continue to be our competitive strength in striving for a greater market share in the cleaning and related services. With rapid economic recovery in Hong Kong, demand for professional cleaning services of higher standards are expected from property developers, owners and property management establishments. Likewise, sales of a series of stone care and maintenance products, formulated and manufactured by our Italian business partner, are expected to increase. The Group is confident in extending a good market share in both of these areas.

With increasing global alerts for reducing environment pollution, minimizing waste generation and increasing green procurement, the Group firmly believes that the municipal solid waste treatment business, initiated in Shuyang County, will expand in the Mainland and eventually beyond in the years ahead.



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2010.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 15 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 September 2010:

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 April 2010	Lapsed during the period	At 30 September 2010			
Directors						
Dr. Lo Kou Hong	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	–	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>9,400,000</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>9,400,000</u>			
Mr. Leung Tai Tsan, Charles	3,000,000	–	3,000,000	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>5,000,000</u>	<u>–</u>	<u>5,000,000</u>			

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 April 2010	Lapsed during the period	At 30 September 2010			
Directors						
Mr. Cheung Pui Keung,	4,000,000	–	4,000,000	12-5-05	22-4-05 to 21-4-15	0.275
James	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>6,000,000</u>	<u>–</u>	<u>6,000,000</u>			
Other employees						
In aggregate	1,780,000	(400,000)	1,380,000	22-2-07	22-2-08 to 21-2-12	1.41
	1,780,000	(400,000)	1,380,000	22-2-07	22-2-09 to 21-2-12	1.41
	1,780,000	(400,000)	1,380,000	22-2-07	22-2-10 to 21-2-12	1.41
	1,780,000	(400,000)	1,380,000	22-2-07	22-2-11 to 21-2-12	1.41
	1,780,000	(400,000)	1,380,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>8,900,000</u>	<u>(2,000,000)</u>	<u>6,900,000</u>			
	<u>38,700,000</u>	<u>(2,000,000)</u>	<u>36,700,000</u>			

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

- * The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options have been granted/exercised/cancelled during the six months ended 30 September 2010.

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

As at 30 September 2010, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

A.(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	80,000,000 (Note (1))	10.43%
	Long	Interest of spouse	1,700,000 (Note (2))	0.22%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	80,000,000 (Note (1))	10.43%
	Long	Beneficial owner	1,700,000 (Note (2))	0.22%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	1,900,000	0.24%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	1,480,000	0.19%

Notes:

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

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

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2010.

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

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

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	1.23%
	Long	Interest of spouse	9,400,000 <i>(Note (1))</i>	1.23%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.23%
	Long	Interest of spouse	9,400,000 <i>(Note (2))</i>	1.23%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	5,000,000	0.65%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	6,000,000	0.78%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in the section headed "Share option scheme".

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.
- * The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2010.

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

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

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage* of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporation	83,870,968 <i>(Note)</i>	10.93%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporation	83,870,968 <i>(Note)</i>	10.93%

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2010.

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

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

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

* The percentage represents the number of ordinary shares interested divided by the number of Peixin's issued shares as at 30 September 2010.

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

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

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

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

* The percentage represents the amount of registered capital interested divided by the total amount of Shuyang ITAD's registered capital as at 30 September 2010.

In addition to the above, as at 30 September 2010, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2010, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the six month period ended 30 September 2010.

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

As at 30 September 2010, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
The Lo's Family (PTC) Limited	Long	Trustee	80,000,000 <i>(Note)</i>	10.43%
Equity Trustee Limited	Long	Trustee	80,000,000 <i>(Note)</i>	10.43%

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

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2010.

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

(2) Interests in convertible notes of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage* of the underlying shares over the Company's issued share capital
Triple Kind Investments Limited	Long	Beneficial owner	83,870,968 <i>(Note)</i>	10.93%

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

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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 roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code. Dr. Lo Kou Hong currently assumes the roles of both Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has extensive experience in business management. The Board believes that Dr. Lo's taking up of both roles provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects and management of the Group.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR UNDER RULE 13.51(B)(1) OF THE MAIN BOARD LISTING RULES

Mr. Chiu Wai Piu, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Mobile Telecom Network (Holdings) Limited (a company listed on the Growth Enterprise Market of the Stock Exchange) with effect from on 30 July 2010.

On behalf of the Board

Lo's Enviro-Pro Holdings Limited

Lo Kou Hong

Chairman

Hong Kong, 26 November 2010

