LO'S ENVIRO-PRO HOLDINGS LIMITED

勞氏環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

AUDITED ANNUAL RESULTS

The Board of Directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the comparative amounts for 2005 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	3	**183,339**	178,285
Other income and gains	3	**1,975**	2,026
Staff costs		**(139,112)**	(148,944)
Depreciation		**(1,780)**	(1,247)
Other operating expenses		**(49,221)**	(27,733)
Finance costs	5	**–**	(190)
Share of loss of an associate		**(4)**	–
PROFIT/(LOSS) BEFORE TAX	4	**(4,803)**	2,197
Tax	6	**246**	(280)
PROFIT/(LOSS) FOR THE YEAR		**(4,557)**	1,917
Attributable to:			
Equity holders of the parent		**(3,946)**	1,917
Minority interests		**(611)**	–
		(4,557)	1,917
DIVIDENDS	7		
Interim		**–**	3,000
Proposed final		**–**	3,000
		–	6,000
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(HK1.32 cents)**	HK0.64 cents

CONSOLIDATED BALANCE SHEET

31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,997**	4,228
Goodwill		**126**	–
Interest in an associate		**–**	–
Total non-current assets		**4,123**	4,228
CURRENT ASSETS			
Other investments		**–**	142
Due from an associate		**913**	–
Contract work in progress		**6,670**	971
Trade receivables	*9*	**26,930**	23,688
Prepayments, deposits and other receivables		**3,070**	1,654
Tax recoverable		**21**	1,850
Pledged cash and bank balances		**4,110**	–
Pledged time deposits		**15,318**	18,995
Cash and cash equivalents		**32,092**	46,600
Total current assets		**89,124**	93,900
CURRENT LIABILITIES			
Trade payables	*10*	**4,914**	1,531
Other payables and accrued liabilities		**13,885**	16,323
Due to a minority shareholder of subsidiaries		**838**	–
Tax payable		**1**	40
Total current liabilities		**19,638**	17,894
NET CURRENT ASSETS		**69,486**	76,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,609**	80,234
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	270
Provision for long service payments		**1,039**	1,632
Total non-current liabilities		**1,039**	1,902
Net assets		**72,570**	78,332
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**3,000**	3,000
Reserves		**70,055**	72,332
Proposed final dividend		**–**	3,000
		73,055	78,332
Minority interests		**(485)**	–
Total equity		**72,570**	78,332

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 32, 33, 37, 38, 39, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and at 31 March 2005. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 1.3 below.

(b) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 April 2001 was eliminated against the consolidated retained profits in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The adoption of HKFRS 3 and HKAS 36 has had no material effect on the Group's consolidated financial statements as the Group did not have goodwill prior to 1 April 2005.

1.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet at 31 March 2006

Effect of new policy (Increase/(decrease))	Effect of adopting HKFRS 2 Employee share option scheme *HK$'000*
Equity	
Share option reserve	1,669
Retained profits	(1,669)
	–

(b) Effect on the consolidated income statement for the year ended 31 March 2006

Effect of new policy	Effect of adopting HKFRS 2 Employee share option scheme *HK$'000*
Increase in staff costs and total increase in loss	1,669
Increase in basic loss per share	(HK0.56 cents)

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Hong Kong.

The Group's operating businesses are structured and managed separately according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

(b) the building maintenance and renovation segment engages in construction contract works as a subcontractor, primarily in respect of building maintenance and renovation projects.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 31 March 2005:

	Cleaning and related services		Building maintenance and renovation		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**161,444**	178,285	**21,895**	–	**–**	–	**183,339**	178,285
Other income and gains	**1,197**	1,086	**–**	–	**(300)**	–	**897**	1,086
Total	**162,641**	179,371	**21,895**	–	**(300)**	–	**184,236**	179,371
Segment results	**3,616**	7,451	**(2,423)**	(81)	**–**	–	**1,193**	7,370
Interest and dividend income and unallocated gains							**1,078**	940
Unallocated expenses							**(7,070)**	(5,923)
Finance costs							**–**	(190)
Share of loss of an associate							**(4)**	–
Profit/(loss) before tax							**(4,803)**	2,197
Tax							**246**	(280)
Profit/(loss) for the year							**(4,557)**	1,917
Assets and liabilities								
Segment assets	**89,298**	96,306	**16,613**	1,972	**(13,598)**	(2,000)	**92,313**	96,278
Due from an associate	**913**	–	**–**	–	**–**	–	**913**	–
Corporate and other unallocated assets							**21**	1,850
Total assets							**93,247**	98,128
Segment liabilities	**15,285**	19,432	**18,151**	2,054	**(13,598)**	(2,000)	**19,838**	19,486
Due to a minority shareholder of subsidiary	**–**	–	**838**	–	**–**	–	**838**	–
Corporate and other unallocated liabilities							**1**	310
Total liabilities							**20,677**	19,796
Other segment information:								
Depreciation	**1,724**	1,247	**56**	–	**–**	–	**1,780**	1,247
Capital expenditure	**1,263**	796	**1,061**	31	**–**	–	**2,324**	827

3. REVENUE, OTHER INCOME AND GAINS

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

	2006 *HK$'000*	2005 *HK$'000*
Revenue		
Cleaning and related service fee income	**161,444**	178,285
Building maintenance and renovation contracts	**21,895**	–
	183,339	178,285
Other income and gains		
Bank interest income	**1,005**	932
Management fee received	**700**	930
Gain on disposal of other investments	**156**	–
Gain on disposal of items of property, plant and equipment	**72**	9
Sundry income	**42**	155
	1,975	2,026

4. PROFIT/(LOSS) BEFORE TAX

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

	2006 *HK$'000*	2005 *HK$'000*
Cost of services rendered*	**167,477**	152,604
Auditors' remuneration	**442**	380
Minimum lease payments under operating leases in respect of land and buildings	**1,184**	1,317
Employee benefits expense (including directors' remuneration):		
Wages, salaries and other benefits	**135,996**	147,272
Equity-settled share option expense	**1,669**	–
Retirement benefits scheme contributions	**4,457**	4,766
Forfeited contributions	**(3,648)**	(4,681)
Net retirement benefits scheme contributions	**809**	85
Provision for long service payments – net	**407**	611
Provision for untaken paid leave	**231**	976
	139,112	148,944
Provision for impairment of trade receivables and bad debts written off	**222**	228
Gain on disposal of items of property, plant and equipment	**(72)**	(9)

* The cost of services rendered included employee benefits expense of HK$129,278,000 (2005: HK$137,641,000) incurred for the provision of services which have been included in the employee benefits expense above.

At 31 March 2006, the Group had forfeited contributions of HK$148,000 available to reduce its contributions to the retirement benefits schemes in future years (2005: HK$242,000).

5. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on a bank loan wholly repayable within five years	**–**	190

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Provision for the year	**40**	312
Underprovision/(overprovision) in prior years	**(16)**	22
Deferred	**(270)**	(54)
Tax charge/(credit) for the year	**(246)**	280

7. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim – Nil (2005: HK1 cent) per ordinary share	**–**	3,000
Proposed final – Nil (2005: HK1 cent) per ordinary share	**–**	3,000
	–	6,000

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the net loss for the year attributable to ordinary equity holders of the parent of HK$3,946,000 (2005: net profit of HK$1,917,000), and the weighted average number of 300,000,000 (2005: 300,000,000) ordinary shares in issue during the year.

A diluted loss per share amount for the year has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. A diluted earnings per share amount for the year ended 31 March 2005 had not been disclosed as no diluting events existed during that year.

9. 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 the trade receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**14,928**	14,364
31 – 60 days	**5,582**	4,562
61 – 90 days	**3,341**	2,268
91 – 120 days	**470**	458
Over 120 days	**2,930**	2,135
	27,251	23,787
Less: Provision for impairment of trade receivables	**(321)**	(99)
	26,930	23,688

Included in the Group's trade receivables is an amount due from a related company, Martech Building Consultants Limited, of which two key members of management and minority shareholders of a non-wholly-owned subsidiary of the Company are directors, of HK$5,404,000 (2005: HK$598,000). The amount is repayable on similar credit terms to those offered to the major customers of the Group.

10. TRADE PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**3,448**	1,296
31 – 60 days	**187**	43
61 – 90 days	**141**	45
91 – 120 days	**194**	10
Over 120 days	**944**	137
	4,914	1,531

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2006 (2005: final dividend of HK1 cent).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The economy of Hong Kong has been in continuous recovery. The recovery has been enhanced by the implementation of the "Closer Economic Partnership Arrangement (CEPA)" providing measures to facilitate economic co-operation between Hong Kong and the Mainland, in particular, the provinces of the Pan-Pearl River Delta region, creating tens of thousands of job opportunities and billions of service receipts and capital investments for Hong Kong in the past 2 years. In the financial year under review, the recovery of the economy lowered the unemployment rate but led to higher wage demands. At the same time, "unhealthy" competition in the general cleaning service industry prevailed. Service providers were struggling hard to retain their market shares and service contracts were quoted or tendered at unrealistic prices, rendering the profits derived therefrom most marginal. The Group is still affected by intensified competition. As discussed in the Annual Report of last year, the Group will continue to concentrate on expanding its businesses in professional specialized cleaning services, such as external wall cleaning and maintenance, pest control treatments, stone finishing care, maintenance and restoration, agency for stone care and maintenance chemical products and property renovation and maintenance, the profit returns of all of which are expected to be more reasonable.

Operating Results

Revenue of the Group for the year ended 31 March 2006 amounted to HK$183,339,000, representing a 2.8% increase as compared with the previous financial year. A net loss of HK$4,557,000 was recorded compared with a net profit of HK$1,917,000 of last year. The slight increase in revenue was mainly owing to the expiry of some major cleaning service contracts which was counter-balanced by new contracts obtained and secured and revenue from property renovation and maintenance work. The change from making a profit to reporting a loss was because of, as discussed above, firstly the fierce competition in general cleaning services resulting in the drop of marginal profits and secondly, the up-surging of labour costs as a result of the economy recovery. Operating expenses increased by 77.5% which was mainly because the businesses of property renovation and maintenance work, while general overhead expenses had been under control. Looking forward to the coming year, the Group will continue its efforts to reduce operating costs and overhead expenses in difficult operating environment.

Business Review

The past year remained a year of re-positioning for the Group. The severely keen competition from the increasing number of cleaning providers, some of whom operating at minimum overheads, coupled with the up-surging of labour and materials costs had lowered the profit margins. With the formation of Mak Tai Construction and Engineering Ltd ("Mak Tai"), a subsidiary of the Group, for the businesses of renovation, fitting out, repair works of estates, shopping malls, public sitting-outs, department stores and retail and food outlets, the Group had stepped into the threshold of the industry. A number of renovation and fitting-out contracts had been secured by Mak Tai and are due to complete in the coming financial year.

The contract with Kowloon-Canton Railway Corporation for the provision of cleaning and pest and rodent control services completed at the end of November 2005.

Three contracts for the provision of cleaning and repair works for the external walls of three residential estates, namely, Sceneway Garden, Kenswood Court and Laguna City, Phase 3 completed in November and December 2005 respectively, on schedule, notwithstanding the inclement weather repeatedly encountered during the work periods.

The promotion of a celebrated Italian brand of stone care and maintenance chemical products, for which the Group through an associated company is the sole agent, is going smoothly. The Group is now expanding its sales networks by setting up more sales offices and expecting increased distribution in various cities and locations in Mainland China and Macau.

The marble finishing restoration work for 290 guest rooms in a 5-star hotel was completed shortly after the Lunar New Year. The client was impressed by quality of work achieved and as a result, the Group has successfully obtained contracts from this hotel for marble restoration for another lot of guest rooms and entrance lobbies. The work still continues.

Having satisfactorily completed the trial period, a formal contract has been entered into with a leading laundry workshop for providing supervisors and workers, day and night, for sorting and folding laundry items. The Group's revenue base is broadened by diversifying its services.

The Group is discussing with the Mental Health Association of Hong Kong for organizing and providing a "cleaning skills training course" to groups of vulnerable members and has committed to the employment of those members who have satisfactorily completed the course. The Group has therefore for the third year been nominated for the award of a "Caring Company Logo" organized by The Hong Kong Council of Social Service for its enthusiastic participation in assisting the needy of the society. The Group will consistently maintain its corporate culture of giving back to the community by devoting to the community activities.

Financial Review

During the year under review, the Group enjoyed a healthy financial position with a current ratio of 4.5 as at 31 March 2006 (2005: 5.2). The cash and bank balances as at 31 March 2006 was approximately HK$51,520,000 (2005: approximately HK$65,595,000). The Group did not have any bank borrowing as at 31 March 2006 and therefore, the Group's gearing ratio was nil. The Group's shareholder's equity amounted to HK$72,570,000 as at 31 March 2006 (2005: HK$78,332,000).

During the year under review, the Group carried out its transactions mostly in the currency of Hong Kong dollars. In addition, the Group's cash and bank balances were primarily denominated in Hong Kong and United States dollars. As such, the Group has no significant exposure to fluctuations in exchange rates.

As at 31 March 2006, the Group's banking facilities were secured by the Group's cash at bank and time deposits of HK$19,428,000 (2005: HK$18,995,000) in aggregate. The facilities have not been utilized as at 31 March 2006. Save as disclosed above, the Group did not have any charges on any of its assets as at 31 March 2006.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2006 was 1,958 (2005: 2,273). Total staff costs, including director's emoluments and net pension contributions, for the year under review amounted to HK$139,112,000 (2005: HK$148,944,000). The Group provides training programmes for its employees.

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

Use of Proceeds from New Issue

The Company's shares became listed on the Stock Exchange on 25 July 2003 after its successful placing and issue of 90 million offer shares at an offer price of HK$0.56 per share. With half of the offer shares being a new issue, the Group raised net proceeds of approximately HK$20.1 million. As at the end of the year under review, the Group had applied HK$8.2 million to external wall cleaning business, HK$3 million to stone care and maintenance business and HK$8 million to building renovation and maintenance business.

SUPPLEMENTARY INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 22 August 2006 to Friday, 25 August 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Friday, 25 August 2006, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 August 2006.

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 year ended 31 March 2006.

Review of Financial Statements

The Audit Committee of the Company has reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Company's consolidated financial statements for the year ended 31 March 2006.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the following deviations:

Code Provision A.1.1

This code provision stipulates that regular board meetings should be held at least four times a year. During the year ended 31 March 2006, two regular board meetings were held. The directors of the Company will endeavour to schedule the forthcoming regular board meetings in advance so as to meet such code provision.

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. 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 of the Company.

Directors

As at the date of this announcement, Dr Lo Kou Hong, Ms Ko Lok Ping, Maria Genoveffa, Mr Leung Tai Tsan, Charles and Mr Cheung Pui Keung, James are the executive directors of the Company and Mr Poon Kwok Kiu, Mr Cheng Kai Tai, Allen and Mr Chiu Wai Piu are the independent non-executive directors of the Company.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 19 July 2006

"Please also refer to the published version of this announcement in China Daily"