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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 2009. 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	
		2009	2008
		(Unaudited)	(Unaudited) (Restated)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**88,415**	92,782
Other income and gains	*4*	**318**	962
Staff costs		**(79,797)**	(83,041)
Depreciation and amortisation		**(1,198)**	(1,429)
Other operating expenses		**(18,778)**	(18,824)
Finance costs		**(4)**	–
LOSS BEFORE TAX	*5*	**(11,044)**	(9,550)
Tax	*6*	**–**	–
LOSS FOR THE PERIOD		**(11,044)**	(9,550)
Other comprehensive income:			
Exchange differences on translating foreign operations		**170**	2,104
Other comprehensive income for the period		**170**	2,104
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(10,874)**	(7,446)

	Notes	For the six months ended 30 September **2009** **(Unaudited)** ***HK$'000***	2008 (Unaudited) (Restated) *HK$'000*
Loss attributable to:			
Equity holders of the parent		**(8,769)**	(7,896)
Minority interests		**(2,275)**	(1,654)
		(11,044)	(9,550)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(8,654)**	(6,503)
Minority interests		**(2,220)**	(943)
		(10,874)	(7,446)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**(HK1.15 cents)**	(HK1.01 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**107,591**	102,294
Intangible assets		**21,561**	21,856
Deposits paid for acquisition of plant and equipment		**–**	427
Total non-current assets		**129,152**	124,577
CURRENT ASSETS			
Due from an associate		**1,256**	1,227
Trade receivables	*9*	**29,028**	30,055
Prepayments, deposits and other receivables		**1,693**	2,383
Pledged time deposits	*10*	**14,000**	4,048
Cash and cash equivalents		**38,291**	57,797
Total current assets		**84,268**	95,510
CURRENT LIABILITIES			
Trade payables	*11*	**1,167**	1,236
Other payables and accrued liabilities		**22,362**	21,681
Interest-bearing bank borrowing	*12*	**2,289**	–
Total current liabilities		**25,818**	22,917
NET CURRENT ASSETS		**58,450**	72,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**187,602**	197,170
NON-CURRENT LIABILITY			
Provision for long service payments		**1,523**	1,548
Net assets		**186,079**	195,622
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**7,600**	7,600
Reserves		**147,285**	154,608
		154,885	162,208
Minority interests		**31,194**	33,414
Total equity		**186,079**	195,622

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 2009 (the "2009 Annual Report"), 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 condensed consolidated interim financial statements as disclosed in note 2 below.

As stated in the 2009 Annual Report, the Group acquired 70% equity interest in Peixin Group Ltd ("Peixin"), which is mainly engaged in the provision of waste treatment services business (the "Acquired Business") from ITAD Biotechnology Limited ("ITAD"), whose substantial shareholders are also substantial shareholders of the Company. As such, the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG5") issued by HKICPA in the 2009 Annual Report. In accordance with AG5, the comparative amounts for the period ended 30 September 2008 have been restated to include the financial statement items of the Acquired Business.

In addition, as stated in the 2009 Annual Report, the Group has adopted HK(IFRIC)-Int 12 Service Concession Arrangements for the first time. In accordance with HK(IFRIC)-Int 12, the interpretation should be applied retrospectively and comparative amounts for the period ended 30 September 2008 have been restated.

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 unaudited condensed consolidated interim financial statements. Except for certain cases giving rise to new or amended disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these unaudited condensed consolidated interim financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*

Apart from the above, the HKICPA has issued Improvements to HKFRSs which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The improvements have no impact on the unaudited condensed consolidated interim financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geography) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

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

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

Besides, the Group has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated interim financial statements.

HKFRS 1 (Revised)	*First-time Adoption of HKFRS*[1]
HKFRS 1 Amendment	*The Additional Exceptions for First-time Adopters*[2]
HKFRS 2 Amendment	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	*Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[1]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 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 HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, 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 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 2009 and 2008.

	Cleaning and related services		Medical waste treatment		Waste treatment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**87,307**	90,460	**1,108**	2,322	**–**	–	**88,415**	92,782
Other income and gains	**254**	231	**–**	125	**9**	–	**263**	356
Total	**87,561**	90,691	**1,108**	2,447	**9**	–	**88,678**	93,138
Segment results	**995**	965	**(2,000)**	(2,063)	**(5,073)**	(2,488)	**(6,078)**	(3,586)
Interest income and unallocated gains							**55**	606
Corporate and other unallocated expenses							**(5,017)**	(6,570)
Finance costs							**(4)**	–
Loss before tax							**(11,044)**	(9,550)
Tax							**–**	–
Loss for the period							**(11,044)**	(9,550)

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited) (Restated)
	HK$'000	*HK$'000*
Bank interest income	**55**	606
Management fee received	**200**	200
Gain on disposal of items of property, plant and equipment	**18**	–
Sundry income	**45**	156
	318	962

5. LOSS BEFORE TAX

The Group's loss before tax for the period, is arrived at after charging cost of services rendered of approximately HK$78,922,000 (2008: HK$82,005,000).

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: 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 (2008: Nil).

7. 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 calculations of basic loss per share are based on:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(8,769)**	(7,896)

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**759,986,000**	783,692,000

Diluted loss per share

Diluted loss per share amounts for the periods ended 30 September 2009 and 2008 have not been disclosed, as the share options and convertible notes outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 September 2009 (2008: Nil).

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.

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

	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
Within 30 days	**13,639**	15,120
31 – 60 days	**8,556**	8,948
61 – 90 days	**5,774**	4,203
91 – 120 days	**910**	1,731
Over 120 days	**149**	53
	29,028	30,055
Less: impairment	**–**	–
	29,028	30,055

10. PLEDGED TIME DEPOSITS

The Group's banking facilities amounting to HK$14,000,000 (31 March 2009: HK$4,000,000), of which no banking facilities (31 March 2009: 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$14,000,000 (31 March 2009: HK$4,048,000) and a corporate guarantee to the extent of HK$28,000,000 (31 March 2009: HK$18,000,000).

11. TRADE PAYABLES

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

	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
Within 30 days	**1,102**	1,234
31 – 60 days	**63**	2
61 – 90 days	**2**	–
	1,167	1,236

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

12. INTEREST-BEARING BANK BORROWING

The interest-bearing bank borrowing is guaranteed by an independent third party, bears interest rate at 4.425% per annum and is repayable on 6 July 2010.

Pursuant to the terms of the counter guarantee agreement (the "Counter Guarantee"), the Group shall indemnify the independent third party for the principal, together with any interests, penalty, compensation and other related fees and expenses which may be payable by the independent third party under the bank guarantee.

At the balance sheet date, the Counter Guarantee is secured by the pledged of certain of the Group's property, plant and equipment amounting to HK$13,618,000, personal guarantee by certain directors of the Group to the extent of HK$2,289,000 and corporate guarantee provided by a subsidiary of the Company to the extent of HK$2,289,000.

The interest-bearing bank borrowing is subsequently settled in October 2009 and all the security and guarantee are released upon settlement.

13. 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 (the "Maturity Date") as part of the total consideration for the acquisition of 70% equity interest in Peixin. The principal amount of the convertible notes is divided into two tranches of HK$32.5 million each, which are 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 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 issuance, redemption and conversion of these convertible notes during the period.

During the period ended 30 September 2009, the convertible notes has been adjusted downward by HK$32,500,000 based on the forecasted shortfall on the targeted net profits of Shuyang ITAD estimated by management.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The first six months of the year had been an extremely challenging time for the Group. The global financial meltdown in the third quarter of last year has sent economies around the world into recession.

Although some recent economic data indicated that the global economy is gradually reviving, financial analysts are saying the market is still uncertain and it is too early to predict when economies would return to a firm footing.

Low borrowing costs during this economic downturn have prompted investors to put their money into tangible assets such as real estate, which has sparked concerns about the emergence of a property bubble.

In Mainland China, the Central Government has taken steps to encourage domestic consumption and support manufacturers and other businesses to meet domestic demands so as to mitigate the impact from dwindling exports and maintain economic growth.

In Hong Kong, with the effect of the voluntary "Wage Protection Movement" launched in October 2006 deemed unsatisfactory, a minimum wage bill was published in June 2009 with the tentative enactment date of the legislation set for late 2010 or early 2011.

Despite the adverse economic and market environments, the Group has been able to maintain its market share in the cleaning services and related businesses.

Operating Results

The Group's turnover of HK$88,415,000 for the six months ended 30 September 2009 represented a 4.7% decrease as compared with the same period last year. A net loss of HK$11,044,000 was recorded for the period against a net loss of HK$9,550,000 for the same period last year. A profit of HK$995,000 from the cleaning and related services and interest income earned of HK$55,000 were offset by a loss of HK$2,000,000 from the medical waste treatment business and a loss of HK$5,073,000 from the municipal solid waste treatment business and other corporate expenses and finance costs of HK$5,021,000.

Business Review

During the period under review, general cleaning services were still the major business of the Group. We obtained a 3-year contract, with the option to renew for another 3 years, in connection with the provision of term cleaning staff for a luxurious residential estate in Fotan, Shatin. We also secured a 2-year contract to provide cleaning services and pest control management for four commercial buildings in Central and a large shopping mall close to the Tsuen Wan MTR station.

Several major cleaning contracts due to expire during the period were renewed for between 1 to 3 years with reasonable contract sum adjustments.

During the period, we completed on schedule and to the satisfaction of customers contracts involving cleaning and some minor repairs of external walls for a luxurious residential estate in Tin Hau and for a college and a monastery building in the Mid-levels.

The first medical waste treatment plant of the Group located in Siping City and employing "steam-based technology" is in smooth operation and has been bringing positive cashflow to the Group. As for the second medical waste treatment plant of the Group, which is in Suifa City, construction has completed and formal operation will begin after all relevant paperwork is finalized.

The municipal solid waste treatment plant in Shuyang County, Jiangsu Province acquired earlier this year by the Group has begun operation. However, with machineries needing finetuning to accommodate the quality of the municipal solid waste delivered to the plant for treatment, the plant has not been operating at its designed capacity yet. We are working with the Shuyang Government to address the situation so that the plant will be able to serve the county at its full strength.

Financial Review

As at 30 September 2009, the Group's cash and cash equivalents and pledged time deposits amounted to HK$52,291,000 (31 March 2009: HK$61,845,000) with current ratio at 3.3 (31 March 2009: 4.2).

The Group's bank borrowings as at 30 September 2009 amounted to HK$2,289,000 (31 March 2009: Nil), and therefore the Group's gearing ratio, representing the ratio of total bank borrowings to shareholders' equity was 1% (31 March 2009: Nil). The Group's shareholders' equity amounted to HK$186,079,000 (31 March 2009: HK$195,622,000).

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

Exposure of the Group to foreign currency risks in relation to RMB exchange rate fluctuation is mitigated as revenues in relation to the medical waste treatment business and municipal solid waste treatment business are in RMB.

As at 30 September 2009, the Group's banking facilities were secured by the following:

(i) pledge of certain of the Group's time deposits amounting to HK$14,000,000 (31 March 2009: HK$4,048,000); and

(ii) a corporate guarantee to the extent of HK$28 million (31 March 2009: HK$18 million) provided by the Company.

Convertible Notes

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD, 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.

As the performance of Shuyang ITAD during the period was affected by the interrupted operation of the Shuyang plant, it is unlikely that ITAD will be able to deliver on the first targeted net profit by 31 December 2009. Accordingly, it is likely that the first tranche of the convertible notes will not be able to be converted.

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$1,618,000 (31 March 2009: HK$1,159,000) 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$2,915,000 as at 30 September 2009 (31 March 2009: HK$2,890,000). The contingent liability has arisen because, at the balance sheet date, 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$1,523,000 (31 March 2009: HK$1,548,000) in respect of such payments has been made in the condensed consolidated balance sheet as at 30 September 2009.

(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 2009 and 31 March 2009.

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2009 was 1,987 (31 March 2009: 2,031). Total staff costs, including directors' emoluments and net pension contributions for the period under review amounted to HK$79,797,000 (30 September 2008 (restated): HK$83,041,000). The Group provides employees with training programmes on latest skills.

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, including directors, are eligible to participate in the Company's share option scheme.

Prospect

We are seeing some signs of recovery in the Hong Kong economy including a decline in unemployment rate and the retail sector picking up gradually. The Group believes that demand from real estate developers, property management establishments, owners incorporations and other sectors in the community for professional cleaning services, stone finishing maintenance and restoration, and top-quality stone maintenance products will start to increase in the second half year. Given its good reputation in the market, the Group is confident of securing more contracts in these fields.

Municipal solid waste treatment business has been identified by the Group as a major strategic initiative in Mainland China. Using the Shuyang plant as its springboard, the Group will seek to expand the business in Mainland China and ultimately worldwide.

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 2009.

AUDIT COMMITTEE

The Audit Committee of the Company comprises 3 members, Mr Cheng Kai Tai, Allen (Chairman of Audit Committee), Mr Chiu Wai Piu and Mr Wang Qi, who are independent non-executive directors of the Company. The Audit Committee has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting processes including the review of these interim results.

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 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.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 15 December 2009

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