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 2008

RESULTS

The board of directors (the "Board") of Lo's Enviro-Pro Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008 together with the comparative figures for the corresponding period of last year, as follows. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED BALANCE SHEET

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2008, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations ("Ints")) that affect the Group and are adopted for the first time for the current period's condensed consolidated financial statements as disclosed in note 2 below.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

Besides, the Group has not early adopted the following new or revised HKFRSs, which have been issued but not yet effective, in these condensed consolidated interim financial statements. Among the new and revised HKFRSs, only HKFRS 8 and HKAS 1 (Revised) are relevant to the Group's financial statements upon them become effective:

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments for the six months ended 30 September 2008 and 2007.

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

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2008 (Unaudited)	2007 (Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**568**	1,339
Management fee received	**200**	200
Fair value gain on a financial asset at fair value through profit and loss	**–**	21
Gain on disposal of items of property, plant and equipment	**–**	1
Foreign exchange gains	**–**	74
Sundry income	**156**	71
	924	1,706
Attributable to continuing operations reported in the consolidated income statement	**924**	1,689
Attributable to a discontinued operation *(note 7)*	**–**	17
	924	1,706

5. LOSS BEFORE TAX

The Group's loss before tax for the period, including the loss before tax for the period from a discontinued operation, is arrived at after charging cost of services rendered of approximately HK$82,005,000 (2007: HK$93,095,000).

6. TAX

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

7. DISCONTINUED OPERATION

On 28 September 2007, the Group disposed of its equity interest in Best Crown International Limited ("Best Crown") and its subsidiary (collectively "Best Crown group") for cash consideration of HK$10,000, resulting in a loss on disposal of subsidiaries of HK$634,000. Best Crown group was engaged in the provision of building maintenance and renovation services and was a separate business segment that was part of the Hong Kong operation. The Group has decided to cease its building maintenance and renovation business as the operating results of this business had been deteriorating in the prior year.

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

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

7. DISCONTINUED OPERATION (continued)

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

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

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

Diluted loss per share

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

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

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the bonus issue during the six months ended 30 September 2007.

The calculations of basic loss per share are based on:

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(6,371)**	(2,519)
From a discontinued operation	**–**	(2,393)
Loss attributable to ordinary equity holders of the parent	**(6,371)**	(4,912)

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

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**783,692,000**	739,021,202

Diluted loss per share

Diluted loss per share for the periods ended 30 September 2008 and 2007 have not been disclosed, as the options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 September 2008 (2007: Nil).

10. TRADE RECEIVABLES

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

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

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

11. PLEDGED TIME DEPOSITS

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

12. TRADE PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

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

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

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

Operating Results

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

Business Review

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

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

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

Financial Review

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

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

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

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

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

(i) pledge of certain of the Group's time deposits amounting to HK$4,037,000 (31 March 2008: HK$4,022,000); and

(ii) a corporate guarantee to the extent of HK$18 million (31 March 2008: HK$18 million) provided by the Company.

Employees and Remuneration Policies

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

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

Prospects

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

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

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

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

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Main Board Listing Rules, except that there is no separation of the role of the Chairman and Chief Executive Officer as laid down in the code provision A.2.1 of the CG Code. Dr Lo Kou Hong currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects and management of the Company.

DIRECTORS OF THE COMPANY

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, Professor Bai Qingzhong is the non-executive director of the Company and Mr Cheng Kai Tai, Allen, Mr Chiu Wai Piu and Mr Wang Qi are the independent non-executive directors of the Company.

On behalf of the Board
Lo Kou Hong
Chairman

Hong Kong, 12 December 2008