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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lo's Enviro-Pro Holdings Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE TRANSACTION

**Conditional sale and purchase of
55 per cent. of the issued share capital of
and joint venture with respect to
Oriental Emperor Holdings Limited**

21st December, 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	having the meaning ascribed to it under the Listing Rules
“Company”	Lo’s Enviro-Pro Holdings Limited, a company incorporated in the Cayman Islands with limited liability, with its shares listed on the Main Board of the Stock Exchange
“connected person”	having the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 20th October, 2006 made between Tsinghua Daring (HK) Holdings and the Company, which sets out the basis of their cooperation with respect to the Project
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honest Grand”	Honest Grand International Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	19th December, 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Oriental Emperor”	Oriental Emperor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of Tsinghua Daring (HK) Holdings

DEFINITIONS

“Project”	the handling of medical waste in China with patented technologies, in accordance with the standards prescribed by the State Environmental Protection Administration
“Sale and Purchase Agreement”	the agreement for sale and purchase dated 23rd November, 2006 entered into between Tsinghua Daring (HK) Holdings and Honest Grand, with respect to the sale and purchase of the Sale Shares (representing 55 per cent. of the issued share capital of Oriental Emperor as at the Latest Practicable Date)
“Sale Shares”	55 shares of US\$1.00 each in the issued share capital of Oriental Emperor, representing 55 per cent. of the issued share capital of Oriental Emperor as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Honest Grand, Tsinghua Daring (HK) Holdings and Oriental Emperor, with respect to the detailed arrangements for the management and operation of Oriental Emperor
“Shares”	shares of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tsinghua Daring Environmental”	Tsinghua Daring Environmental Technology Limited, a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of Oriental Emperor
“Tsinghua Daring (HK) Holdings”	Tsinghua Daring (HK) Holdings Limited, a company incorporated in Hong Kong with limited liability



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)

Executive Directors:

Dr. Lo Kou Hong
Ms. Ko Lok Ping, Maria Genoveffa
Mr. Leung Tai Tsan Charles
Mr. Cheung Pui Keung

Registered Office:

3rd Floor
Caltex House
258 Hennessy Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Cheng Kai Tai, Allen
Mr. Chiu Wai Piu
Mr. Wang Qi

21st December, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**Conditional sale and purchase of
55 per cent. of the issued share capital of
and joint venture with respect to
Oriental Emperor Holdings Limited**

INTRODUCTION

On 20th October, 2006, the Directors announced that on that day, Tsinghua Daring (HK) Holdings and the Company entered into the Cooperation Agreement to set out the basis of their cooperation with respect to the Project. Formal documentation reflecting the terms of the Cooperation Agreement was expected to be executed on or before 30th November, 2006.

On 29th November, 2006, the Directors announced that on 23rd November, 2006, Tsinghua Daring (HK) Holdings and Honest Grand (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement, pursuant to which Tsinghua Daring (HK) Holdings has conditionally agreed to sell, and Honest Grand has conditionally agreed to purchase, the Sale Shares (representing 55 per cent. of the issued share capital of Oriental Emperor as at the Latest Practicable Date), for an aggregate consideration of US\$55.00 (equivalent to HK\$429).

LETTER FROM THE BOARD

Oriental Emperor is a newly-established intermediate holding company of Tsinghua Daring Environmental, the subject company mentioned in the Cooperation Agreement.

Following completion of the sale and purchase of the Sale Shares, Oriental Emperor will be owned as to 45 per cent. by Tsinghua Daring (HK) Holdings and as to the remaining 55 per cent. by Honest Grand, and will be used as a joint venture vehicle to carry out the Project. Tsinghua Daring (HK) Holdings, Honest Grand and Oriental Emperor will enter into the Shareholders' Agreement to regulate their respective rights and obligations in respect of the management and operation of Oriental Emperor and, in turn, the Project.

The Sale and Purchase Agreement and the Shareholders' Agreement operate to supersede the Cooperation Agreement.

Under Chapter 14 of the Listing Rules, the transactions contemplated in the Sale and Purchase Agreement and the Shareholders' Agreement constitute a discloseable transaction for the Company, on the basis that the calculation of the consideration ratio is within the range of five per cent. and 25 per cent. The purpose of this circular is to provide the Shareholders with details of the terms of the Sale and Purchase Agreement and the Shareholders' Agreement and other information in accordance with the requirements under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

23rd November, 2006.

Parties

- (1) Tsinghua Daring (HK) Holdings as vendor.
- (2) Honest Grand as purchaser.

To the best of the Directors' knowledge, Tsinghua Daring (HK) Holdings and its ultimate owners are independent third parties not connected with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates.

The Sale Shares

The Sale Shares represented 55 per cent. of the issued share capital of Oriental Emperor as at the Latest Practicable Date. The Sale Shares will be acquired free from any encumbrance and together with all rights and benefits attaching or accruing to it on or after the date of the Sale and Purchase Agreement.

Tsinghua Daring (HK) Holdings has given certain representations and warranties in relation to Oriental Emperor and the Project.

LETTER FROM THE BOARD

Consideration

The consideration for the sale and purchase of the Sale Shares is US\$55.00 (equivalent to HK\$429), representing the aggregate par value of the Sale Shares. The consideration will be settled in cash and payable on completion. The consideration was arrived at after arm's length negotiations between Tsinghua Daring (HK) Holdings and Honest Grand.

Conditions

Completion of the sale and purchase of the Sale Shares is conditional upon fulfilment of a number of conditions, in particular:

- (i) all authorisations necessary or desirable for the consummation of the transactions contemplated in the Sale and Purchase Agreement (including the Shareholders' Agreement) having been obtained by Tsinghua Daring (HK) Holdings and Oriental Emperor and remaining in full force and effect;
- (ii) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on:
 - (a) the business, operations, prospects or financial condition, or a material portion of the properties or assets, of Oriental Emperor or its subsidiary Tsinghua Daring Environmental;
 - (b) the legality or feasibility of the Project; or
 - (c) the ability of Tsinghua Daring (HK) Holdings to perform or observe any of its obligations, undertakings or covenants under the Sale and Purchase Agreement;
- (iii) there being no applicable law which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated in the Sale and Purchase Agreement (including the Shareholders' Agreement) or the legality or feasibility of the Project;
- (iv) there being no bona fide proceedings in effect, pending or genuinely threatened as of completion before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seek to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated in the Sale and Purchase Agreement; and
- (v) compliance by the Company with all applicable disclosure and shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

Tsinghua Daring (HK) Holdings will use its best endeavours to fulfil, or procure the fulfilment of, conditions (i) to (iv). If any of the conditions is not fulfilled (or waived by Honest Grand, except for condition (v) which cannot be waived) on or before 15th January, 2007 (or such later date as may be agreed by Tsinghua Daring (HK) Holdings and Honest Grand in writing), no party will be obliged to complete the sale and purchase of the Sale Shares, whereupon the Sale and Purchase Agreement will cease to be of any force or effect.

The sale and purchase of the Sale Shares and the involvement of the Company and Honest Grand in the Project are conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares.

Completion

Subject to fulfilment of the conditions set out in the Sale and Purchase Agreement, completion of the sale and purchase of the Sale Shares will take place on or before 15th January, 2007 (or such other date as may be agreed by Tsinghua Daring (HK) Holdings and Honest Grand in writing).

THE SHAREHOLDERS' AGREEMENT

Date

To be entered into on completion of the sale and purchase of the Sale Shares.

Parties

- (1) Tsinghua Daring (HK) Holdings.
- (2) Honest Grand.
- (3) Oriental Emperor.

Business

The principal business of Oriental Emperor will be the operation of the Project.

Board of Directors

The board of directors of the Company will consist of a maximum of five directors. Honest Grand will be entitled to nominate three directors and Tsinghua Daring (HK) Holdings will be entitled to nominate two directors. Both Honest Grand and Tsinghua Daring (HK) Holdings will be entitled to remove the directors respectively appointed by them.

LETTER FROM THE BOARD

Finance

Within five business days after the execution of the Shareholders' Agreement, Honest Grand will advance HK\$15 million in cash to Oriental Emperor by way of an interest-free shareholder's loan.

Honest Grand will further advance HK\$65 million in cash to Oriental Emperor by way of interest-free shareholder's loans within 18 months after the execution of the Shareholders' Agreement.

Such monies will be substantially used by Oriental Emperor to set up subsidiaries in China for the purposes of the Project and to fund and operate the Project.

The initial advance of HK\$15 million will be funded out of the proceeds of the top-up placing of Shares announced on 7th November, 2006. The balance of HK\$65 million will be funded, over a period of 18 months, out of internal resources of the Company or by further capital raising exercises or external borrowings, or a combination of them.

The shareholders' loans are provided by Honest Grand as investment to fund the Project and accordingly will be interest-free and unsecured. Having regard to the respective rights and obligations of Tsinghua Daring (HK) Holdings and Honest Grand with respect to the Project and the prospects of the Project, the Directors believe that these funding arrangements are fair and reasonable and are in the interests of the Company and the shareholders of the Company taken as a whole.

Patented Technologies and Overall Liaison in China

Tsinghua Daring (HK) Holdings will procure one of its shareholders to grant or transfer, free of charge, to Oriental Emperor and its subsidiaries the rights to use the relevant patented technologies for handling medical waste under the Project. It will also be responsible for overall liaison in China. For these reasons, no funding will be required from Tsinghua Daring (HK) Holdings.

Option

As part of the principal terms of the Sale and Purchase Agreement and the Shareholders' Agreement, Tsinghua Daring (HK) Holdings will grant an option to Honest Grand, pursuant to which Honest Grand may, during the subsistence of the Shareholders' Agreement, require Tsinghua Daring (HK) Holdings to sell all its interests in Oriental Emperor at par value if:

- (i) any of the warranties or representations in the Sale and Purchase Agreement given or made by Tsinghua Daring (HK) Holdings is misleading or untrue; or
- (ii) Tsinghua Daring (HK) Holdings fails to perform any of its obligations or undertakings set out in the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Such option would protect the investment of Honest Grand by enabling it to acquire all the interests owned by Tsinghua Daring (HK) Holdings in the Project in the event of any breach on the part of Tsinghua Daring (HK) Holdings.

Profit Guarantee

Tsinghua Daring (HK) Holdings guarantees that during the subsistence of the Shareholders' Agreement, the profits generated in each city will not be less than 70 per cent. of the estimated profits agreed by Tsinghua Daring (HK) Holdings and Honest Grand from time to time, failing which Honest Grand may seek compensation from Tsinghua Daring (HK) Holdings. There are no existing provisions in the Shareholders' Agreement governing the mechanisms for such compensation.

Honest Grand and Tsinghua Daring (HK) Holdings will budget the estimated profits for each year at the beginning of the relevant year, having regard to all the relevant factors then prevailing, including the standard charges in relation to the handling of medical waste in hospitals and clinics in China and the turnover of the preceding financial years of each of the subsidiaries.

THE PROJECT

The Project relates to the handling of medical waste in China with patented technologies, in accordance with the standards prescribed by the State Environmental Protection Administration. It is contemplated that the Project will be carried out, in the first two years of the joint venture, in eight cities in China. The number of cities may increase if agreed by Tsinghua Daring (HK) Holdings and Honest Grand.

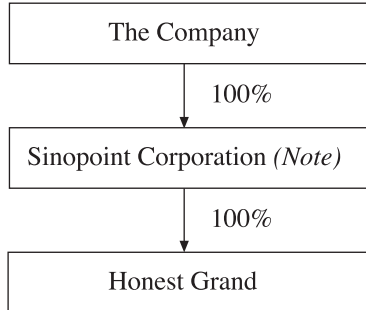
The current plan is to set up a subsidiary in each of the eight designated cities in China. It is currently estimated that approximately HK\$10 million will be required by each subsidiary to operate the Project in each city, to acquire the relevant land use rights, vehicles, equipment and machinery and to set up factories and offices.

Following execution of the Shareholders' Agreement, rights to use the relevant patented technologies for handling medical waste will be granted or transferred, free of charge, to Oriental Emperor and its subsidiaries. Such rights, when granted or transferred, will attach to the machinery for medical waste treatment on an individual basis and, in respect of individual machinery, will last for a period of 20 years from the date of acquisition of the relevant machinery. The patented technologies relate to the non-incineration treatment of medical waste, and are owned by a Canadian company. Such Canadian company is principally engaged in the manufacturing and sales of patented infectious waste processors for medical waste, animal or pathological waste, infectious liquid waste and classified food waste. A right to use such technologies in China has been granted by the Canadian company to a shareholder of Tsinghua Daring (HK) Holdings, which right will continue until terminated by agreement between them. Tsinghua Daring (HK) Holdings will procure the grant or transfer of the rights to use the patented technologies to Oriental Emperor and its subsidiaries.

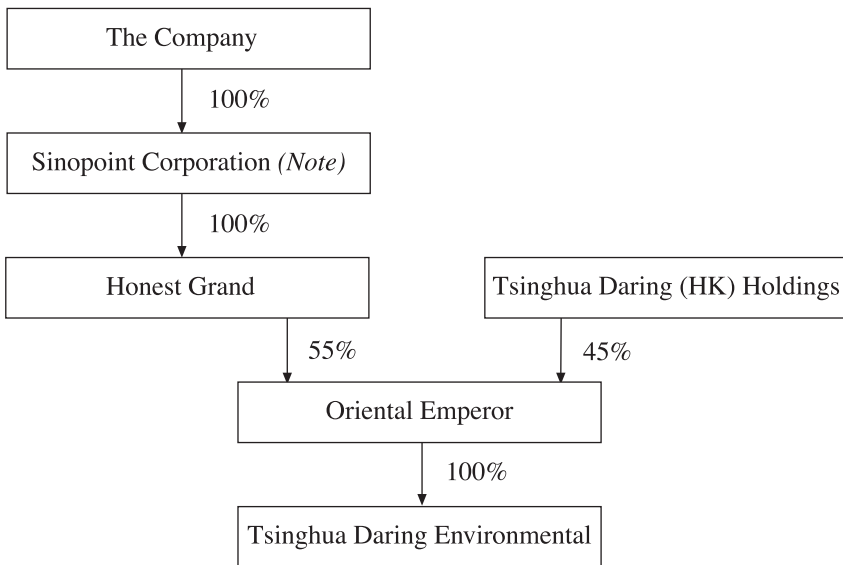
LETTER FROM THE BOARD

GROUP CHARTS

An overview of the shareholding structure of the Group before completion of the sale and purchase of the Sale Shares is set out below:



An overview of the shareholding structure of the Group after completion of the sale and purchase of the Sale Shares is set out below:



Note: Sinopoint Corporation is a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

INFORMATION ABOUT TSINGHUA DARING (HK) HOLDINGS

The Directors are advised that Tsinghua Daring (HK) Holdings is a company incorporated in Hong Kong with limited liability. It is engaged principally in investment holding in Hong Kong.

To the best of the Directors' knowledge, Tsinghua Daring (HK) Holdings and its ultimate owners are independent third parties not connected with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates.

The Directors are further advised that the shareholders of Tsinghua Daring (HK) Holdings specialise in medical waste treatment in China. One of the shareholders of Tsinghua Daring (HK) Holdings has the rights to use the relevant patented technologies for handling medical waste in China. Tsinghua Daring (HK) Holdings will procure such shareholder to grant or transfer such rights, free of charge, to Oriental Emperor and its subsidiaries.

INFORMATION ABOUT ORIENTAL EMPEROR AND TSINGHUA DARING ENVIRONMENTAL

Oriental Emperor is a company incorporated on 25th September, 2006 in the British Virgin Islands with limited liability. The principal business activity of Oriental Emperor is investment holding. As at the Latest Practicable Date, Oriental Emperor was a direct wholly-owned subsidiary of Tsinghua Daring (HK) Holdings and an intermediate holding company of Tsinghua Daring Environmental.

Following completion of the sale and purchase of the Sale Shares, Oriental Emperor will be owned as to 45 per cent. by Tsinghua Daring (HK) Holdings and as to the remaining 55 per cent. by Honest Grand, and will be used as a joint venture vehicle to carry out the Project.

Tsinghua Daring Environmental is a company incorporated on 9th October, 2006 in Hong Kong with limited liability. The principal business activity of Tsinghua Daring Environmental is investment holding. Tsinghua Daring Environmental is a direct wholly-owned subsidiary of Oriental Emperor.

INFORMATION ABOUT THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability. Its shares are listed on the Main Board of the Stock Exchange.

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are the provision of cleaning and related services, and building maintenance and renovation services.

LETTER FROM THE BOARD

INFORMATION ABOUT HONEST GRAND

Honest Grand is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of Honest Grand is investment holding.

Honest Grand is an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE

The Sale and Purchase Agreement and the Shareholders' Agreement formalise the cooperation between Tsinghua Daring (HK) Holdings and the Company with respect to the Project. They set out the detailed arrangements for the management and operation of Oriental Emperor and the Project.

The Project relates to the handling of medical waste in China. The Group intends to increase its degree of participation in the continuing growth of the China market, by way of a further expansion of its cleaning and related services into the more specialised area of the handling of medical waste in China. The involvement of the Company in the Project is in line with the business strategies and activities of the Group.

In relation to the Project, the Company has conducted due diligence exercises on the patented technologies relating to the non-incineration treatment of medical waste, and on the business environment for the handling of medical waste in China. In particular, the Company has studied various research reports on the patented technologies relating to the non-incineration treatment of medical waste that are owned by the Canadian company mentioned in the paragraph headed "The Project" above, and has conducted on-site investigations to the office of the shareholder of Tsinghua Daring (HK) Holdings mentioned in the paragraph headed "The Project" above, and to various hospitals in China.

Having regard to the nature of and benefits resulting from the sale and purchase of the Sale Shares and the joint venture with respect to the Project, the Directors believe that the terms of the Sale and Purchase Agreement and the Shareholders' Agreement are fair and reasonable and are in the interests of the Company and the shareholders of the Company taken as a whole.

As Oriental Emperor and Tsinghua Daring Environmental (a direct wholly-owned subsidiary of Oriental Emperor) were only incorporated on 25th September, 2006 and 9th October, 2006 respectively, there were no audited or unaudited net profits or net asset value in respect of Oriental Emperor or Tsinghua Daring Environmental as at the Latest Practicable Date.

Following completion of the sale and purchase of the Sale Shares, the liabilities of the Group will be increased by HK\$15,000,000, reflecting the interest-free shareholder's loan required to be advanced by Honest Grand. The net assets and earnings of the Group will remain unchanged after completion of the sale and purchase of the Sale Shares. The Company anticipates that there will be earnings after the operation of the Project.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The transactions contemplated in the Sale and Purchase Agreement and the Shareholders' Agreement constitute a discloseable transaction for the Company, on the basis that the calculation of the consideration ratio is within the range of five per cent. and 25 per cent.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Lo's Enviro-Pro Holdings Limited
Lo Kou Hong
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

(1) *Interests in the Shares*

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	210,000,000 (Note)	58.08%
Ms. Ko Lok Ping Maria Genoveffa	Long	Beneficiary of a discretionary trust	210,000,000 (Note)	58.08%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	140,000	0.039%

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

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

(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	3,000,000	0.83%
	Long	Interest of spouse	3,000,000 (Note (1))	0.83%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	3,000,000	0.83%
	Long	Interest of spouse	3,000,000 (Note (2))	0.83%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	3,000,000	0.83%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	3,000,000	0.83%

Notes:

- (1) Dr. Lo Kou Hong was deemed to be interested in the 3,000,000 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 3,000,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

(b) Substantial shareholders' interests

Save as disclosed below and in paragraph (a) above, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
The Lo's Family Limited	Long	Trustee	210,000,000 (Note)	58.08%
Equity Trustee Limited	Long	Trustee	210,000,000 (Note)	58.08%

Note: These shares were owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust, of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family 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 paragraph headed "Directors' interests" in this section.

3. SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors, except for Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1st February, 2003 with a monthly salary of HK\$120,000, HK\$80,000 and HK\$100,000 respectively. Mr. Cheung Pui Keung, James has entered into a service contract with the Company for an initial fixed term of three years commencing from 13th January, 2004 with a monthly salary of HK\$40,000. The annual salaries of the Directors (including one month's fixed salary bonus) in aggregate are approximately HK\$4,420,000. The service contracts of Dr. Lo Kou Hong, Ms. Ko Lok Ping, Maria Genoveffa, Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James will continue thereafter unless terminated by either party to the contract giving to the other written notice of at least 6 months and 3 months respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors (not being the independent non-executive directors of the Company) or their respective associates (as defined in the Listing Rules) was considered to have interests in any competing businesses pursuant to the Listing Rules.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group:

- (a) Mak Tai Construction & Engineering Ltd. ("Mak Tai"), a subsidiary of the Company, was engaged as the sub-contractor by Mega Projects Construction Ltd. ("Mega Projects") for a residential estate renovation project in Tsuen Wan. Upon completion of the Phase 1 work, however, Mega Projects defaulted in making payments to Mak Tai for the work done. Having obtained advice from the Company's legal advisers, Mak Tai terminated the contract and reserved all rights against the Mega Projects for the outstanding payment and damages.

Civil proceedings were brought in the High Court against Mak Tai by Mega Projects in August 2006 for damages of approximately HK\$0.5 million, additional costs, interest, etc. as a result of termination of the contract by Mak Tai.

In September 2006, Mak Tai commenced civil proceedings in the High Court against Mega Projects, pursuant to which Mak Tai made a claim for the payment of approximately HK\$5.9 million under the sub-contractor contract mentioned above, interest accrued under it and related losses and costs.

In November 2006, Mak Tai obtained a Consent Summons in the High Court to stay all proceedings in the action of which Mega Projects is the plaintiff until final determination of civil proceedings brought by Mak Tai against Mega Projects. The case remains pending before the High Court.

- (b) In 2005, Mak Tai engaged Constructive Creation (HK) Co. Ltd. (“Constructive Creation”) in a joint venture manner providing renovation services in various locations. Constructive Creation subsequently defaulted in making payments to Mak Tai.

Civil proceedings were brought against Constructive Creation by Mak Tai in September 2006 in the District Court, pursuant to which Mak Tai made a claim for the payment of approximately HK\$0.84 million. In late September 2006, Mak Tai obtained a default judgment in the amount of approximately HK\$0.84 million, accrued interest and costs.

Mak Tai is contemplating effective ways and means to enforce the judgment.

- (c) In 2005, Mak Tai engaged Constructive Creation for the provision of external wall renovation service in a residential estate on Hong Kong Island. While part payment had been made to Constructive Creation, Mak Tai disputed the total amount payable under the contractual arrangements. In November 2006, Constructive Creation brought civil proceedings against Mak Tai in the High Court claiming for the balance payment of approximately HK\$1.08 million in connection with the provision of its renovation services. The case remains pending before the Court.
- (d) Mega Engineering Company (“Mega Engineering”) was engaged by Mak Tai for the provision of various plumbing and drainage services for a residential estate, of which Mak Tai was a sub-contractor. As a result of the contractor which contracted the work to Mak Tai being evacuated from the service site and defaulting in payment, Fu Wo Decoration Engineering Company Limited, claiming to be the sub-contractor of Mega Engineering, commenced civil proceedings in the High Court in August 2006 against Mak Tai for the payment of approximately HK\$1.11 million for the work done. The case remains pending before the High Court.
- (e) Mak Tai entered into a contract with Hoo Hing Decoration Company (“Hoo Hing”) for the provision of renovation materials and service in an estate in Tsuen Wan. As a result of the main contractor of the project failing to pay the work charges, Hoo Hing commenced civil proceedings against Mak Tai in the District Court in October 2006, claiming for approximately HK\$0.1 million together with the interest accrued and related losses. The case remains pending before the District Court.
- (f) In December 2006, Chit Tat Engineering Limited, claiming to be the sub-contractor of Martech Building Consultants Ltd. (“Martech”) and Mak Tai for providing scaffolding works as required for the renovation works for a residential estate, of which Martech and Mak Tai were the sub-contractors appointed by the main contractor, served an amended writ of summons on Martech and Mak Tai claiming for the balance payment of approximately HK\$0.5 million for the work done. Since possession of the renovation site had been recovered by the main contractor before the completion of the renovation work, Mak Tai is unable to verify whether or not the scaffolding works had in fact been completed. The case remains pending before the District Court.

- (g) In December 2006, Constructive Creation, a sub-contractor appointed by Mak Tai for the repair and renovation works for a residential estate, which works were contracted to Mak Tai by the main contractor, commenced civil proceedings against Mak Tai for approximately HK\$0.58 million, being the balance payment for the work done. The relevant contract between the main contractor and Mak Tai had been terminated earlier as a result of the main contractor defaulting in the payment of the work charge. The case remains pending before the Court.

6. GENERAL

- (a) The registered office of the Company is at 3rd Floor, Caltex House, 258 Hennessy Road, Wanchai, Hong Kong.
- (b) The company secretary and the qualified accountant of the Company is Mr. Leung Tai Tsan, Charles. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He has over 20 years of experience in accounting, auditing and financial management.
- (c) The branch share registrar and transfer office of the Company is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.