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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)

PLACING OF WARRANTS

Placing Agent



MasterLink Securities (Hong Kong) Corporation Limited

The Company and the Placing Agent entered into the Placing Agreement on 26 August 2010, whereby the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, a maximum of 151,000,000 Warrants to independent investors.

The Issue Price per Warrant is HK\$0.015 and the Subscription Price is HK\$0.51 (subject to adjustment).

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 151,000,000 Warrant Shares will be issued and allotted, representing approximately 19.69% of the existing issued share capital of the Company and approximately 16.45% of the issued share capital of the Company as enlarged by the issue and allotment of the Warrant Shares.

As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

26 August 2010

Issuer

The Company

Placing Agent

The Placing Agent, MasterLink Securities (Hong Kong) Corporation Limited, has conditionally agreed to place a maximum of 151,000,000 Warrants on a best efforts basis and will receive a placing commission of HK\$150,000. The placing commission was determined by reference to the range of market norms for commissions for this type of transaction.

The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable. The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Placees

The Warrants will be placed on a best efforts basis to no fewer than six Placees who, and whose ultimate beneficial owners, will not be connected persons (as defined in the Listing Rules) of the Company and will not be connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

The Directors are currently unable to determine whether any Placees will become a substantial Shareholder (as defined in the Listing Rules) of the Company as a result of exercising the subscription rights attaching to the Warrants. The Placing Agent will notify the Company in the event that any substantial Shareholder is involved assuming full exercise of the subscription rights attaching to the Warrants as at the date of Completion.

Conditions of the Placing

Completion of the Placing is conditional upon on or prior to 8 September 2010 (or such later date as may be agreed between the Company and the Placing Agent):

- (a) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in all of the Warrant Shares to be allotted and issued upon full exercise of the subscription rights attached to the Warrants either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object and the satisfaction of such conditions; and
- (b) any other approval as may be required for the Placing.

If the conditions are not fulfilled by the date stated above, the Placing will lapse and the obligations and liabilities of the Company and the Placing Agent under the Placing shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing.

Completion of the Placing

Completion of the Placing will take place on the second business day after the fulfillment of the conditions as set out in the Placing Agreement or such other date as may be agreed between the Company and the Placing Agent.

Further announcement(s) will be made by the Company upon completion of the Placing.

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrant Shares Covered by the Warrants

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 151,000,000 Warrant Shares (with an aggregate nominal value of HK\$1,510,000 of the Warrant Shares), will be issued and allotted, representing approximately 19.69% of the existing issued share capital of the Company and approximately 16.45% of the issued share capital of the Company as enlarged by the issue and allotment of the Warrant Shares.

Subscription period

From the date of issue of the Warrants to the expiry of the 18 months of the issue of the Warrants.

Subscription price

The Subscription Price per Warrant Share will be HK\$0.51 (subject to adjustment).

The Subscription Price and the Issue Price per Warrant (in aggregate) (being HK\$0.525) represents:

- (a) a discount of approximately 0.94% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on 26 August 2010, being the date of the Placing Agreement;
- (b) a premium of approximately 2.94% to the average of the closing prices of approximately HK\$0.51 per Share for the five trading days of the Shares up to and including 26 August 2010; and
- (c) a premium of approximately 3.96% to the average of the closing prices of approximately HK\$0.505 per Share for the ten trading days of the Shares up to and including 26 August 2010.

The Subscription Price is subject to adjustment based on the prescribed formulas as set out in the instrument creating the Warrants for the happening of the following normal adjustment events:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution other than the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders;
- (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price of the Shares on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the Shareholders or other persons) being made by the Company to the Shareholders;

- (vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share initially receivable for such securities is less than 90% of the market price of the Shares on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the Shareholders or other persons), or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 90% of such market price;
- (vii) an issue of Shares being made wholly for cash at a price less than 90% of the market price of the Shares on the date of the announcement of the issue; and
- (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognized stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the exercise price.

Every adjustment to the exercise price shall be certified by the auditors of the Company or an approved merchant bank.

The Company will publish an announcement upon any adjustment to the Subscription Price.

The Subscription Price was determined after arm's length negotiations between the Company and the Placing Agent, after considering the Group's existing financial position, liquidity of the Shares in the market and number of Warrant Shares.

Payment of the Subscription Price must be made in immediately available funds.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Ranking of the Warrant Shares

The Warrant Shares, when issued and allotted, will rank pari passu with the fully paid Shares in issue on the date of allotment and issue of such Warrant Shares.

Transferability

The Warrants are transferable in integral multiples of 1,000,000 Warrants to any person other than a connected person (as defined in the Listing Rules). In the event of a transfer of Warrants to a connected person (as defined in the Listing Rules), prior approval from the Company and the Stock Exchange should be obtained.

Rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Application for listing

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Warrant Shares.

General Mandate

The Warrant Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the Company's annual general meeting held on 27 August 2009 subject to the limit up to 20% of the then issued ordinary Shares with a par value of HK\$0.01 each in the capital of the Company. Under the General Mandate, the Company is authorized to issue 151,997,200 Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate. As the Warrants and the Warrant Shares are to be issued under the General Mandate, the Placing is not subject to Shareholders' approval.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

OTHER INFORMATION ON THE PLACING

Reasons for the Placing

The Group is principally engaged in the provision of cleaning and related services in Hong Kong as well as the medical waste and municipal waste treatment in China.

The Directors consider that, in the event the subscription rights attaching to the Warrants are exercised, the placing of the Warrants represents a good opportunity to raise additional capital for the Company as well as broadening the shareholder base and capital base of the Company.

The Directors consider the terms of the Placing Agreement (including the Issue Price and the Subscription Price) are fair and reasonable and the Placing is in the interest of the Company and the Shareholders as a whole.

Use of proceeds

The gross proceeds from the placing of the Warrants will be HK\$2,265,000 (i.e. the Issue Price without taking into account the exercise of the subscription rights attaching to the Warrants). After taking into account the estimated expenses in relation to the placing of the Warrants, the net proceeds of approximately HK\$1,800,000 from the placing of the Warrants (without taking into account the exercise of the subscription rights attaching to the Warrants) is intended to be used as general working capital of the Group. If the subscription rights attaching to the Warrants are exercised in full, an additional amount of approximately HK\$77,010,000 will be raised. The additional net proceeds of approximately HK\$77,010,000 (with minimal administrative expenses) is also intended to be used as general working capital of the Group.

The net fund raised per Warrant (together with the Subscription Price per Warrant Share) is expected to be approximately HK\$0.52 per Share.

Fund raising activities in the past twelve months

The Company did not have any fund raising activities on any issue of equity securities in the past twelve months prior to the date of this announcement.

Effect on shareholding structure

For illustration purpose, the shareholding structures of the Company as at the date of this announcement and upon full exercise of subscription rights attaching to the Warrants are as follows:

Shareholder	As at the date of this announcement		Assuming full exercise of the subscription rights attaching to the Warrants	
	Number of Shares	% Approximately	Number of Shares	% Approximately
The Lo's Family (PTC) Limited	80,000,000 (Note 1)	10.43%	80,000,000	8.71%
Ms. Ko Lok Ping, Maria Genoveffa	1,700,000 (Note 2)	0.22%	1,700,000	0.19%
Mr. Leung Tai Tsan, Charles	1,900,000	0.25%	1,900,000	0.21%
Mr. Cheung Pui Keung, James	1,480,000	0.19%	1,480,000	0.16%
Warrantholders	–	–	151,000,000	16.45%
Other public/Shareholders	<u>681,638,000</u>	<u>88.91%</u>	<u>681,638,000</u>	<u>74.28%</u>
Total	<u>766,718,000</u>	<u>100.00%</u>	<u>917,718,000</u>	<u>100.00%</u>

Notes:

- (1) These shares were owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members. Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, and Ms. Ko Lok Ping, Maria Genoveffa, as one of the beneficiaries of The Lo's Family Trust, were deemed to be interested in the shares owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.
- (2) These shares were beneficially owned by Ms. Ko Lok Ping, Maria Genoveffa. Dr. Lo Kou Hong, as the spouse of Ms. Ko, was deemed to be interested in the 1,700,000 shares of the Company pursuant to Part XV of the SFO.

As at the date of this announcement, the existing authorized share capital of the Company consists of 2,000,000,000 Shares out of which 766,718,000 Shares are issued and fully paid up.

As at the date of this announcement, there are 36,700,000 outstanding share options of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Lo’s Enviro-Pro Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 27 August 2009 to allot and issue new Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the issue price of HK\$0.015 per Warrant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	the placees of the Warrants procured by or on behalf of the Placing Agent pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Warrants by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement
“Placing Agent”	MasterLink Securities (Hong Kong) Corporation Limited, a licensed corporation to carry out Types 1, 4 and 9 regulated activities for the purpose of the SFO
“Placing Agreement”	the placing agreement dated 26 August 2010 and entered into between the Company and the Placing Agent in respect of the Placing
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

“Share(s)”	ordinary share(s) of HK\$0.01, each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the sum payable in respect of each Share to which the registered holder of each Warrant will be entitled upon exercise of the subscription rights represented thereby, being HK\$0.51 or such adjusted price as may for the time being be applicable in accordance with the terms of the Warrants
“Warrant(s)”	unlisted warrants of the Company in registered form conferring rights entitling the Warrantholder(s) thereof to subscribe for up to HK\$77,010,000 in aggregate in cash for 151,000,000 Warrant Shares at the Subscription Price (subject to adjustment) to be issued by the Company pursuant to the Placing Agreement
“Warrant Shares”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants by the Warrantholders thereof
“Warrantholder(s)”	holder(s) of the Warrant(s)
“%”	percent

By Order of the Board
Lo’s Enviro-Pro Holdings Limited
Lo Kou Hong
Chairman

Hong Kong, 26 August 2010

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; two non-executive directors, namely, Professor Bai Qingzhong and Mr. Xu Rong; and three independent non-executive directors, namely, Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi.