

On behalf of the board of directors (the "Board") of Green Energy Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2006 ("FY2006").

## FINANCIAL PERFORMANCE

During FY2006 the Group's turnover rose 10.1% to HK\$56.9 million from approximately HK\$51.7 million in the financial year ended 31 December 2005 ("FY2005"). This turnover growth is encouraging. However, net loss increased to approximately HK\$29.0 million during FY2006 from approximately HK\$4.6 million in FY2005. The increase in such loss arose because of accounting treatments of share options granted by the Company in FY2006 that had the effect of increasing the net loss by approximately HK\$27.6 million. The net loss of the Group would have been approximately HK\$1.4 million only instead of approximately HK\$29.0 million had no share options been granted by the Company during FY2006. Details of the share options granted by the Company during FY2006 were disclosed in note 29 to the financial statements.

## BUSINESS REVIEW

### Construction contractor

In FY2006 the Group continued to focus on the construction market in the Guangdong Province, the People's Republic of China ("PRC") where the Group had developed an extensive network of connections over the last few years. Similar to FY2005, the Group's turnover of approximately HK\$56.8 million derived from construction business in the PRC.

### Trading of Bio-cleaning products

In FY2006 the Group acquired ReKRETE International Limited ("ReKRETE International") together with its subsidiary, ReKRETE (Asia) Limited ("ReKRETE Asia"). Details of the acquisition were dispatched to shareholders in a circular dated 9 October 2006. The turnover of ReKRETE Asia derived mainly from Hong Kong customers. At present, customers of ReKRETE Asia's products include railway companies, bus companies, airport facilities, engineering companies, cargo operators, property management and other cleaning contractors. As this part of the Group's business is still in its infancy in FY2006, ReKRETE Asia only contributed approximately HK\$78,000 in terms of the Group's turnover which was less than 0.2% of the total turnover of the Group.

## FUTURE PROSPECTS

The Directors will continue to expend their efforts on the PRC's construction and property related sectors. However, due to the tight macroeconomic controls by the PRC authorities to curb overheating of the economy, the Directors foresee that such controls may impact on the future growth of the Group's construction business.

The Directors plan to deploy additional resources to expand the marketing activities of ReKRETE Asia. In February 2007, ReKRETE Asia reached new milestone as it successfully secured new business from Hong Kong Airport Authority which involved the supply of ReKRETE Asia's products for cleaning and maintenance of the Airport's concrete and block pavements. Airports facilities are a major target market for ReKRETE Asia. As such, we plan to extend our sales and marketing activities to other Asian airports including those in the PRC. Furthermore, as part of our growth strategy, we aim to expand ReKRETE Asia footprint to Japan and the Middle East via direct marketing and distribution agent channels.

We will continue to seek attractive business opportunities, in particular, in the areas of environmental protection and recycling in Hong Kong, the PRC and around the world with the goal of generating positive cash flow and earnings for the Group.

## **FUTURE PROSPECTS (CONTINUED)**

Another promising development for the Group is the waste recycling and management business which is in the course of being implemented in Wilhelmshaven, Germany. In February 2007 two subsidiaries, namely, EnviroEnergy GmbH and EnviroPower GmbH, were set up in Germany in connection with such business. EnviroEnergy GmbH is in the process of completing the purchase of a parcel of land in Wilhelmshaven upon which a waste recycling plant is being built and installed, whereas EnviroPower GmbH will undertake all recycling and trading activities upon completion of the construction of the recycling plant and facilities in Germany. In the initial stage the recycling facilities are designed to recycle home and construction waste materials for resale to local construction companies and the German government for the purpose of road and other construction. Concurrently, plans are in place for the purchase of machineries and equipment required for the purpose of managing, sorting, processing and packaging plastic waste materials for resale in the international plastics market. As a third part of the waste recycling and management business to be undertaken by the Group, EnviroPower GmbH will also be entrusted with the task to treat and recycle the huge masses of oil refuse that have since World War II been buried beneath the land now being acquired by EnviroEnergy GmbH and, to that end, plans are also in place for the acquisition of an oil refinery system with a view to undertaking the treatment of the oil refuse. The recycled oil is considered to be a valuable commodity that can be traded locally and internationally.

## **APPRECIATION**

On behalf of the Board, I would like to thank the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support of the Group.

**Yip Wai Leung Jerry**

*Chairman*

Hong Kong, 27 April 2007