

FINANCIAL REVIEW

The Group's total turnover for the year ended 31 December 2006 ("FY2006") was approximately HK\$56.9 million (2005: HK\$51.7 million) representing an increase of 10.1% as compared with that for the year ended 31 December 2005 ("FY2005").

The construction sector's turnover for FY2006 was approximately HK\$56.8 million (FY2005: HK\$51.7 million) representing an increase of 9.9% as compared with that for FY2005 due to the continuing effort of the Group to expand its business. In view of the austerity measures adopted by the authorities of the People's Republic of China ("PRC") to curb overheating of the economy, the Group has been prudent and selective in accepting new contracts in order to minimize the risk of bad debts.

The newly acquired business of ReKRETE (Asia) Limited has generated a turnover of approximately HK\$78,000 to the Group after its acquisition on 10 October 2006.

During FY2006 the Group recorded a net loss of approximately HK\$29 million as against a net loss of approximately HK\$4.6 million for FY2005. The net loss of approximately HK\$29 million included share-based payment expenses of approximately HK\$27.6 million, a gain of approximately HK\$3.4 million arising from the waiver of accrued salaries by ex-directors, Mr. Tam Jin Rong, Mr. Tam Kai On and Mr. Tao Ke Wei; a gain of approximately HK\$1.3 million arising from the disposal of property, plant and equipment; a gain of approximately HK\$0.9 million arising from disposal of subsidiaries; interest income of approximately HK\$2.5 million arising from proceeds of open offer in June 2006. Excluding above factors, the Group had incurred a loss of approximately HK\$9.5 million in FY2006.

Construction contract costs comprised of direct material, subcontracting costs and government tax other than income tax for construction projects, the total construction contract costs increased by 11.8% from approximately HK\$47.5 million in FY2005 to HK\$53.1 million in FY2006, which was close to the percentage change in turnover.

General and administrative expenses, which included staff costs, legal and professional fees, amortization and general administrative expenses increased by 345.5% from approximately HK\$8.8 million in FY2005 to HK\$39.2 million in FY2006 due to the implementation of the mandatory conditional cash offer in March 2006 and additional general and administration cost on newly acquired subsidiaries, in particular share-based payment amounts approximately HK\$27.6 million.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

On 26 June 2006 the Company raised net proceeds of approximately HK\$151.1 million by an open offer of 256,431,132 offer shares (being ordinary share of HK\$0.10 each) at HK\$0.60 per offer share on the basis of three offer shares for every one share then held to provide additional working capital for the Group.

As at 31 December 2006 the Group had total current assets of approximately HK\$145.6 million (As at 31 December 2005: HK\$22.5 million) while total current liabilities were approximately HK\$23.7 million (As at 31 December 2005: HK\$23.5 million). The current ratio of the Group was 614.3% (As at 31 December 2005: 95.7%). The Group has sufficient fund to settle its debts.

As at 31 December 2006 the Group had total assets of approximately HK\$175.0 million (As at 31 December 2005: HK\$25.8 million). The gearing ratio, calculated by dividing the total debts over its total assets were 13.5% (As at 31 December 2005: 95.7%).

The Group's activities were transacted in Hong Kong dollars and Renminbi. As the exchange rate of Renminbi against Hong Kong dollars was relatively stable over the years, notwithstanding a minor appreciation of Renminbi against Hong Kong dollars during FY2006, the Group's exposure to fluctuations in foreign exchange rates is considered to be low and hedging instruments have not been used.

MATERIAL ACQUISITION

During FY2006 the Group has acquired ReKRETE International Limited and ReKRETE (Asia) Limited for the total consideration of approximately HK\$27.5 million. ReKRETE (Asia) Limited enjoys the exclusive right for a period of twelve years commencing on 1 January 2005 (with an option to renew for a further term of six years) to distribute in all Asian countries (excluding New Zealand, Australia and the South Pacific Islands) two bio-cleaning agents known as ReKRETE Waterless Concrete Cleaner ("REKRETE") and Concrete And Asphalt Parking Space Cleaner ("CAAPS") designed to remove oil and hydrocarbon petroleum matters. Both REKRETE and CAAPS are recognized as more environmentally friendly than conventional liquid cleaning chemicals and degreasers, because they are wholly non-hazardous, non-corrosive and non-toxic to humans, animal, plants, soils, metals, paint, concrete, sewer system and underground water. For further details reference may be made to the circular of the Company dated 9 October 2006.

FUTURE PROSPECTS

In February 2007 two subsidiaries, namely, EnviroEnergy GmbH and EnviroPower GmbH, were set up in Germany with a view to undertaking a waste recycling and management business in Germany. 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. It is believed that the upcoming German business will create an exciting new dimension to the Group. The Directors believe that these developments will contribute significantly to the future growth of the Group.

CONTINGENT LIABILITIES

As at 31 December 2006 the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2006 the Group had 45 employees (2005: 103 employees) in Hong Kong and the PRC. The decrease in the number of employees was due to the restructuring of business and subsidiaries in the PRC.

The Group offered competitive remuneration package as an incentive to staff for improvements. The Company has a share option scheme in place as a mean to encourage and reward the eligible employees' (including directors of the Company) contributions to the Group's results and business development based on their individual performance.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experiences and professional qualifications and the prevailing market practice.