Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At the annual general meeting of the Company held on 5 June 2006 a special resolution was passed to change the name of the Company from China Nan Feng Group Limited to Green Energy Group Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2006, Always New Limited, a company incorporated in British Virgin Islands, is the parent and New Zealand Professional Trustee Limited, a company incorporated in New Zealand, is the ultimate parent of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	over unexpired lease term
Furniture, fixtures and equipment	10% to 30%
Leasehold improvements	over unexpired lease term or 5 years, whichever is shorter
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(g) Distribution rights

Distribution rights are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of twelve years.

(h) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Gross amounts due from customers for contract works". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the balance sheet as "Gross amounts due to customers for contract works". Progress billings not yet paid by the customer are included in the balance sheet under "Accounts receivable". Amounts received before the related work is performed are included in the balance sheet under "Accounts payable".

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a construction contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(ii) Revenue from trading of cleaning materials

Revenue from trading of cleaning materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has been passed to the customers.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payments

The Group issues equity-settled share-based payments to certain grantees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(q) Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and accounts receivable. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(u) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (Continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment, other intangible asset, depreciation and amortisation

The Group determines the estimated useful lives and related depreciation and amortisation charges for the Group's property, plant and equipment and other intangible asset. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and management's projection of future operations. Management will revise the depreciation and amortisation charges where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of goodwill and other intangible asset

Determining whether goodwill and other intangible asset are impaired requires estimation. The recoverable amounts of the cash-generating units are based on the fair value less cost to sell and require the use of estimate. The Group test whether goodwill and other intangible asset have suffered any impairment, in accordance with the accounting policies stated in notes 3(b) and 3(u) respectively. The carrying amount of goodwill and other intangible asset at the balance sheet date were HK$8,875,000 and HK$18,537,000 respectively and no impairment loss was recognised during 2006. Details of the directors' assessment of the recoverable amounts of the goodwill and other intangible asset are set out in note 17.

Notes to the Financial Statements

For the year ended 31 December 2006

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of the accounts receivable included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

The Group's exposure to change in interest rates is mainly attributable to its bank balances. Bank balances expose the Group to cash flow interest rate risk. The Group currently does not have an interest rate hedging policy. However, management will monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group's turnover which represents revenue from construction contracts and trading of cleaning materials to customers are as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Revenue from construction contracts	56,826	51,688
Trading of cleaning materials	78	–
	56,904	51,688

7. OTHER INCOME

	Group	
	2006 HK$'000	2005 HK$'000
Interest income on bank deposits	2,545	6
Gain on disposal of property, plant and equipment	1,256	–
Others	11	301
	3,812	307

8. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

Construction contracts – Provision of construction works

Cleaning materials – Trading of cleaning materials

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

The PRC

Hong Kong

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments

	Construction contracts HK$'000	Cleaning materials HK$'000	Consolidated HK$'000
Year ended 31 December 2006			
Revenue	56,826	78	56,904
Segment results	(1,542)	(19,745)	(21,287)
Other income			3,803
Unallocated expenses			(14,075)
Loss from operations			(31,559)
Gain on waiver of accrued directors' remuneration			3,384
Gain on disposal of subsidiaries			939
Finance costs			(470)
Loss before tax			(27,706)

8. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments (Continued)

	Construction contracts HK$'000	**Cleaning materials** HK$'000	**Consolidated** HK$'000
At 31 December 2006			
Segment assets	28,045	28,563	56,608
Unallocated assets			118,391
Total assets			174,999
Segment liabilities	19,331	5	19,336
Unallocated liabilities			4,397
Total liabilities			23,733
Other segment information:			
Capital expenditure	65	28,199	28,264
Unallocated amounts			944
			29,208
Depreciation and amortisation	216	487	703
Unallocated amounts			171
			874
Share-based payment expenses	2,348	18,765	21,113
Unallocated amounts			6,461
			27,574

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments (Continued)

	Construction contracts HK$'000	Cleaning materials HK$'000	Consolidated HK$'000
Year ended 31 December 2005			
Revenue	51,688	–	51,688
Segment results	1,031	–	1,031
Other income			307
Unallocated expenses			(5,625)
Loss from operations			(4,287)
Gain on disposal of subsidiaries			1,068
Finance costs			(320)
Loss before tax			(3,539)
At 31 December 2005			
Segment assets	22,930	–	22,930
Unallocated assets			2,909
Total assets			25,839
Segment liabilities	12,775	–	12,775
Unallocated liabilities			11,879
Total liabilities			24,654
Other segment information:			
Capital expenditure	278	–	278
Unallocated amounts			–
			278
Depreciation and amortisation	174	–	174
Unallocated amounts			209
			383
Impairment loss on receivables			
Unallocated amounts	–	–	19

8. SEGMENT INFORMATION (CONTINUED)

Secondary reporting format – geographical segments

	Revenue		Total assets		Capital expenditure	
	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	78	–	146,900	2,856	29,143	–
The PRC	56,826	51,688	28,099	22,983	65	278
	56,904	51,688	174,999	25,839	29,208	278

9. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans	46	50
Interest on other loan wholly repayable within five years	424	270
	470	320

10. INCOME TAX EXPENSE

	Group	
	2006	2005
	HK$'000	HK$'000
Current tax – The PRC		
Provision for the year	1,246	1,019

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit sourced in Hong Kong for the year.

PRC income tax is calculated at tax rate applicable in the PRC where subsidiaries of the Group are assessable for tax.

Notes to the Financial Statements

For the year ended 31 December 2006

10. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense and the product of loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2006 HK$'000	2005 HK$'000
Loss before tax	(27,706)	(3,539)
Tax at the applicable tax rate of 17.5%	(4,849)	(619)
Tax effect of income that is not taxable in determining taxable profit	(1,425)	(191)
Tax effect of expenses that are not deductible in determining taxable profit	15,801	9,855
Tax effect of temporary differences not recognised	(80)	–
Tax effect of tax losses not recognised	498	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	(8,698)	(8,011)
Underprovision	(1)	(15)
Income tax expense	1,246	1,019

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting) the following:

	Group	
	2006 HK$'000	2005 HK$'000
Amortisation of other intangible asset	463	–
Auditor's remuneration		
Current year	680	600
Overprovision in prior year	–	(50)
Depreciation	411	383
Loss on disposal of property, plant and equipment	–	8
Operating leases – Land and buildings	135	89
Research and development expenditure (including share-based payment expenses of HK$6,997,000)	7,067	–
Staff costs (including directors' emoluments, note 12)		
Salaries and allowance	3,458	4,987
Retirement benefits scheme contribution	427	88
Share-based payment expenses	6,386	–
	10,271	5,075

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director of the Company were as follows:

Group

	Note	Fees HK$'000	Basic salaries and allowances HK$'000	Share-based payment expenses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors						
Mr. Yip Wai Leung Jerry		–	450	221	6	677
Mr. Ming Kar Fook Charles		–	–	–	–	–
Mr. Tam Jin Rong	*(a)*	–	–	–	–	–
Mr. Tao Ke Wei	*(a)*	–	60	–	–	60
Mr. Tam Kai On	*(a)*	–	61	–	4	65
Independent non-executive Directors						
Mr. So Yin Wai		44	–	221	–	265
Ms. Zhu You Chun		44	–	221	–	265
Mr. Chan Kai Yung Ronney		29	–	221	–	250
Mr. Zhou Yaoming	*(b)*	15	–	–	–	15
Mr. Lau Kwok Wah	*(a)*	15	–	–	–	15
Mr. Huang Shou Deng	*(a)*	15	–	–	–	15
Mr. Tsui Wing Tak	*(a)*	24	–	–	–	24
Total for 2006		186	571	884	10	1,651
Executive Directors						
Mr. Tam Jin Rong	*(a)*	–	1,300	–	–	1,300
Mr. Tao Ke Wei	*(a)*	–	577	–	–	577
Mr. Tam Kai On	*(a)*	–	520	–	28	548
Mr. Ko Chung Ting Peter	*(c)*	–	300	–	16	316
Independent non-executive Directors						
Mr. Lau Kwok Wah	*(a)*	60	–	–	–	60
Mr. Huang Shou Deng	*(a)*	60	–	–	–	60
Mr. Tsui Wing Tak	*(a)*	48	–	–	–	48
Mr. Choy Sai Man	*(c)*	–	–	–	–	–
Total for 2005		168	2,697	–	44	2,909

Notes:

(a) Resigned on 24 March 2006
(b) Resigned on 5 June 2006
(c) Resigned on 31 May 2005

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

On 24 March 2006, Mr. Tam Jin Rong resigned as chairman and executive director of the Company; Mr. Tam Kai On and Mr. Tao Ke Wei resigned as executive directors of the Company; Mr. Huang Shou Deng, Mr. Lau Kwok Wah and Mr. Tsui Wing Tak resigned as independent non-executive directors of the Company. All the resigned directors confirmed that they had no disagreement with the Board. On the same day, Mr. Tam Jin Rong, Mr. Tam Kai On and Mr. Tao Ke Wei agreed to waive the aggregated directors' remunerations due from the Company amounting to HK$1,800,000, HK$792,000 and HK$792,000 respectively which were credited to the consolidated income statement for the year.

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The above emoluments include the value of share options granted to certain directors under the Company's share options scheme as estimated at the date of grant. Details are set out in note 29.

The five highest paid individuals in the Group during the year included one (2005: four) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2005: one) highest paid individuals are as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Basic salaries and allowances	1,165	192
Retirement benefit scheme contributions	22	10
Share-based payment expenses	3,806	–
	4,993	202

The emoluments fell within the following bands:

	Number of individuals Group	
	2006	2005
HK$Nil – HK$1,000,000	3	1
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	1	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a state-managed defined contribution scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the state-managed scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK$427,000 (2005: HK$88,000) represents contribution payable to the MPF Scheme and a state-managed contribution scheme by the Group.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss for the year attributable to shareholders of the Company included a loss of approximately HK$28,953,000 (2005: profit of HK$27,452,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of basic loss per share attributable to shareholders of the Company is based on the loss for the year attributable to shareholders of the Company of approximately HK$28,952,000 (2005: HK$4,558,000) and the weighted average number of ordinary shares of 273,526,541 (2005: 170,954,088, as adjusted to reflect the share consolidation and the effect of the offer shares issued in June 2006) in issue during the year.

A diluted loss per share amount for the year ended 31 December 2006 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basis loss per share for the year. A diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as no dilutive potential ordinary shares existed during that year.

Notes to the Financial Statements

For the year ended 31 December 2006

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2005	2,174	313	1,776	37	4,300
Additions	–	7	205	66	278
Disposals	–	–	(23)	–	(23)
At 31 December 2005	2,174	320	1,958	103	4,555
At 1 January 2006	2,174	320	1,958	103	4,555
Additions	–	191	148	680	1,019
Acquired on acquisition of subsidiaries	–	192	110	12	314
Disposals	(2,174)	(201)	(907)	(37)	(3,319)
At 31 December 2006	–	502	1,309	758	2,569
Accumulated depreciation					
At 1 January 2005	4	19	797	3	823
Charge for the year	62	63	242	16	383
Disposals	–	–	(7)	–	(7)
At 31 December 2005	66	82	1,032	19	1,199
At 1 January 2006	66	82	1,032	19	1,199
Charge for the year	35	86	200	90	411
Disposals	(101)	(65)	(879)	(20)	(1,065)
At 31 December 2006	–	103	353	89	545
Carrying amount					
At 31 December 2006	–	399	956	669	2,024
At 31 December 2005	2,108	238	926	84	3,356

17. GOODWILL

	Group
	HK$'000
Cost	
Arising on acquisition of subsidiaries	8,875
At 31 December 2006	8,875
Carrying amount	
At 31 December 2006	8,875
At 31 December 2005	–

On 10 October 2006, the Group acquired 100% equity interest of ReKRETE International Limited ("ReKRETE International') and its subsidiary, namely ReKRETE (Asia) Limited ("ReKRETE Asia"). ReKRETE Asia is principally engaged in trading of cleaning materials. The goodwill on consolidation generated from the acquisition of ReKRETE International and ReKRETE Asia (collectively referred to as "ReKRETE Group") was HK$8,875,000. ReKRETE Asia holds a distribution right with carrying amount of HK$18,537,000 as at 31 December 2006 which was included as other intangible asset in the consolidated balance sheet. Details of other intangible asset are set out in note 18.

The recoverable amount is determined by the directors on the basis of the fair value of cash-generating unit ("CGU") less cost to sell. Goodwill and other intangible asset are allocated to the Group's CGU identified to business segment of trading of cleaning materials. On 30 January 2007, ReKRETE International entered into a deed (the "Deed") with a third party ("Grantor") which is a subsidiary of a company listed on the Main Board of the Stock Exchange. Pursuant to the Deed, an option was granted by the Grantor to ReKRETE International. The option is exercisable by ReKRETE International during a period of three years commencing from 30 January 2007 to require or compel the Grantor to purchase 25% of the entire issued share capital of ReKRETE Asia at an option price of HK$8,000,000. The directors estimate that the recoverable amounts of goodwill and other intangible asset are higher than their carrying amounts with reference to the option price of HK$8,000,000. As a result, the directors are of the opinion that there was no impairment of the goodwill and other intangible asset as at 31 December 2006.

18. OTHER INTANGIBLE ASSET

Group

	Distribution right HK$'000
Cost	
Acquired on acquisition of subsidiaries	19,000
At 31 December 2006	19,000
Accumulated amortisation	
Amortisation for the year	463
At 31 December 2006	463
Carrying amount	
At 31 December 2006	18,537
At 31 December 2005	–

The Group, through ReKRETE Group, holds an exclusive distribution right from a third party to distribute that third party's cleaning materials in specific Asian countries for a period of twelve years commencing from 1 January 2005. The cost of other intangible asset represents fair value of the exclusive distribution right at the date of acquisition of ReKRETE Group. The Group has an option to renew the distribution right for a further term of six years subject to the terms of agreement.

The exclusive distribution right has finite useful lives and is subject to amortisation. Amortisation is charged to the income statement using straight-line method to allocate the acquisition cost over their estimated useful lives. The amortisation period will not exceed twelve years. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

The directors carried out review of the recoverable amount of its distribution right at 31 December 2006 as set out in note 17. The directors are of the opinion that there was no impairment in the Group's other intangible asset as at 31 December 2006.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Non-current assets		
Unlisted shares, at cost	1	2
Share options granted to grantees of subsidiaries	23,747	–
	23,748	2
Less: Impairment loss	(22,413)	(2)
	1,335	–

	Company	
	2006 HK$'000	2005 HK$'000
Current assets		
Due from subsidiaries	37,791	161,903
Less: Impairment loss	(4,264)	(152,290)
	33,527	9,613
Current liabilities		
Due to a subsidiary	2,148	2,129

Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2006

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries at 31 December 2006 are as follows:

Company name	Place of incorporation and registration/ operation	Issued/ registered and paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Gain Asset Limited	Hong Kong	HK$1	100%	Management services to group companies
Green Energy Finance Limited	Hong Kong	HK$1	100%	Money lending
Green Energy Resources Limited	Hong Kong	HK$1	100%	Purchasing
Jackwell Limited*	British Virgin Islands	US$1	100%	Investment holding
Keyway China Limited*	British Virgin Islands/ PRC	US$100	100%	Construction contractor
Privilege Sino Limited*	British Virgin Islands	US$100	100%	Investment holding
Proven Best Limited*	British Virgin Islands	US$1	100%	Investment holding
Provost Profits Limited*	British Virgin Islands	US$1	100%	Investment holding
ReKRETE (Asia) Limited	Hong Kong	HK$1	100%	Trading of cleaning materials
ReKRETE International Limited	British Virgin Islands	US$1	100%	Investment holding
東莞中盛企業管理顧問有限公司Δ	PRC	HK$1,000,000	100%	Investment holding
東莞市中盛園林有限公司#	PRC	RMB500,000	100%	Construction contractor

* Shares held directly by the Company
\# Domestic enterprise
Δ Foreign-owned enterprise

20. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	209	211
Construction supplies	–	196
Cleaning materials	341	–
	550	407

21. CLUB MEMBERSHIP

	Group	
	2006	2005
	HK$'000	HK$'000
Cost and carrying amount		
At 1 January	245	245
Disposal	(245)	–
At 31 December	–	245

22. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	Group	
	2006	2005
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	84,008	79,429
Less: Progress billings	(65,350)	(62,071)
	18,658	17,358
Gross amounts due from customers for contract works	18,658	17,373
Gross amounts due to customers for contract works	–	(15)
	18,658	17,358

22. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS (CONTINUED)

At the balance sheet date, retention held by customers in respect of construction contracts included in prepayments, deposits and other receivables of the Group amounted to HK$2,029,000 (2005: HK$1,052,000). The amount of retentions expected to be recovered after more than twelve months is HK$1,992,000 (2005: HK$742,000).

At the balance sheet date, retention held by the Group in respect of constructions contracts included in accruals and other payables of the Group amounted to HK$456,000 (2005: HK$589,000).

23. ACCOUNTS RECEIVABLE

The Group has a policy of allowing its trade customers with credit period of normally between 30 to 90 days or terms in accordance with construction contracts.

The ageing analysis of accounts receivable, based on the invoice date, and net of allowance, is as follows:

	Group	
	2006 HK$'000	2005 HK$'000
0 to 90 days	4,010	38
91 to 180 days	16	652
181 to 365 days	17	–
	4,043	690

24. BANK AND CASH BALANCES

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Cash at bank and on hand	5,261	1,970	2,395	134
Short-term bank deposit	114,552	–	114,552	–
	119,813	1,970	116,947	134

24. BANK AND CASH BALANCES (CONTINUED)

Bank and cash balances were denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollar	117,528	137	116,947	134
Renminbi	2,285	1,833	–	–
	119,813	1,970	116,947	134

Short-term bank deposit at the balance sheet date had a maturity of 10 days (2005: Nil) from the balance sheet date with the effective interest rate of 3.75% per annum (2005: Nil).

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on the date of receipt of goods, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 to 90 days	9,852	6,350
91 to 180 days	137	600
181 to 365 days	571	20
Over 365 days	1,569	121
	12,129	7,091

26. DEFERRED TAX

At the balance sheet date the Group has unused tax losses of HK$17,993,000 (2005: HK$14,221,000) and other deductible temporary differences of HK$10,069,000 (2005: HK$10,737,000) available for set off against future profits.

Deferred tax assets are not recognised for the tax losses and other deductible temporary differences carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The tax effect on deductible temporary differences and unrecognised tax losses was approximately HK$4,911,000 as at 31 December 2006 (2005: HK$4,368,000).

27. SHARE CAPITAL

	Note	Number of shares '000	Par value HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 January 2005 and 1 January 2006		40,000,000	400,000
Share consolidation	*(a)*	(36,000,000)	–
Ordinary shares of HK$0.10 each at 31 December 2006		4,000,000	400,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 January 2005 and 1 January 2006		854,770	8,548
Share consolidation	*(a)*	(769,293)	–
Issue of Offer Shares	*(b)*	256,431	25,643
Ordinary shares of HK$0.10 each at 31 December 2006		341,908	34,191

Notes:

(a) Pursuant to a resolution passed at a special general meeting on 5 June 2006, every 10 ordinary shares of HK$0.01 each then in issue in the capital of the Company were consolidated into one consolidated share of HK$0.10 each ("Consolidated Share(s)").

(b) Pursuant to an open offer on the basis of three offer shares for every one Consolidated Share at the subscription price of HK$0.60 per offer share ("Offer Share(s)"), which was completed on 26 June 2006, 256,431,132 Offer Shares of HK$0.10 each, ranking pari passu in all respects with the then existing Consolidated Shares of the Company were issued. Premium on the issue of shares, net of share issue expenses, amounting to HK$125,439,000, was credited to the Company's share premium account.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity. The contributed surplus of the Group represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004.

(b) Company

	Note	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Share-based payment reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 January 2005		35,963	56,897	–	(129,814)	(36,954)
Profit for the year		–	–	–	27,452	27,452
Balance at 31 December 2005		35,963	56,897	–	(102,362)	(9,502)
Balance at 1 January 2006		35,963	56,897	–	(102,362)	(9,502)
Issue of Offer Shares	*27(b)*	125,439	–	–	–	125,439
Recognition of share–based payments		–	–	27,574	–	27,574
Loss for the year		–	–	–	(28,953)	(28,953)
Balance at 31 December 2006		161,402	56,897	27,574	(131,315)	114,558

28. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Act 1981 of Bermuda, the funds in the share premium account of the Company may be applied:

(a) in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares;

(b) in writing off

(i) the preliminary expenses of the Company; or

(ii) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or

(c) in providing for the premiums payable on redemption of any shares or of any debentures of the Company.

(ii) Contributed surplus

The contributed surplus of the Company represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004 and to a resolution passed at a special general meeting on 1 December 2003.

(iii) Share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to the grantees recognised in accordance with the accounting policy adopted for share-based payments in note 3(p).

(iv) General reserves

In accordance with the PRC regulations, the general reserves retained by a subsidiary in the PRC are non-distributable.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the financial statements.

29. SHARE-BASED PAYMENTS

Pursuant to ordinary resolutions passed by the shareholders of the Company on 5 June 2006, the Company terminated the share option scheme adopted in 1997 and approved to adopt a new share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under this scheme and any other share option of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting this scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

29. SHARE-BASED PAYMENTS (CONTINUED)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Details of the specific categories of options are as follows:

Date of grant	Exercise period	Exercise price HK$
22 September 2006	22 September 2006 to 21 September 2016	0.93
21 November 2006	21 November 2006 to 20 November 2016	1.05

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

				Number of underlying shares in respect of which share options were granted			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 01/01/2006	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 31/12/2006
Directors	21/11/2006	21/11/2006 – 20/11/2016	1.05	–	1,360,000	–	1,360,000
Employees	22/9/2006	22/09/2006 – 21/09/2016	0.93	–	4,412,000	–	4,412,000
	21/11/2006	21/11/2006 – 20/11/2016	1.05	–	4,218,000	–	4,218,000
Other Eligible Participants	22/9/2006	22/09/2006 – 21/09/2016	0.93	–	4,134,000	–	4,134,000
	21/11/2006	21/11/2006 – 20/11/2016	1.05	–	28,612,000	–	28,612,000
Total				–	42,736,000	–	42,736,000
		Weighted average exercise price (HK$)		–	1.026	–	1.026

29. SHARE-BASED PAYMENTS (CONTINUED)

The options outstanding at the end of the year have a weighted average remaining contractual life of 10 years (2005: Nil) and the exercise prices range from HK$0.93 to HK$1.05 (2005: Nil). During the year, the options were granted on 22 September 2006 and 21 November 2006. The estimated fair values of the options on those dates are HK$5,344,000 and HK$22,230,000 respectively.

The fair value of share options of the 1,360,000 shares granted to directors, 8,630,000 shares granted to employees and 32,746,000 shares granted to other Eligible Participants during the year ended 31 December 2006 amounted to HK$884,000, HK$5,502,000 and HK$21,188,000 respectively. An amount of HK$27,574,000 (representing the aggregate fair values of all share options granted during the year ended 31 December 2006) was credited to share-based payment reserve.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	22 September 2006	**21 November 2006**
Weighted average share price	HK$0.93	HK$1.03
Exercise price	HK$0.93	HK$1.05
Expected volatility	84.87%	86.49%
Expected option period	5 years	5 years
Risk free rate	3.815%	3.800%
Expected dividend yield	Nil	Nil

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years but excluding the period where the Company implemented a major restructuring exercise. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 10 October 2006, the Group acquired 100% of equity interest of ReKRETE Group for a cash consideration of HK$27,529,000. ReKRETE Group is principally engaged in trading of cleaning materials during the year.

The fair value of the identifiable assets and liabilities of ReKRETE Group acquired as at the date of acquisition, are as follows:

Net assets acquired:	**Fair value recognised on acquisition** HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	314	314
Other intangible asset	19,000	21,860
Inventories	357	357
Accounts receivable	13	13
Prepayments, deposits and other receivables	35	35
Bank and cash balances	12	12
Accruals and other payables	(1,077)	(1,077)
	18,654	21,514
Goodwill	8,875	
Satisfied by:		
Cash	27,529	
Net cash outflow arising on acquisition:		
Cash consideration paid	(27,529)	
Bank and cash balances acquired	12	
	(27,517)	

The goodwill arising on the acquisition of ReKRETE Group is attributable to the anticipated profitability of the distribution of ReKRETE Group's products in the new markets.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

ReKRETE Group contributed approximately HK$78,000 to the Group's turnover and approximately HK$19,745,000 to the Group's loss before tax, for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total Group turnover for the year would have been HK$56,991,000, and loss for the year would have been HK$31,243,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is intended to be a projection of future results.

(b) Gain on disposal of subsidiaries

During the year, the Group disposed of certain subsidiaries at an aggregate consideration of HK$1,151,000. In previous year, the Group disposed certain other subsidiaries at a nominal consideration of HK$9.

	2006 HK$'000	2005 HK$'000
Net assets/(liabilities) disposed of:		
Club membership	245	–
Accounts payable	–	(545)
Accruals and other payables	(33)	(523)
Net amounts due from Group companies	–	3,977
	212	2,909
Waiver of amounts due from Group companies	–	(3,977)
	212	(1,068)
Gain on disposal of subsidiaries	939	1,068
Total consideration, satisfied by cash	1,151	–

Net cash inflow arising on disposal of subsidiaries are HK$1,151,000 (2005: HK$Nil).

Notes to the Financial Statements

For the year ended 31 December 2006

31. LEASE COMMITMENTS

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases for warehouse of the Group are payable as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	88	–
In the second to fifth years inclusive	29	–
	117	–

32. RELATED PARTY TRANSACTIONS

(a) Pursuant to the shareholder's loan agreement dated 30 April 2004, the then shareholder agreed to provide a loan with maximum amount of HK$10 million to the Company for daily operation with interest rate at prime rate plus 2% per annum. The loan is unsecured and repayable on demand. During the year, the Group paid interest of HK$113,000 (2005: HK$270,000) in relation to the shareholder's loan. The loan was fully repaid during the year.

(b) During the year, the Group recognised construction revenue of HK$31,000 (2005: HK$351,000) from a company in which a then executive director of the Company had beneficial interest.

(c) During the year, the Group paid rental of HK$10,000 (2005: HK$45,000) in relation to office premises and staff quarters in the PRC, to a company in which a then executive director had beneficial interest.

(d) During the year, the Group paid cleaning expenses of HK$6,000 (2005: HK$19,000) in relation to office premises and staff quarters in the PRC, to a company in which a then executive director had beneficial interest.

(e) During the year, the Group paid legal and professional fees of HK$900,000 (2005: Nil) to a solicitor firm in which an executive director is a partner.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) As at the balance sheet date, included in the following accounts are balances with companies in which a then executive director had beneficial interests:

	Group	
	2006 HK$'000	2005 HK$'000
Prepayments, deposits and other receivables	–	84
Gross amounts due to customers for contract works	–	(15)
Accounts receivable	–	38
Accruals and other payables	–	(604)
Accounts payable	–	(172)

(g) During the year, certain then executive directors waived their directors' remuneration in aggregate of HK$3,384,000.

(h) On 28 April 2006, the Company has entered into an underwriting agreement with two shareholders relating to an open offer of 256,431,132 Offer Shares of HK$0.10 each in the Company at HK$0.60 per share payable in full on application (in the proportion of three Offer Shares for every one Consolidated Share held). The Company paid underwriting fees of HK$439,000 and HK$1,024,000 respectively, to the two shareholders after completion of the open offer.

33. EVENTS AFTER BALANCE SHEET DATE

(a) A wholly owned subsidiary known as EnviroPower GmbH having a share capital of EUR100,000 (equivalent to HK$1,025,000) was incorporated in Germany on 26 February 2007 for the main purpose of undertaking a recycling business and the trading of recycled materials.

(b) Another wholly owned subsidiary known as EnviroEnergy GmbH having a share capital of EUR500,000 (equivalent to HK$5,123,000) was incorporated in Germany on 26 February 2007 for the main purpose of acquiring a parcel of land in Wilhemshaven, Germany and all relevant required for the construction of a recycling and the conduct of a recycling business upon such land.

Notes to the Financial Statements

For the year ended 31 December 2006

33. EVENTS AFTER BALANCE SHEET DATE (CONTINUED)

(c) A sum of EUR200,000 (equivalent to HK$2,049,000) was paid by EnviroEnergy GmbH to obtain the ownership of the land from Johann Esser in Germany on 26 February 2007. Upon completion of the transfer of all recycling permits and rights concerning the use of the land. EnviroEnergy GmbH agreed to pay a further amounts of EUR500,000 (equivalent to HK$5,123,000) to Johann Esser.

(d) On 30 January 2007, ReKRETE International entered into a Deed with the Grantor which is a subsidiary of a company listed on the Main Board of the Stock Exchange. Pursuant to the Deed, an option was granted by the Grantor to ReKRETE International. The option is exercisable by ReKRETE International during a period of three years commencing from 30 January 2007 to require or compel the Grantor to purchase 25% of the entire issued share capital of ReKRETE Asia at an option price of HK$8,000,000.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 April 2007.