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OVERVIEW

We are a leading supplier of key heat transfer products designed to enhance energy efficiency. Historically, we have focused on the manufacture and supply of heat transfer products and solutions, including economisers, waste heat recovery products (including HRSG products), marine products and boiler components as well as related services and repairs. Recently, we have also begun efforts to diversify into other alternative energy areas, such as waste heat power generation and wind power equipment. Our waste heat power plant, the Xinjiang Project, began generating power in July 2009, and our joint venture to manufacture wind turbine towers, Tongliao Greens, is expected to commence operation by the end of 2009.

A typical heat transfer product is a heat exchanger or waste heat boiler that operates by heating up the system fluid that runs through its tubular components, using the energy from hot gas surrounding its tubular components, into a stream with high temperature and pressure suitable for further industrial utilization or power generation. As waste energy is utilized rather than exhausted, energy efficiency of the heat transfer system is enhanced, which in turn contributes to lower pollution levels as gas emissions to the atmosphere are reduced. Our economiser products are primarily applied in the coal-fired power stations and industrial power plants to increase efficiency of main boilers. Our HRSG products and other waste heat recovery products are primarily used in gas-fired power stations, and our waste heat boilers are used in other applications such as cement plants, coking plants and oil refineries to recover waste heat.

Major Business Segments

We generally recognize our revenue on a stage-of-completion basis. Currently, our four largest business segments are economisers, waste heat recovery products, waste heat power generation and boiler components, which collectively represented 94.3% and 90.4% of our total revenue in 2008 and the five-month period ended May 31, 2009, respectively. The following is a brief description of the products and services we provide in these business segments:

- *Economisers.* We focus on supplying Steel-H economisers, a type of extended surface economisers which compared to typical plain steel economisers, are generally more compact and more cost-effective, but also require higher technical sophistication in the production process. Our Steel-H economisers use finned tubes with H-shaped metal fins attached onto metal tubes, and are particularly well-suited for dusty environments such as coal-fired power plants. We have capabilities across a wide range of fuels, including fuels such as coals with low calorific content and high ash content, and in a variety of applications, such as cement plants, coking plants and oil refineries. A substantial majority of our economisers have been applied to coal-fired power plants, with a wide range of power output ranging from 100 MW up to more than 1,000 MW. Since we were founded in 2003, we have established our manufacturing facilities in China to focus on sales in the PRC market, which is the largest market for economiser products in the world, according to Frost & Sullivan Limited. We are the global leader for extended surface economisers, with approximately 37.5% of the market share based on the number of tonnes supplied in 2008, according to Frost & Sullivan Limited.
- *Waste heat recovery products.* We supply a variety of waste heat recovery products, including HRSG products and waste heat boilers, for process applications, many of which capitalize on our experience and capabilities in manufacturing of heat transfer extended surface tubes known as finned tubes, which are among the most critical components of a heat transfer system. The most typical applications of the HRSGs are in CCGT plants and in combined heat and power, or CHP plants. A CCGT plant is a system where gas turbine generator generates electricity and hot exhaust from the gas turbine is directed to the HRSG for additional electricity generation. The power output range of the CCGT plant is generally above 50 MW and CHP plant below 50 MW. Historically, we have manufactured HRSG products for both CCGT plants and CHP plants applications. However, in recent years, we have focused on designing and manufacturing HRSG products for CCGT plants applications in order to meet market demand for these products. We are the largest China-based supplier of HRSG modules to HRSG system designers worldwide, based on 2008 revenue, according to Frost & Sullivan Limited. We also supply waste heat boilers, which generate steam for heat or process use, or for power generation in conjunction with steam engines. Waste heat boilers are designed to reduce pollution by lowering excess high temperature emissions exhausted to the atmosphere.

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- Waste heat power generation.** We continue to seek new sources of revenue by capitalizing on our core strengths in heat transfer solutions. To that end, in May 2008, we entered into a cooperation agreement with Xinjiang International Coking Company Limited ("新疆國際煤焦化有限責任公司"), or Xinjiang Coke, in Xinjiang Autonomous Region, pursuant to which, Greens Baicheng, the project company we established for this project, is expected to sell electricity generated from the waste heat produced by Xinjiang Coke to State Grid Corporation of China. Our Xinjiang Project is structured based on the build-operate-transfer, or BOT model. We agreed, through our wholly owned subsidiary, Greens Baicheng, to construct the project and provide the equipment for the project. We have also agreed to operate and maintain the project until July 2015. During this period, Greens Baicheng is expected to be entitled to the profits generated from the project's electricity sales. At the end of such period, we have agreed to transfer our entire equity interest in Greens Baicheng to Xinjiang Coke free of charge. Xinjiang Project began generating power in July 2009.
- Boiler components.** We offer a variety of boiler components, including air pre-heaters, superheaters, pressure vessels, steam drums, boiler furnace walls, and other components such as power station steel structures and finned tubes. We supply finned tube products to potentially large customers who are attracted to the quality of these products because of our finning technology. We also offer other boiler components such as membrane walls, steam drums, reheaters and headers.

In addition, as part of our efforts to diversify into other alternative energy areas, in June 2009, we entered into a joint venture contract with Tongliao Boiler Factory Limited, or Tongliao Boiler, to engage in the wind turbine towers manufacturing and sale business. Pursuant to the joint venture agreement, we, through Greens New Energy Limited, our wholly owned subsidiary, own 60% of the equity interest in Tongliao Greens, the joint venture entity, with the remaining 40% held by Tongliao Boiler. We expect that Tongliao Greens will commence operation by the end of 2009.

Some of the businesses which we have recently entered, including our waste heat power generation business and our wind turbine towers manufacturing business, operate based on business models different from our traditional model. For example, our Xinjiang Project is based on a BOT model, and we work with a joint venture partner in our wind turbine towers manufacturing business. Because we are relatively inexperienced in these businesses and in applying these business models, we face certain risks and uncertainties. See "Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks in our expansion efforts into waste heat power generation and wind turbine towers manufacturing businesses." and "Risk Factors—Risks Relating to Our Business and Industry—The construction of waste heat power plants are subject to risks which could give rise to delays or cost overruns."

In 2006, 2007 and 2008, our revenue totaled RMB 189.8 million, RMB 231.8 million and RMB 431.1 million, respectively, and our net profit totaled RMB 35.6 million, RMB 31.6 million and RMB 60.1 million, respectively. In the five-month periods ended May 31, 2008 and 2009, our revenue totaled RMB 102.1 million and RMB 269.4 million, respectively, and our net profit totaled RMB 18.1 million and RMB 37.1 million, respectively. Our financial results in 2008 and 2009 were affected by our Reorganization. See "—Reorganization and Private Placement." The following table sets forth our actual historical revenue by business segment for the period indicated.

	For the year ended December 31,						For the five months ended May 31,			
	2006		2007		2008		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(in thousands of RMB, except for percentages)										
Economisers	159,620	84.1	184,104	79.4	180,212	41.8	77,709	76.2	74,957	27.8
Waste heat recovery products	24,761	13.0	34,548	14.9	106,409	24.7	10,558	10.3	75,814	28.1
Boiler components	4,837	2.6	10,646	4.6	39,188	9.1	13,600	13.3	54,626	20.3
Marine products	599	0.3	2,452	1.1	15,852	3.7	242	0.2	8,891	3.3
Power generation	—	—	—	—	80,674	18.7	—	—	38,234	14.2
Service and repairs	—	—	—	—	8,738	2.0	—	—	16,871	6.3
Total revenue	189,817	100.0	231,750	100.0	431,073	100.0	102,109	100.0	269,393	100.0

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The recent financial crisis has adversely affected our business and operating results in a number of respects, including the average selling price of our products, our gross margins and turnover days of our trade receivables. See "Risk Factors—Risks Relating to Our Business and Industry—The global financial markets have experienced significant deterioration and volatility recently, which may adversely affect our business operations." We also believe that the recent financial crisis also contributed to increasing contract cancellations which we experienced in recent periods. As a result, readers are cautioned not to place undue reliance on the contract backlog amounts presented in this document. See "Risk Factors—Risks Relating to Our Business and Industry—Our backlog may not be indicative of our future results of operations."

Customers and Suppliers

Our independent third party customers primarily consist of major PRC and international boiler makers and system designers, as well as, for our marine products, shipbuilders. In 2006, 2007, 2008 and for the five months ended May 31, 2009, our five largest customers, including Mega Smart, accounted for approximately 95%, 94%, 54% and 61% of our revenue, respectively.

Historically, our outstanding trade receivables have been relatively high. As of December 31, 2008 and May 31, 2009, our normal trade receivables, i.e., excluding retention money receivables and allowance for doubtful debt amounted to RMB 248.3 million and RMB 221.3 million, and our retention money receivables, net of allowance for doubtful debt amounted to RMB 34.4 million and RMB 48.0 million, respectively. We believe our relatively high level of trade receivables reflected, among other factors, (i) the longer credit period granted to some of our major customers with relatively strong credit history on a case-by-case basis, (ii) the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis, and (iii) the schedule delays in the commencement of operations of certain power plants in the PRC that installed products supplied by us which delayed the commencement of warranty period for these products. See "Risk Factors—Risks Relating to Our Business and Industry—Our historical outstanding trade receivables and the turnover days of our trade receivables have been relatively high." and "Financial Information—Discussion of Our Statement of Financial Position Items—Trade and Other Receivables".

The principal raw materials we use for our manufacturing operations are steel-based components such as steel tubes and steel plates. We generally purchase steel-based components from a limited number of distributors, which in turn source from qualified steel manufacturers. In 2006, 2007, 2008 and for the five months ended May 31, 2009, purchases from our largest five suppliers, including Mega Smart, accounted for 70%, 84%, 72% and 33%, respectively, of our total raw material purchases on an actual historical basis. As a result of the relative high concentration in our supplier base, some of our large suppliers may have significant bargaining power over us on pricing, credit period and other purchase terms. See "Risk Factors—Risks Relating to Our Business and Industry—We depend on a limited number of customers." and "Risk Factors—Risks Relating to Our Business and Industry—We depend on a limited number of suppliers to meet our steel requirements."

Design, Manufacturing and Geographical Expansion

Our knowledge and experience gained help us in providing superior designs for our customers. We also distinguish ourselves from our competitors in our finning quality, which is particularly important for larger-size projects with higher power output. Our engineers provide full customer support from the initial enquiry through the conceptual and detailed design stages by working closely with our customers' engineers. We seek to develop products and solutions that enhance performance and efficiency, reduce downtime and increase working life, as well as meet environmental regulations.

We have established our manufacturing facilities in Shanghai and Jiangsu Province of the Yangtze River Delta in China to capitalize on China's competitive cost and productivity advantages. Our location in the Yangtze River Delta region provides us with access to a significant pool of engineering talent, and places us in close proximity to major ports, which in turn facilitates the transportation and delivery of our products to our international customers. We also maintain operations in Wakefield, U.K., which primarily engages in the engineering and supply of products to our international markets, and provides manufacturing and engineering support and training to China operations in order to meet customer specifications and international standards. Our U.K. operation also engages in services and repairs as well as the design and manufacture of finning machines used in our China operations.

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In 2008 and the five months ended May 31, 2009, revenue from our international sales represented 33.0% and 30.9% of our total revenue, respectively. The following table sets forth our revenue by geographical location of our customer for the periods indicated.

	For the year ended December 31,						For the five months ended May 31,			
	2006		2007		2008		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
China	176,495	93.0	165,090	71.2	288,936	67.0	87,322	85.5	186,180	69.1
Europe	13,322	7.0	66,660	28.8	73,729	17.1	14,787	14.5	56,073	20.8
Japan	—	—	—	—	7,984	1.9	—	—	5,348	2.0
North and South America ...	—	—	—	—	59,598	13.8	—	—	21,281	7.9
Rest of Asia	—	—	—	—	383	0.1	—	—	315	0.1
Others	—	—	—	—	443	0.1	—	—	196	0.1
Total revenue	189,817	100.0	231,750	100.0	431,073	100.0	102,109	100.0	269,393	100.0

We expect the global demand for heat transfer products and solutions designed to enhance energy efficiency will continue to increase. To capitalize on this opportunity, we intend to enhance our global presence by opening strategic sales and marketing offices. We have recently established a subsidiary focusing on sales and repairs of marine boilers in Singapore and a representative office focusing on sales of economisers and boiler components in India. We are in the process of establishing sales offices in the United States and Brazil. We also intend to explore opportunities to establish production facilities in India and Brazil. See “Business—Our Strategy—Expand global sales network”.

Reorganization and Private Placement

In 2008, we underwent a Reorganization which reorganized and streamlined our corporate and shareholding structures, and resulted in our acquisition of equity interests in Greens UK, GPEL and SGME previously owned by Mr. Ellis. As a result of the Reorganization, these entities became wholly owned subsidiaries held under Mega Smart. We completed the acquisition of Mega Smart on July 22, 2008. In August 2008, we sold a 25% equity interest to China Fund Limited, for HK\$224.0 million. Pursuant to the agreement among China Fund Limited, Mr. Ellis, Union Rise, Crown Max and us, (i) on May 11, 2009, we paid a special dividend of RMB 20.8 million to Mr. Ellis, Union Rise and Crown Max; and (ii) on October 10, 2009, we declared a special dividend of RMB 135 million to Mr. Ellis, Union Rise, Crown Max and China Fund Limited. We expect such special dividends to be fully paid by October 21, 2009. For more details, see “Business—History and Reorganization”.

During the Relevant Period, SGTE has entered into significant related party transactions with the Mega Smart businesses. We expect these transactions to continue in the future, and are treated as intra-group transactions on our consolidated financial statements from July 23, 2008. Our operating results are reflected accordingly. As a result of the significant related party transactions between SGTE and the Mega Smart businesses as well as our Reorganization in 2008, our financial results during the Relevant Period may not be comparable from period to period, and our historical financial results may not be comparable to our financial results in the future. To assist readers in evaluating the various businesses that formed our Group since the Reorganization, we are presenting a discussion of the historical financial results of the various businesses of Mega Smart on a standalone basis. We also present certain financial information of our Group on a Pro Forma basis, as if the Reorganization had been completed as of January 1, 2008. See “Summary—Summary Historical Financial Information of Mega Smart”, “Summary—Summary Pro Forma Financial Information” and “Financial Information—Financial Impact of Our Reorganization”. See also note 33 in the Accountants’ Report in Appendix IA to this document.

OUR COMPETITIVE STRENGTHS

We believe we have the following key competitive strengths:

- market leadership in core products;
- superior product quality and performance;

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- commitment to design, engineering and technical excellence;
- successful China strategy combined with international experience; and
- experienced and dedicated management team.

Please refer to “Business—Our Competitive Strengths” in this document for further details.

OUR STRATEGY

We seek to be a leading global supplier of creative, high quality and environmentally friendly heat transfer and alternative energy products and solutions. To that end, we have developed a business strategy with the following key elements:

- increase production capacity;
- expand global sales network; and
- develop new applications and diversify into other alternative energy related businesses.

Please refer to “Business—Our Strategy” in this document for further details.

BASIS OF PRESENTATION

As part of our Reorganization, we completed the acquisition of Mega Smart on July 22, 2008. On the same date, Greens Holdings Ltd became the holding company of our Group. See “Business—History and Reorganization”. For accounting purposes, the group resulting from our Reorganization is regarded as a continuing entity. Other than the acquisition of Mega Smart and its subsidiaries, which has been accounted for using the purchase method, our financial information has been prepared as if Greens Holdings Ltd had been the holding company of SGTE throughout the Relevant Period. Accordingly, other than the acquisition of Mega Smart and its subsidiaries, (i) the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the Relevant Period have been prepared as if the current group structure had been in existence throughout the Relevant Period, or, in the case of a current Group company incorporated after January 1, 2006, the beginning of the Relevant Period, since its date of incorporation; and (ii) the consolidated statement of financial position of the Group as of December 31, 2006, 2007 and 2008 and May 31, 2009 has been prepared to present the assets and liabilities of the companies currently comprising the Group which were in existence at those dates.

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SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The following tables set forth our summary consolidated income statement and statement of financial position data for the periods indicated. We have derived our summary consolidated income statement and statement of financial position data from our audited consolidated financial statements included in Appendix IA to this document, which we have prepared in accordance with IFRS.

Summary Consolidated Income Statement of the Group

	For the year ended December 31,						For the five months ended May 31,			
	2006		2007		2008		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Revenue	189,817	100.0	231,750	100.0	431,073	100.0	102,109	100.0	269,393	100.0
Cost of sales/services	(140,229)	(73.9)	(182,158)	(78.6)	(321,397)	(74.6)	(76,288)	(74.7)	(191,598)	(71.1)
Gross profit	49,588	26.1	49,592	21.4	109,676	25.4	25,821	25.3	77,795	28.9
Selling and distribution expenses	(2,289)	(1.2)	(5,743)	(2.5)	(6,708)	(1.6)	(670)	(0.7)	(5,019)	(1.9)
Administrative expenses	(6,203)	(3.2)	(5,673)	(2.4)	(33,249)	(7.7)	(2,852)	(2.7)	(34,284)	(12.7)
Other income and other gains and losses	1,163	0.6	705	0.3	4,259	1.0	(257)	(0.3)	7,613	2.8
Finance costs	(1,092)	(0.6)	(2,289)	(1.0)	(1,939)	(0.4)	(891)	(0.9)	(773)	(0.3)
Profit before tax	41,167	21.7	36,592	15.8	72,039	16.7	21,151	20.7	45,332	16.8
Taxation	(5,570)	(2.9)	(5,003)	(2.2)	(11,984)	(2.8)	(3,061)	(3.0)	(8,265)	(3.0)
Profit for the year/ period	<u>35,597</u>	<u>18.8</u>	<u>31,589</u>	<u>13.6</u>	<u>60,055</u>	<u>13.9</u>	<u>18,090</u>	<u>17.7</u>	<u>37,067</u>	<u>13.8</u>
Attributable to:										
Owners of the Company	<u>35,597</u>	<u>18.8</u>	<u>31,589</u>	<u>13.6</u>	<u>60,055</u>	<u>13.9</u>	<u>18,090</u>	<u>17.7</u>	<u>37,067</u>	<u>13.8</u>
Earnings per share—Basic (RMB)	<u>0.053</u>		<u>0.047</u>		<u>0.078</u>		<u>0.027</u>		<u>0.041</u>	

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Summary Consolidated Statement of Financial Position of the Group

	As of December 31,			As of
	2006	2007	2008	May 31,
	(in thousands of RMB)			2009
Non-current assets				
Property, plant and equipment	16,110	17,633	136,190	196,609
Intangible assets	9	7	145,192	181,713
Prepaid lease payments	1,000	1,000	36,255	36,145
Deposit paid for acquisition of property, plant and equipment	850	1,023	2,634	1,849
Deposits paid for construction of infrastructure in service concession arrangement ⁽¹⁾	—	—	17,634	2,500
Deferred tax assets	—	—	341	940
Total non-current assets	17,969	19,663	338,246	419,756
Current assets				
Inventories	13,626	6,926	49,590	60,220
Amounts due from customers for contract work	8,637	7,167	29,293	32,284
Trade and other receivables	106,551	110,559	308,623	299,915
Prepaid lease payments	—	—	527	668
Amounts due from related parties	17,373	60,748	—	—
Amounts due from shareholders	—	—	110	109
Pledged bank deposits	1,096	3,415	10,307	30,389
Cash and bank balances	7,405	39,508	80,279	83,798
Total current assets	154,688	228,323	478,729	507,383
Current liabilities				
Trade and other payables	56,380	42,343	182,916	208,098
Amounts due to customers for contract work	15,413	34,314	54,784	33,824
Amounts due to related parties	32,506	57,109	—	—
Amounts due to shareholders	—	—	15,302	15,297
Income tax payable	2,463	1,736	17,367	21,651
Bank borrowings	10,000	30,000	72,000	155,000
Bank overdrafts	—	—	789	—
Total current liabilities	116,762	165,502	343,158	433,870
Net current assets	37,926	62,821	135,571	73,513
Total assets less total current liabilities	55,895	82,484	473,817	493,269
Non-current liabilities				
Deferred tax liabilities	—	—	19,578	20,265
Total non-current liabilities	—	—	19,578	20,265
	55,895	82,484	454,239	473,004
Capital and reserves				
Share capital/ paid-in capital	14,933	14,933	136	136
Reserves	40,962	67,551	454,103	472,868
Total equity attributable to owners of the Company	55,895	82,484	454,239	473,004

(1) Represent advance payments for purchase of materials and equipment for the construction of Xinjiang Project.

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Summary Consolidated Statement of Cash Flows of the Group

	For the year ended December 31,			For the five months ended May 31,	
	2006	2007	2008	2008	2009
	(in thousands of RMB)				
Net cash from (used in) operating activities	21,905	68,864	(9,616)	(10,139)	68,573
Net cash used in investing activities	(11,909)	(24,431)	(160,998)	(82,398)	(124,610)
Net cash (used in) from financing activities	(11,119)	(12,330)	218,038	99,565	58,011
Net (decrease) increase in cash and cash equivalents	(1,123)	32,103	47,424	7,028	1,974
Cash and cash equivalents at beginning of year/period . . .	8,528	7,405	39,508	39,508	79,490
Effect of foreign exchange rate changes	—	—	(7,442)	—	2,334
Cash and cash equivalents at end of year/period	<u>7,405</u>	<u>39,508</u>	<u>79,490</u>	<u>46,536</u>	<u>83,798</u>

SUMMARY HISTORICAL FINANCIAL INFORMATION OF MEGA SMART

The following tables set forth Mega Smart's summary consolidated income statement and statement of financial position data for the periods indicated. We have derived the summary consolidated income statement and statement of financial position data for Mega Smart from Mega Smart's audited consolidated financial statements included in Appendix IB to this document, which have been prepared in accordance with IFRS.

Summary Consolidated Income Statement for Mega Smart

	For the year ended December 31,				For the year-to-date period ended July 22,			
	2006		2007		2007		2008	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
Revenue	112,132	100.0	331,899	100.0	126,847	100.0	202,298	100.0
Cost of sales/services	(76,961)	(68.6)	(247,375)	(74.5)	(100,566)	(79.3)	(159,661)	(78.9)
Gross profit	35,171	31.4	84,524	25.5	26,281	20.7	42,637	21.1
Selling and distribution expenses	(4,238)	(3.8)	(4,956)	(1.5)	(2,766)	(2.2)	(4,158)	(2.1)
Administrative expenses	(24,254)	(21.6)	(33,934)	(10.2)	(18,095)	(14.3)	(25,858)	(12.8)
Other income and other gains and losses	844	0.7	449	0.1	709	0.6	14,312	7.0
Finance costs	(198)	(0.2)	(498)	(0.2)	(260)	(0.2)	(246)	(0.1)
Share of profit of a jointly controlled entity	18,154	16.2	16,110	4.9	10,248	8.1	14,531	7.2
Profit before tax	25,479	22.7	61,695	18.6	16,117	12.7	41,218	20.3
Taxation	(1,852)	(1.6)	(3,457)	(1.1)	(314)	(0.2)	(13,466)	(6.6)
Profit for the period	<u>23,627</u>	<u>21.1</u>	<u>58,238</u>	<u>17.5</u>	<u>15,803</u>	<u>12.5</u>	<u>27,752</u>	<u>13.7</u>
Attributable to owners of Mega Smart	<u>23,627</u>	<u>21.1</u>	<u>58,238</u>	<u>17.5</u>	<u>15,803</u>	<u>12.5</u>	<u>27,752</u>	<u>13.7</u>

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Summary Consolidated Statement of Financial Position of Mega Smart

	<u>As of December 31,</u>		<u>As of July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	(in thousands of RMB)		
Non-current assets			
Property, plant and equipment	2,475	25,491	85,112
Intangible assets	1,455	970	5,267
Prepaid lease payments	—	11,980	32,477
Interest in a jointly controlled entity	30,612	44,172	—
Available-for-sale investment	1,862	1,862	—
Deposits paid for construction of infrastructure in service concession arrangement ⁽¹⁾	—	—	15,730
Total non-current assets	<u>36,404</u>	<u>84,475</u>	<u>138,586</u>
Current assets			
Inventories	4,157	23,353	46,551
Amounts due from customers for contract work	750	10,663	28,524
Trade and other receivables	30,110	82,884	82,417
Prepaid lease payments	—	—	527
Amounts due from related parties	17,806	57,109	93,445
Pledged bank deposits	—	—	1,262
Cash and bank balances	3,024	7,564	39,331
Total current assets	<u>55,847</u>	<u>181,573</u>	<u>292,057</u>
Current liabilities			
Trade and other payables	17,666	47,925	92,775
Amounts due to customers for contract work	2,347	12,835	19,559
Amounts due to related parties	7,214	72,889	178,259
Amounts due to shareholders	—	724	—
Income tax payable	1,596	4,313	14,788
Bank borrowings	—	10,000	30,000
Bank overdrafts	3,756	875	327
Total current liabilities	<u>32,579</u>	<u>149,561</u>	<u>335,708</u>
Net current assets (liabilities)	<u>23,268</u>	<u>32,012</u>	<u>(43,651)</u>
Total assets less total current liabilities	<u>59,672</u>	<u>116,487</u>	<u>94,935</u>
Non-current liabilities			
Deferred tax liabilities	199	53	1,857
Total non-current liabilities	<u>199</u>	<u>53</u>	<u>1,857</u>
	<u>59,473</u>	<u>116,434</u>	<u>93,078</u>
Capital and reserves			
Share capital/ paid-in capital	7,786	7,786	7
Reserves	51,687	108,648	93,071
Total equity attributable to owners of Mega Smart	<u>59,473</u>	<u>116,434</u>	<u>93,078</u>

(1) Represent advance payments for purchase of materials and equipment for the construction of Xinjiang Project.

SUMMARY

SUMMARY PRO FORMA FINANCIAL INFORMATION

The following table sets forth summary combined income statement and summary combined statement of cash flows of our Group on a Pro Forma basis, as if the acquisition of Mega Smart and other aspects of the Reorganization had been completed as of January 1, 2008. These results may not reflect the actual results we would have achieved had the Reorganization been completed on January 1, 2008, and may not be predictive of our future results of operations. We have derived the following pro forma financial information from Appendix II to this document.

Summary Pro Forma Combined Income Statement

	The Group	Mega Smart	Subtotal	Pro forma adjustments	Pro forma Group
	(in thousands of RMB)				
Revenue	431,073	202,298	633,371	(68,977)	564,394
Cost of Sales	(321,397)	(159,661)	(481,058)	68,977	(412,081)
Gross profit	109,676	42,637	152,313	—	152,313
Selling and distribution expenses	(6,708)	(4,158)	(10,866)	—	(10,866)
Administrative expenses	(33,249)	(25,858)	(59,107)	(1,773)	(60,880)
Other income and other gains and losses	4,259	14,312	18,571	—	18,571
Finance costs	(1,939)	(246)	(2,185)	—	(2,185)
Share of profit of a jointly controlled entity	—	14,531	14,531	(14,531)	—
Profit before tax	72,039	41,218	113,257	(16,304)	96,953
Taxation	(11,984)	(13,466)	(25,450)	1,021	(24,429)
Profit for the year	60,055	27,752	87,807	(15,283)	72,524
Attributable to owners of the Company	60,055	27,752	87,807	(15,283)	72,524

Summary Pro Forma Combined Statement of Cash Flows

	The Group	Mega Smart	Subtotal	Pro forma adjustments	Pro forma Group
	(in thousands of RMB)				
Net cash used in operating activities	(9,616)	(1,153)	(10,769)	—	(10,769)
Net cash used in investing activities	(160,998)	(81,282)	(242,280)	78,413	(163,867)
Net cash from financing activities	218,038	114,090	332,128	(110,728)	221,400
Net increase in cash and cash equivalents	47,424	31,655	79,079	(32,315)	46,764
Cash and cash equivalents at the beginning of the year	39,508	6,689	46,197	(6,689)	39,508
Effect of foreign exchange rate changes	(7,442)	660	(6,782)	—	(6,782)
Cash and cash equivalents as of July 22, 2008	N/A	39,004	39,004	(39,004)	—
Cash and cash equivalents at the end of the year	79,490	N/A	79,490	—	79,490
Net increase in cash and cash equivalents	47,424	31,655	79,079	(32,315)	46,764

FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We forecast that, in the absence of unforeseen circumstances, and on the basis of our consolidated results for the period ended May 31, 2009 and a forecast of our consolidated results for the remaining seven months ending December 31, 2009, our profit attributable to owners of our Company for the year ending December 31, 2009 will not be less than RMB 95 million (approximately HK\$108 million)⁽¹⁾. Based on the profit forecast set out above, our forecast earnings per Share information is set forth below:

Pro forma forecast earnings per Share⁽²⁾ approximately RMB 0.08
(approximately HK\$0.09)

(1) The bases and assumptions on which the profit forecast has been prepared are set out in Appendix III to this document.

(2) The calculation of forecast earnings per Share on a pro forma basis is based on the forecast profit attributable to our equity holders for the year ending December 31, 2009 and assumes that we had a total of 1,200,000,000 Shares in issue since January 1, 2009 and throughout the entire year.

SUMMARY

RISK FACTORS

There are certain risks involved in our business and operations. Such risks can be categorized into (i) risks relating to our business and industry; and (ii) risks relating to the PRC. Please refer to “Risk Factors” in this document for further details.

Risks Relating to Our Business and Industry

- Decline in the level of capital spending by power plants may adversely affect our profitability.
- It is difficult to evaluate our results of operations and future prospects due to our limited operating history in China.
- We depend on a limited number of customers.
- We do not have long-term purchase contracts from our customers.
- The global financial markets have experienced significant deterioration and volatility recently, which may adversely affect our business operations.
- Fluctuations in steel prices may adversely affect our business.
- We depend on a limited number of suppliers to meet our steel requirements.
- Prolonged electricity shortages could adversely affect our business.
- Our historical outstanding trade receivables and the turnover days of our trade receivables have been relatively high.
- Our backlog may not be indicative of our future results of operations.
- Loss of or failure to renew our material manufacturing license and certificates could materially and adversely affect our business.
- We cannot assure you that our products will pass the qualification process of potential customers.
- Failure to maintain a safety performance standard that is acceptable to our customers could result in the loss of future business.
- We cannot assure you that we will be able to effectively manage our planned expansion in production capacity.
- We cannot assure you that we will be able to obtain adequate financing to fund our capital requirements.
- We face certain risks associated with the geographical expansion of our sales.
- If we are unable to attract and retain members of our senior management team and other skilled personnel, our operations could be disrupted and the growth of our business could be delayed or restricted.
- We may be unable to prevent possible resale or transfer of our products to countries, governments, entities, or persons targeted by United States economic sanctions.
- Failure to protect our intellectual property rights may materially and adversely affect our competitive position and operations and we may be exposed to infringement or misappropriation claims by third parties.
- We face certain risks relating to the real properties that we own, use or lease.

SUMMARY

- Our products may contain undetected flaws or defects. Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products.
- The manufacturing processes for our products involve risks and occupational hazards.
- If disruptions in our transportation network occur or our transportation costs substantially increase, we may be unable to deliver our products in a timely manner and our costs of revenues could increase.
- The industry in which we operate is highly competitive, and a further increase in competition or productivity by our competitors may affect our market share and profit margins.
- The modification or elimination of government initiatives promoting environmental protection in China and elsewhere could cause demand for our products and services and our revenues to decline.
- We are required to comply with various environmental, safety and health laws and regulations which are extensive and the compliance of which may be onerous or expensive.
- We may not maintain sufficient insurance coverage for the risks associated with our business operations.
- We are subject to risks in our expansion efforts into waste heat power generation and wind turbine towers' manufacture businesses.
- The construction of waste heat power plants are subject to risks which could give rise to delays or cost overruns.
- An occurrence of a widespread health epidemics and other outbreaks could have a material adverse effect on our results of operations.

Risks Relating to the PRC

- Adverse changes in China's economic, political, and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn, could materially and adversely affect our business, financial condition and results of operations.
- Restrictions on foreign exchange may adversely affect our ability to remit dividends and our results of operations and financial condition.
- Fluctuations in exchange rate may have a material adverse effect on our business.
- Failure to comply with the SAFE regulations relating to registration of interests by our PRC resident beneficial owners may adversely affect our business operations.
- The payment of dividends by our operating subsidiaries in China is subject to restrictions under PRC law.
- Any change in the preferential tax treatment we currently enjoy in the PRC may have an adverse impact on our results of operations.
- A slow-down of the PRC economy could adversely affect our business, results of operations and growth prospects
- There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.
- It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our Directors.
- The implementation of the PRC Labor Contract Law and the Implementation Regulation for the PRC Labor Contract Law may increase our operating expenses and may adversely affect our business and results of operations.