BUSINESS

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.

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. 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 currently the clear market leader in supplying extended surface economisers in China, with a 66% market share, based on the number of tonnes supplied in 2008, according to Frost & Sullivan Limited. Our economiser products are supplied to various boiler-makers and designers such as IHI, Vogt, Foster Wheeler, Harbin Boiler, Shanghai Boiler and Dongfang Boiler, and have been installed at power plants around the world.

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. In recent years, we have increasingly focused on supplying HRSG products for CCGT plants to well-recognized HRSG system designers such as Vogt and Austrian Energy & Environment. We are the largest China-based supplier of HRSG modules to HRSG system designers worldwide, according to Frost & Sullivan. 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.

Since we commenced operation in 2003, we have supplied more than 150 units of economisers operating on a wide range of fuels across various applications. 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.

HISTORY AND REORGANIZATION

Our History

For a significant portion of our Relevant Period, our operations consisted of the business operation of SGTE. SGTE was established in April 2003, with TEiL holding 51% of its equity interest and GTE holding the remaining 49%. TEiL was a U.K. company focusing on manufacturing heat transfer products, particularly economisers, and building power plants. Since the establishment of SGTE, SGTE conducted most of the manufacturing and detailed design of economisers and waste heat recovery products as well as the related sales and marketing activities in the PRC.

In addition to its equity interest in SGTE, TEiL also held a 49% equity interest in GSz, a PRC joint venture established in March 2003 and focused on manufacturing of marine boilers, with Hailu holding the remaining 51% equity interest. In October 2003, TEiL established SGME, a wholly foreign owned enterprise in the PRC focused on marine boiler repair and services business. TEiL's business expansion into China during the period was overseen by Mr. Ellis, who served as the managing director of TEiL's heat transfer products business and a director of TEiL.

In early 2004, The Meade Corporation purchased TEiL from Babcock Borsig AG, the then owner of TEiL. Later in the same year, The Meade Corporation began to explore opportunities to sell the various assets of TEiL separately to potential buyers, including Mr. Ellis. In December 2004, Mr. Ellis, purchased certain assets of TEiL through a wholly owned investment vehicle TEI Greens Overseas Limited (currently known as Greens UK), in consideration for GBP 491,000. The assets purchased by Mr. Ellis consisted of:

- all of TEiL's equity interests in SGTE, SGME and GSz;
- a significant portion of TEiL's heat transfer operation assets;
- TEiL's marine boiler and exchanger businesses (consisting of manufacturing and repair businesses) in the U.K.; and
- TEiL's intellectual properties other than those relating to the economisers.

As part of this agreement, Mr. Ellis also acquired from TEiL a royalty-free license to use the "Greens Economisers" business name in China for three years from the date of agreement. TEiL entered into liquidation proceedings in July 2005. As part of these proceedings, in October 2005, Mr. Ellis purchased all the intellectual properties relating to TEiL's business including the economisers business in consideration for an aggregate of GBP 141,000.

After Greens UK's acquisition of TEiL's assets, it continued to expand the heat transfer product business in China and elsewhere in the world. In 2007, GPEL, a wholly foreign owned enterprise was established by Greens UK in the PRC to further expand its manufacturing capacity.

History of GTE

GTE was incorporated in January 2003 in the British Virgin Islands. Mr. Xie has represented that he borrowed US$40,000 and US$20,000 from his long-time friends, Mr. Shen Xingen and Mr. Zhang Shiqun, respectively, to enable him to make the required capital contribution and pay for other incorporation or initial expenses in relation to the establishment of GTE, and that Mr. Xie financed the remaining US$40,000 through his personal funds. Mr. Xie has represented that Mr. Shen and Mr. Zhang were not interested in the beneficial interest of the GTE shares and agreed to be registered as shareholders of 40% and 20% interest in GTE, respectively, in order to protect the interest of Mr. Shen and Mr. Zhang under the loan arrangement. These three

shareholders also verbally agreed that Mr. Shen and Mr. Zhang held equity interest in GTE for the benefit of Mr. Xie and will exercise their respective rights and powers as shareholders of GTE in accordance with Mr. Xie's instructions.

In early 2005, Ms. Chen verbally agreed to acquire from Mr. Xie 44.5% of the interest in GTE for a consideration of RMB 480,000. As a result, Mr. Xie, Mr. Shen and Mr. Zhang, as the shareholders of GTE, and Ms. Chen verbally agreed that 44.5% of equity interest in GTE was held for the benefit of Ms. Chen, with the remaining 55.5% of GTE for the benefit of Mr. Xie. Based on representation by Mr. Xie and a receipt dated December 10, 2006, a series of cash payments totaling RMB 480,000 were paid by Ms. Chen to Mr. Xie from 2005 to 2006. Ms. Chen and Mr. Xie have represented that a change in registered ownership of GTE did not take place simultaneously with the transfer of beneficial ownership in the shares of GTE from Mr. Xie to Ms. Chen because of a combination of the close working relationship, mutual trust and friendship between Mr. Xie and Ms. Chen, as well as a lack of emphasis they placed on corporate formalities at the time. They have also represented that, in December 2007, the parties decided to terminate the nominee arrangement and completed the change in registered ownership of GTE to reflect the then beneficial ownership of 55.5% held by Mr. Xie and 44.5% held by Ms. Chen in GTE. On July 21, 2008, Mr. Xie and Ms. Chen transferred their respective 55.5% and 44.5% interest in GTE to the Company. Following completion of the share transfer, according to the register of members maintained by GTE, the Company became the sole shareholder holding 100% interest of GTE.

Mr. Shen and Mr. Zhang, in letters of confirmation signed by each of them and dated July 31, 2009, (i) expressly, completely and irrevocably released and discharged in full TEiL, us, and any of our or TEiL's respective predecessors, successors, affiliates, employees, officers, shareholders, members, representatives and agents (including Mr. Ellis, Mr. Xie and Ms. Chen) (the "Subject Persons") from any and all actions, causes of actions, suits, proceedings, liability, debts, judgments, claims and demands whatsoever in law or equity which any of Mr. Shen or Mr. Zhang ever had, then had or thereafter may have had in relation to events which occurred prior to July 31, 2009 relating to their respective relationship with Mr. Xie in relation to the loan to Mr. Xie and/or investment in GTE, as the case may be, which in any event resulted in their respective record shareholding registered ownership in GTE; (ii) agreed that neither of them would initiate or commence, or participate in, any legal action, suit, or legal proceeding, at law or equity, against the Subject Persons based on any claims relating to the matters being released and discharged under subsection (i); and (iii) expressly waived all rights and interest in relation to their respective loan to Mr. Xie and/or investment in GTE and expressly disclaimed any liability from any and all actions, causes of actions, suits, proceedings, liability, debts, judgments, claims and demands whatsoever in law or equity which Mr. Shen or Mr. Zhang ever had, then had or thereafter may have in relation thereto.

As long term friends of Mr. Xie, Mr. Shen and Mr. Zhang were indifferent about the repayment of the loans by Mr. Xie because of their close friendship. Nevertheless, on September 23, 2009, Mr. Xie repaid Mr. Shen and Mr. Zhang the loans in the amount of RMB 320,000 and RMB 160,000 (which approximated their original respective loans of US$40,000 and US$20,000) respectively to formally conclude the loan arrangement.

Directorship of GTE and SGTE

From the date of incorporation of GTE to December 2007, the directors of GTE were Mr. Xie, Mr. Shen and Mr. Zhang. Mr. Shen and Mr. Zhang have represented that, during this period, neither of them was involved in the management and operations of GTE (except being nominee shareholders and directors of GTE acting in accordance with the instructions of Mr. Xie). In December 2007, Mr. Shen and Mr. Zhang resigned as directors and Ms. Chen was appointed as a director of GTE. From December 2007, the directors of GTE are Mr. Xie and Ms. Chen.

From the date of incorporation of SGTE to March 2005, the directors of SGTE were Mr. Helmut Ruethlein, Mr. Ellis, Mr. Andrew Michael Lyon ("Mr. Lyon"), Mr. Xie and Ms. Cheng Guofang ("Ms. Cheng"). From March 2005 to June 2008, the directors of SGTE were Mr. Ellis, Mr. Lyon, Mr. Xie, Ms. Cheng and Ms. Chen. Ms. Cheng has represented that she was not involved in the management of SGTE, and that during the period from April 2003 to December 2004, she voted and acted in accordance with the instructions of Mr. Xie. Ms. Cheng has also represented that, during the period from January 2005 to June 2008, she voted and acted in

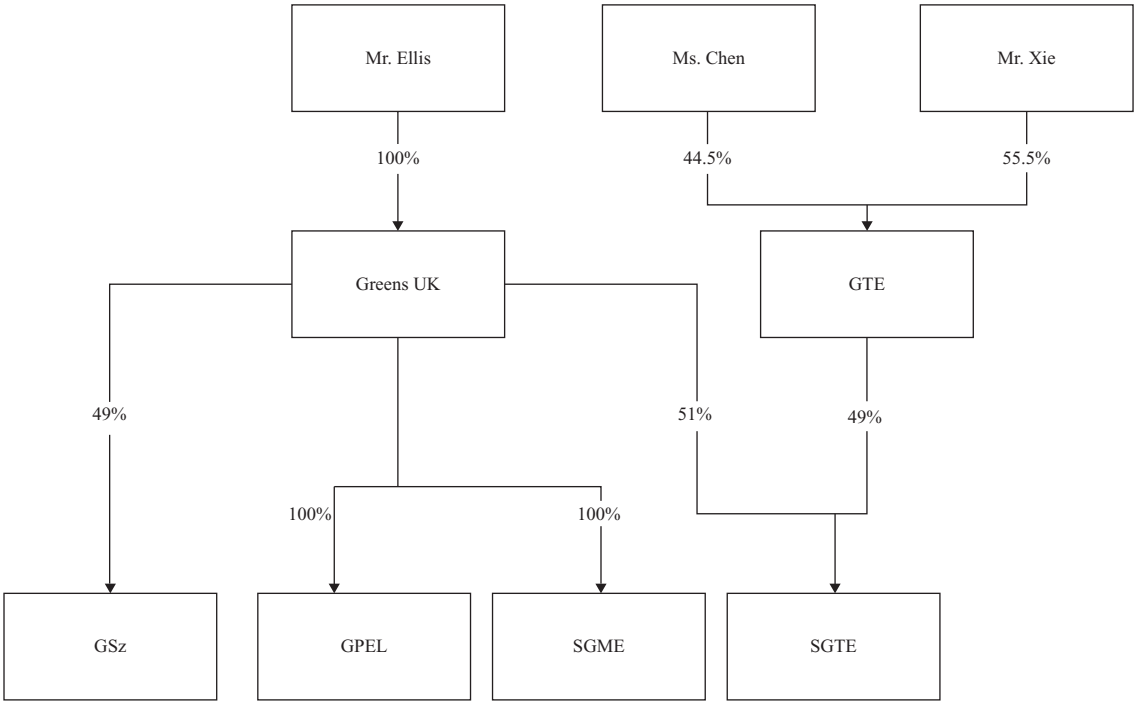
accordance with the instructions of Mr. Xie and Ms. Chen. Ms. Cheng has also been a part-time administrative staff at SGTE since July 2003. From June 2008, the directors of SGTE are Mr. Ellis, Mr. Lyon, Mr. Xie, Ms. Chen and Ms. Li Qi.

Confirmation Letters

On July 31, 2009, Mr. Ellis, Mr. Xie, Ms. Chen, Mr. Shen, and Mr. Zhang each executed a letter of confirmation and statement of facts (as supplemented by a supplemental statement of facts executed in early October 2009) confirming the facts, as relevant to them, disclosed under the "— History and Reorganization" section were true, accurate, and not misleading. In early October 2009, Mr. Lyon and Ms. Cheng also each executed a letter of confirmation and statement of facts confirming the facts, as relevant to them, disclosed under the paragraphs headed "— History and Reorganization" were true, accurate, and not misleading.

Our Reorganization

The following diagram illustrates our corporate and shareholding structure of our material subsidiaries immediately prior to our Reorganization.



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. The following is a summary of the Reorganization steps we undertook:

- *Establishment of intermediate holding companies*. Mr. Ellis, Mr. Xie and Ms. Chen established a number of intermediate holding companies in the British Virgin Islands and Hong Kong to hold the equity interests in SGME, GPEL and Greens UK. Greens Holdings Ltd, or the Company, was also established as part of this process as the ultimately holding company for the Group.
- *Intra-group transfers of equity interest in SGTE*. As a result of a series of intra-group transfers, SGTE became a wholly owned subsidiary of the Company. SGTE's beneficial shareholding ownership structure after these transactions was identical to the structure prior to the Reorganization.
- *Acquisition of Mega Smart*. The equity interests in the Greens UK, GPEL and SGME were transferred into or under Mega Smart, an intermediate holding company then wholly owned by Mr. Ellis. Our

Company acquired 100% of the equity interest in Mega Smart from Mr. Ellis for a consideration of US$1.3 million. These transactions were completed on July 22, 2008.

- *Disposal of GSz.* In July 2008, to develop our marine boiler manufacturing business in-house, Greens UK entered into agreements with Hailu, pursuant to which Greens UK sold its equity interest in GSz to Hailu for a total consideration of RMB 5 million. The parties agreed to terminate the GSz joint venture agreement without further recourse and release each other from any further obligations. GSz obtained the approval on June 26, 2009 and a change of registered shareholders was completed in July 2009. The consideration will be paid by Hailu in four instalments of RMB 1,250,000 in each three-month period starting from the completion date of the change of registered shareholders.

We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated by the PRC governmental authorities on August 8, 2006 and amended on June 22, 2009 are not applicable to our Reorganization.

Private Placement

In August 2008, we completed the sale of a 25% equity interest to China Fund Limited, for HK$224.0 million, which we used to finance our working capital and our Xinjiang Project. China Fund Limited, an entity established to hold the equity interest in us, is a wholly owned subsidiary of Luckever Holdings Limited, or Luckever, an investment vehicle, both controlled by Mr. Liu Xuezhong. Mr. Liu Xuezhong is a private investor who has made investments in various companies as financial investor. A portion of China Fund Limited's investment was financed through a loan of HK$160.0 million provided by Morgan Stanley Bank International Limited, or MS Bank. Such loan and any interests accrued were repaid in full by China Fund Limited out of its internal resources and Mr. Liu Xuezhong's savings in November 2008.

As part of China Fund Limited's investment in us, Mr. Ellis, Mr. Xie and Ms. Chen granted certain minority protection rights to China Fund Limited, including the right to appoint one Director to our board and other corporate governance rights, information rights, right of first refusal and tag-along right. In addition, Mr. Ellis, Mr. Xie and Ms. Chen agreed to compensate China Fund Limited if we fail to meet certain financial targets. Outstanding payment obligations owed by Mr. Ellis, Mr. Xie and Ms. Chen to China Fund Limited are joint and several and secured by (i) a share charge over shareholding held by these shareholders; and (ii) a first fixed charge over a fund formed by dividends that these shareholders receive from us from time to time, subject to certain exceptions.

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, Mr. Xie and Ms. Chen; 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, from our working capital. We expect such special dividend to be fully paid on October 21, 2009.

As part of China Fund Limited's investment in us, Mr. Zhu Keming has been appointed as a non-executive director to our board of directors. Other than the foregoing, Mr. Liu Xuezhong and Ms. Li Yuelan, the spouse of Mr. Liu Xuezhong, are independent from our Group, our shareholders and members of our management.

Our Corporate and Shareholding Structure

Below is a brief description of the operating subsidiaries that formed our Group as of the Latest Practicable Date:

- *SGTE*. Established in the PRC in 2003, SGTE primarily focuses on the manufacturing and supply of economisers, waste heat recovery products (including HRSG products) and boiler components and was one of our primary manufacturing entities during the Relevant Period.
- *SGME*. Established in the PRC in 2003, SGME focuses on providing repair and maintenance services for marine boilers in China.

- *Greens UK*. Established in the U.K. in 2004 as part of Mr. Ellis' acquisition, Greens UK was principally engaged in the international sales and high level engineering design of our products. It also provides after-sales services for international sales, repair services and manufactures finning machines.
- *GPEL*. Established in the PRC in 2007, GPEL focuses on the manufacturing and supply of waste heat recovery products (including HRSG products), marine products, and boiler components and the economiser subcontracted from SGTE. GPEL experienced significant growth in manufacturing capacity since its incorporation, and became one of our primary manufacturing entities.
- *Greens Baicheng*. Established in the PRC in 2009, Greens Baicheng focuses on power generation using waste heat from coke production. Greens Baicheng is the project company for our Xinjiang Project.
- *Tongliao Greens*. Established in the PRC in August 2009, Tongliao Greens is expected to focus on wind turbine towers manufacturing.
- *Greens Marine Singapore*. Established in Singapore in 2009, Greens Marine Singapore focuses on the sale of marine boilers and the provision of local marine boiler repair services.

SUMMARY OPERATING RESULTS

As a result of our Reorganization, our historical operating results in 2006, 2007 and 2008 the year-to-date period ended July 22, 2008 (the date on which we completed our acquisition of Mega Smart from Mr. Ellis), represented the operating results of SGTE. The operating subsidiaries that comprised Mega Smart, i.e. Greens UK, GPEL and SGME, were consolidated as of July 23, 2008. Prior to our Reorganization, SGTE entered into significant business transactions with Greens UK, GPEL and SGME, which have resulted in significant impact on our financial results. These transactions, which we expect to continue in the future, are treated as intra-group transactions on our consolidated financial statements from July 23, 2008 and our operating results are reflecting accordingly. See "Financial Information—Financial Impact of Our Reorganization".

The following table sets forth, for the periods indicated, selected financial data of our Group on an actual historical basis and on a Pro Forma basis as well as of Mega Smart on a stand-alone basis.

	Revenue	Gross profit	Net profit
	(in millions of RMB)		
Actual historical			
For the year ended December 31,			
2006	189.8	49.6	35.6
2007	231.8	49.6	31.6
2008	431.1	109.7	60.1
For the five months ended May 31,			
2008	102.1	25.8	18.1
2009	269.4	77.8	37.1
Mega Smart			
For the year ended December 31,			
2006	112.1	35.2	23.6
2007	331.9	84.5	58.2
For the year-to-date period ended July 22,			
2007	126.8	26.3	15.8
2008	202.3	42.6	27.8
Pro Forma			
For the year ended December 31, 2008	564.4	152.3	72.5

OUR COMPETITIVE STRENGTHS

We believe the following key strengths of our business distinguish us from our competitors and enable us to compete effectively in the future:

Market leadership in core products

We are a leading supplier of key heat transfer products designed to enhance energy efficiency. We are the clear market leader in supplying extended surface economisers in China, with a 66% market share, based on the number of tonnes supplied in 2008, according to Frost & Sullivan Limited.

We have capabilities across a wide range of industries and applications, such as cement plants, coking plants and oil refineries. Since SGTE commenced operation in 2003 to supply economisers to coal-fired boiler, we have designed, manufactured and supplied more than 150 units of Steel-H economisers to Chinese and international customers. Our largest customers include many of the leading boiler makers and system designers in China and worldwide, such as Harbin Boiler, Shanghai Boiler and Dongfang Boiler as well as IHI, Vogt and Foster Wheeler. Our economisers have been installed at large capacity power plants around the world such as Tanjung Bin power plant in Malaysia, Tornion Voima Oy plant in Finland, Vattenfall Nordic waste-to-heat project in Denmark, and Changshu power plant project in China. We are also the largest China-based supplier of HRSG modules to HRSG system designers worldwide, based on 2008 revenue, according to Frost & Sullivan Limited. Our HRSG customers, include well-recognized HRSGs system designers such as Vogt and Austrian Energy & Environment.

We believe that our relationship with the key international boiler makers and system designers in Europe and China will help us expand into other regional markets in the world. In addition, our experience and capabilities in these core product categories facilitate our efforts to broaden our product and service offerings into other alternative energy areas. For instance, 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.

Superior product quality and performance

The quality and performance of our products have been critical to the attainment of our current market positions. Compared to the typical plain steel economisers with the same thermal output, our best-selling product, the Steel-H economiser, is smaller in volume and lighter in weight, which also allows space to install emission-reducing equipment such as desulphurization equipment. The reduction in the use of steel also contributes to generally a lower price of our Steel-H economisers compared to the typical plain steel economisers with the same thermal output. In addition, compared to other types of extended surface economisers, the design of our Steel-H economisers, with H-shaped metal fins attached on to metal tubes, provides the dust particles in the hot exhaust gas with a straight path through the H-shaped metal fins with minimal impact or friction between the heating surface and the dusty gas. The objective of this design is to improve thermal efficiency and lower the risks of malfunction. Our Steel-H economiser is designed to operate for an extended period of time, with minimal maintenance and on-site cleaning even using coal with high ash content.

Our product quality and performance are key to our ability to solidify our relationship with the international boiler makers and system designers, who are among our largest customers, and our ability to expand geographically and into other product categories.

Commitment to design, engineering and technical excellence

We believe that our design, engineering and technical capabilities contribute significantly to our success and distinguish us from our competitors. In particular, we believe that our finning technology contributes significantly to our efforts to extend the operating life of our economisers and waste heat recovery products and enhance heat transfer efficiency. Our finned tubes, which are a critical component of our economisers and waste heat recovery products, are mostly manufactured by our specialized finning machines manufactured in-house in the U.K. We believe that the following characteristics of our finning technology distinguish us from our competitors:

- solid and strong attachment of fins to the tubes through controlled finning processes;
- finning process that achieves a higher welding contact rate between the fin and the tube to increase heat transfer rate from gases to the base tube;
- precise positioning of fins to facilitate free flow of dusty gases to reduce impact or friction between the heating surface and the dusty gas;
- guaranteed amount of heating surface to ensure thermal performance;

- highly automated manufacturing process to maintain high levels of reliability and production level with minimal manual intervention; and
- finning machines designed to manufacture Steel-H finned tubes of up to 20 meters or spiral finned tubes of up to 25 meters in length, which has contributed to our ability to manufacture larger-scale and higher-quality economisers, including ultra supercritical units, and waste heat recovery products, including HRSG modules for enhanced power gas turbines.

As a reflection of the quality of our products, we have received quality certifications to supply to the PRC and most other major markets in the world. In the PRC, we have received the Manufacture Licenses of Special Equipment for Class A boiler and boiler components from GAQSIQ, which qualify us to supply Class A boilers, economisers and other boiler components for Class A boilers in China. We also have a number of international quality accreditation certificates, including the ASME Certificates in the U.S. and the EN Certificate in Europe. In addition, our design team is experienced in thermal and mechanical designs that meet international standards. We have a database of technical information and drawings accumulated over 50 years which we acquired through the acquisition of Mega Smart. We have developed in-house design capabilities for a range of products, including HRSGs, waste heat boilers and large-scale marine boilers.

Our commitment to design, engineering and technical excellence has contributed to our ability to compete effectively in higher-margin product segments such as the extended surface economisers, and will continue to be key to our success as we expand our product and service offering.

Successful China strategy combined with international experience

We believe that our ability to develop and implement our China strategy that combines our international experience and capabilities distinguishes us from our international and Chinese competitors. Since SGTE was incorporated in 2003, we have established and continued to develop our manufacturing capacities in China primarily to take advantage of the favorable cost structures in China and to expand our sales in the PRC market, which is the largest market for economiser products in the world, according to Frost & Sullivan Limited. Our international brand, quality and experience, coupled with our China-based engineering, manufacturing and support capabilities, have significantly contributed to our success in becoming market leaders in our key products in China. We also believe that China provides us with ready access to quality steel, the principal raw material for our products. Our manufacturing facilities are located in the Yangtze River delta region, which provides us with access to a significant pool of engineering talent, and places us in close proximity to major ports, which facilitates the transportation and delivery of our products to our international customers.

Experienced and dedicated management team

We attribute our growth in recent years in significant part to the development and implementation of our growth strategy by our senior management members. Mr. Ellis, Ms. Chen and Mr. Xie have worked closely as a team since SGTE was established. Each of these individuals, all of whom are our senior management members, brings to bear a distinctive set of management, sales and marketing skills and technical skills. Mr. Ellis, our chairman and chief executive officer, with 40 years of experience in the heat transfer and boiler industry, was instrumental in the development of our China strategy and the management of our overall direction. Ms. Chen, our chief operating officer, with 15 years of sales and marketing experience in relevant industries, was key to the development and implementation of our China strategy and overseeing our China operations. Mr. Xie, our chief technology officer, with 34 years of experience in the heat-transfer and boiler industry, is responsible for overseeing our manufacturing facilities in China and has played a critical role in ensuring the quality of our products. We expect these individuals to continue to be our significant shareholders for the foreseeable future, thereby aligning management's interests with those of our other shareholders. The remaining members of our senior management team are also highly experienced, with an average of 22 years of experience in their respective fields. In addition, to support our diversification into waste heat power generation business, we have hired management personnel experienced in managing power plants and providing related power plants solutions. We believe that the industry, market and technical knowledge of this management team as well as the business relationships the members of this team have developed with key customers and suppliers will continue to contribute to our future growth.

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

We have increased our production capacity significantly in recent years to meet the growing demand for our products, and plan to continue to expand for the foreseeable future. In particular, we expect SGTE to increasingly focus on the production of our economiser products. We plan to progressively shift the manufacturing operations of our waste heat recovery products and boiler components to GPEL's facilities at Jingjiang in Jiangsu. In addition, we expect GPEL to ramp up production of marine products, which were previously manufactured at GSz before the disposal of Greens UK's equity interest in GSz as part of our Reorganization. We plan to expand our production capacity at GPEL Xieqiao plant and Gushan plant significantly by the end of 2009 through purchases of additional machinery. We also plan to construct a new manufacturing facility adjacent to a port at Jingjiang, China, which we plan to use primarily for the manufacturing of waste heat recovery products and marine products for FPSOs and large-scale marine applications. In addition, we are in the process of developing our manufacturing facilities in India. We will also seek to establish production facilities in Brazil. We believe that our production capacity expansion will contribute to our continuing growth and our efforts to solidify our market positions for core products.

Expand global sales network

We expect the global demand for heat transfer products and solutions designed to enhance energy efficiency will continue to increase. We believe that such increase will be in significant part due to the combination of the growing demand for power and the increasing level of environmental consciousness around the world. In particular, as environmental regulations become more stringent, we expect refurbishment of aging and non-compliant boilers to increase, which in turn will contribute to sales of economisers, which are generally key components to boiler retrofits as economisers contribute to higher efficiency and allow for space to install desulphurization equipment.

To capitalize on this opportunity, we intend to enhance our global presence by opening strategic sales and marketing offices, including the following locations:

- *India*. India is the second largest country market for economisers in the world after China, according to Frost & Sullivan Limited. We have recently established a representative office in Chennai, India to explore opportunities in expanding our sales and to develop production facilities for economisers and boiler components in this market. As of May 31, 2009, we had two employees working in the representative office. We plan to establish a production facility in 2010, and initially have a total of one hundred employees.
- *Singapore*. Singapore is a major shipping center in the Asia Pacific region. As such, we have recently established Greens Marine Singapore to focus on the sales of marine boilers and provide local marine boiler repair services. As of May 31, 2009, we had three employees and we plan to have a total of 50 employees for Greens Marine Singapore by the end of 2010.
- *The United States*. The U.S. is a sizeable market for economiser products and traditionally has been dominated by plain steel economiser products. We are in the process of establishing a sales office in Atlanta, Georgia in the United States to strengthen our product awareness and sales. We plan to have between 10 and 20 employees for our sales office in the U.S by the end of 2010.
- *Brazil*. Brazil is a major market for offshore drilling and oil exploration, and is a significant market for higher-pressure marine boilers and HRSGs. We are working with potential partners to establish a sales office in this region. We plan to have five employees for our sales office in Brazil by early 2010 and explore opportunities to establish a production facility at that time.

For a description of our existing international operations, please see "—Sales and Marketing".

Develop new applications and diversify into other alternative energy related businesses

Our traditional strength lies in our experience and capabilities in designing and manufacturing heat transfer systems and components such as economisers and HRSG products and waste heat recovery products. Consistent with our objective of becoming a leading supplier of heat transfer and alternative energy products and solutions, we are currently seeking to, and intend to continue to, develop new product applications and diversify into other alternative energy related businesses, including:

- *Waste heat power generation.* Recently, we have begun efforts to diversify into waste heat power generation business. Our waste heat power plant, the Xinjiang Project, began generating power in July 2009. We also plan to acquire technologies relating to power plants design and engineering and intend to continue to explore strategic alliance and acquisition opportunities in waste heat power generation.
- *Wind turbine towers manufacturing.* We recently entered into a joint venture arrangement with a PRC company to engage in wind turbine towers manufacturing business in Inner Mongolia, China. We expect the joint venture to commence operation by the end of 2009. We intend to continue to explore opportunities to further develop our business operations in the related area.
- *HRSG products*. In recent years, we have focused on working with HRSG system designers to supply larger-scale HRSG modules in order to gain experience as we seek to enter this product market. To that end, we plan to acquire licensed technologies for the manufacturing of 9F class HRSGs. In addition, we believe that there are increasing market opportunities in smaller-scale HRSG products and exhaust gas boilers for diesel engines, both of which are generally supplied to CHP plants and have power outputs of less than 50MW. Accordingly, we are focusing on developing capabilities to provide integrated solutions to power plants, including system designing and full scope supply and installation.

HEAT TRANSFER PROCESS

In modern industrial process, chemical energy contained in natural resources, including coal, natural gas, diesels, nuclear substances or various others, can be extracted through combustion or physical or chemical reaction. The extracted chemical energy is presented in the form of thermal energy, which is typically contained in the hot gas generated through the combustion or reaction process. To make the energy contained in the hot gas suitable for domestic or industrial applications, thermal energy is generally transferred through a set of devices known as heat exchangers from the hot gas into the system fluid, which can be the purified water running through the heat exchangers. After absorbing the thermal energy, the system fluid is heated up and transforms into steam of high temperature and pressure. The steam is then suitable for direct application or further transformation process which transforms the thermal energy into electrical, mechanical or other forms of energy for applications.

Thermal efficiency is a generally considered as a key performance measurement of a thermal system such as a boiler in a coal-fired power plant. Thermal efficiency is generally defined as a ratio of the actual system output to the system input. The input to the system is the heat, or the heat-content of the fuel that is consumed. The desired output is mechanical work, heat, electricity, or a combination of these or other types of energy. Heat losses and exhaust heat emissions are the key factors affecting the overall system thermal efficiency. Recovery of waste heat is an essential component of many process plants in a variety of industries, such as steel making, chemical processing, cement and coking. Thermal energy is converted to useful heat such as steam or hot water while reducing emissions of hot gas to the atmosphere. Accordingly, products and solutions that reduce heat loss or recover waste heat enhance thermal efficiencies, and as a result, contribute to a cleaner environment through lower emissions.

OUR PRODUCTS AND SERVICES

Greens is a leading supplier of key heat transfer products designed to enhance energy efficiency. In 1845, Edward Green invented the economiser, which historically has been our principal product. Historically, we have

focused on the manufacture and supply of heat transfer products and solutions, including economisers, HRSGs products and other types of waste heat recovery products, as well as marine products. In 2008, we adjusted our business strategy to diversify our product portfolio and started to focus more on and allocate more resources to the marketing and manufacturing of our waste heat recovery products, boiler components and marine products, which contributed to the significant change of the revenue contributions from these business segments. In 2008, we have also begun 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.

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

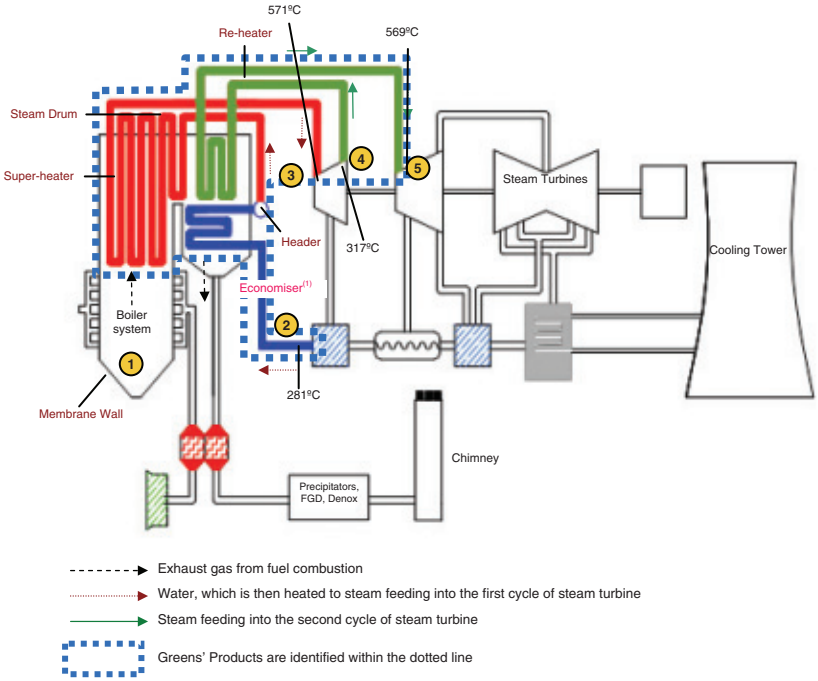
The following table sets forth Mega Smart's revenue and percentage to our revenue by business segment.

	For the year ended December 31,		For the year-to-date period to July 22,	
	2006	2007	2007	2008
	(in thousands of RMB)			
Economisers	19,416	184,169	68,327	52,270
Waste heat recovery products	34,879	37,654	16,542	15,650
Boiler components	—	4,399	—	63,563
Marine products	18,200	54,068	23,559	19,743
Power generation	—	—	—	4,550
Services and repairs	39,637	51,609	18,419	46,522
Total revenue	112,132	331,899	126,847	202,298

Economisers

The economiser is a key heat transfer equipment typically installed in a boiler system for power plants or large industrial applications for steam generation. Economiser recovers the waste heat from the boiler's hot exhaust gas and transfers the thermal energy contained in the exhaust gas to the boiler's system fluid, or feedwater, before it enters into the boiler system. Thermal energy that would have otherwise been emitted is transferred back into the system and is used to heat up the feedwater. Because the boiler feedwater is at a higher temperature before being injected into the boiler system than it would have been without the economiser, the boiler system does not need to consume the thermal energy that would have been used to increase the temperature of feedwater. By absorbing the thermal energy contained in the exhaust gas that is not directly usable for industrial applications due to its relatively low temperature, the economiser enhances system thermal efficiency and reduces fuel cost.

The following system using economisers diagram illustrates a typical super-critical coal fired power plant heat transfer process using an economiser.



As indicated in the above diagram:

1. The combustion of coal in a furnace creates hot exhaust gas, which heats water to steam.
2. The hot exhaust gas from coal combustion passes through the boiler, which then heats up the feed water.
3. High pressure water then passes via the heater to a steam drum and into the super heater system. The super heated steam drives a turbine to generate power in the first cycle.
4. The steam eventually loses heat and this lower temperature steam enters the re-heater system.
5. The steam is then re-heated and re-enters the steam turbine system to generate power in the second cycle.

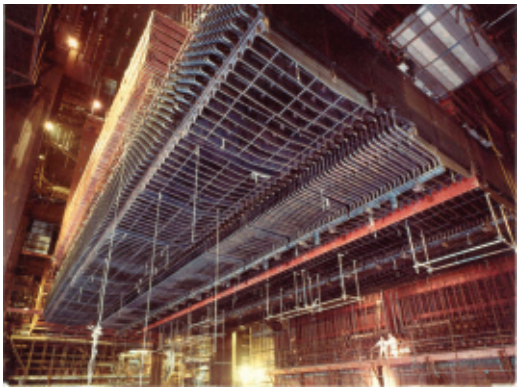
Economiser products can be broadly categorized into extended surface economisers and plain steel economisers. An extended surface economiser consists of metal tubes with metal fins attached onto the plain metal tubes, which significantly extend the heating surface exposed to the heat sources compared to plain steel economisers. The "extended surface" feature enhances the economisers' ability to absorb thermal energy from the surrounding heat sources.

Products

We primarily supply Steel-H extended surface economisers, which are generally significantly more compact and more cost-effective, but also require higher technical sophistication than the plain steel economisers. Our Steel-H finned tubes, with H-shaped metal fins attached onto the metal tubes, are designed to provide the dust particles in the hot exhaust gas with a straight path through the H-shaped metal fins with minimal impact or friction between the heating surface and the dusty gas. Our Steel-H economiser is designed to operate for an extended period of time, with minimal maintenance and on-site cleaning even using coal with high ash content. Other types of extended surface options, such as longitudinal or spiral fins, generally result in greater impact and friction between the heating surfaces and the dusty gas, which in turn results in separation of the dust from the hot exhaust gas and accumulation of the dust on the heating surface. Heavy dust accumulation on the heating surface significantly reduces the effectiveness of the heat transfer on the heating surfaces of the economisers, and

is a major source of economiser malfunctions. Heavy friction between the dusty gas and the heating surface also results in economiser malfunction. As a result, Steel-H economiser is particularly suitable for highly dusty environments such as coal-fired power plants and industrial applications where energy sourced from combustion of fuel.

The following are images of Steel-H fin tubes (on the left) and economiser (on the right) manufactured by us.



According to Frost & Sullivan Limited, we are the clear market leader in supplying extended surface economisers in China, with a 66% market share, based on the number of tonnes supplied in 2008. Since the incorporation of SGTE in 2003, we have designed, manufactured and supplied more than 150 units of Steel-H economisers to the global customers, which we manufactured domestically in China. During the Relevant Period, we manufactured and supplied 20, 62, 71, and 32 units of Steel-H economisers in 2006, 2007, 2008 and the five months period ended May 31, 2009, respectively.

Applications and Project Profiles

We supply both newly-built economisers and retrofit units. Our retrofit units are supplied to replace the existing systems of our customers either due to malfunctioning or environmental regulatory requirements. 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.

Our largest customer in China for our economiser products is Harbin Boiler, with which we have worked closely since 2003. We have supplied to a number of supercritical boiler projects in China, such as the Changshu project. In our international projects, we work with many of the leading boiler makers and designers, including IHI, Bioener and Foster Wheeler.

Our recent projects include[(1)]:

- *Tanjung Bin project*. Tanjung Bin project is a 700 MW coal-fired power plant project in Johor, Malaysia. We supplied two economiser units, weighing 315 tonnes, to our customer, IHI of Japan, for the project in May 2006. The Steel-H economisers were manufactured by SGTE in accordance with ASME standards. Greens UK provided the design, technical support, warranty and the overall project management.

- *Tornion Voima Oy project*. Tornion Voima Oy project is a 131 MW biomass-fired boiler project in Tornio, Finland. We supplied one economiser, weighing 279 tonnes, to our customer, a Foster Wheeler

(1) These project profiles are intended to illustrate, among other things, the range of applications of our products and the diversity of our customer base. Accordingly, our products and services supplied to each of these projects, on an individual basis, may not have contributed significantly to our revenue or net profit.

subsidiary in Finland, for the project in September 2006. The Steel-H economiser is manufactured using our Steel H finned tubes in accordance with European standards of EN12952 and Pressure Equipment Directive—PED97/23EG.

- *Vattenfall Nordic project*. Vattenfall Nordic project is a waste-to-energy project in Fynsvaerket, Denmark. We supplied to our customer, Bioener ApS of Denmark, four economiser modules weighing 33 tonnes, one flue gas cooler, one district heating cooler and one air pre-heater. We were selected by our customer in part because of our ability to custom design two towers to incorporate economiser and flue gas cooler sections using Steel H tubes that are reliable and self-cleaning. Another factor in the selection process was our ability to optimize the overall space and weight by designing an air heater using our spiral fin tubes. These design solutions helped reduce the risk of fouling and clogging.

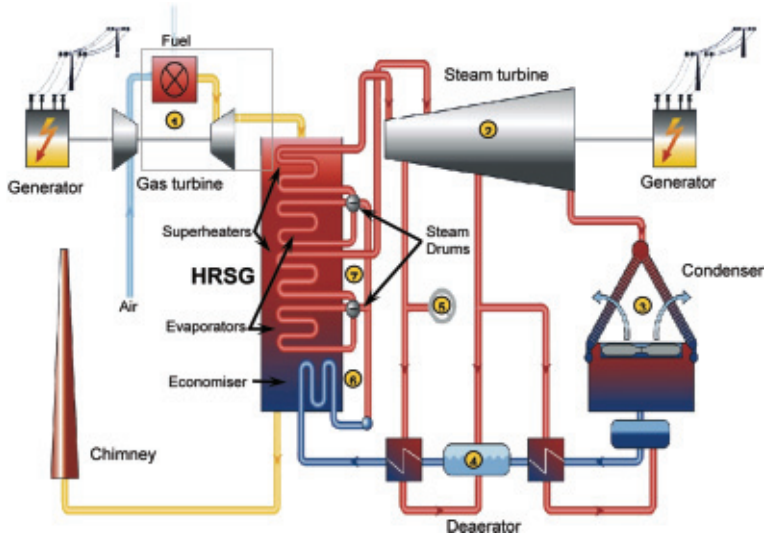
- *Changshu project*. Changshu project is the first 600MW coal-fired power station in Changshu, China. We supplied three units of Steel-H economisers, with a total weight of 1,320 tonnes to Harbin Boiler, in December 2003. The economisers were manufactured in accordance with the relevant PRC engineering standards.

HRSGs and Other Waste Heat Recovery Products

Waste heat recovery systems extract thermal energy contained in the waste gases emitted from various industrial utilizations, and utilize the recovered thermal energy in another process of further utilizations. By applying waste heat recovery systems, energy waste is significantly reduced due to utilization of emitted thermal energy in the new process, which reduces the fuel input that would have been consumed to enable the new process. The overall fuel consumption is reduced, which leads to higher thermal efficiency and lower operational costs. Waste heat recovery systems also help to reduce emission of greenhouse gases.

An HRSG is a type of waste heat recovery system designed to utilize exhaust heat emitted primarily from gas-fired power stations. The HRSG primarily consists of a number of HRSG modules, which in turn consist of, depending on technical design, certain HRSG components, such as evaporators, superheaters, reheaters and economisers. Other components of the HRSG include the duct, steam drums and casings. For larger-scale HRSGs, we supply HRSG modules to HRSG system designers, and these HRSG system designers generally source the remaining components purchased from other parties. The HRSGs are highly customized, and the designs and component structures vary according to mechanical, thermal output specifications, site location and any shipping and access restraints.

The following is an illustration of a typical design of CCGT plant using HRSGs.



As indicated in the above diagram:

1. A CCGT plant involves using gas as the fuel that is burnt in combination with air at high temperature. This is then used to drive a gas turbine and electrical generator in the first cycle.

2. Hot exhaust gases at approximately 500°C from the gas turbines are recycled by the HRSG and are used to drive the steam turbine and electrical generator in the second cycle.

3. Steam eventually loses heat in the steam turbine. The condenser converts this cool steam into water, which is collected in a condensate collecting tank.

4. The deaerator removes oxygen from the water to avoid corrosion problems.

5. Additional processes requiring steam can be fed from the extraction lines from the steam turbine.

6. The economiser heats the water close to boiling point using the hot gases passing through the HRSG.

7. Hot water is collected in steam drums, circulated through evaporators to generate steam, then further heated using superheaters.

Products and applications

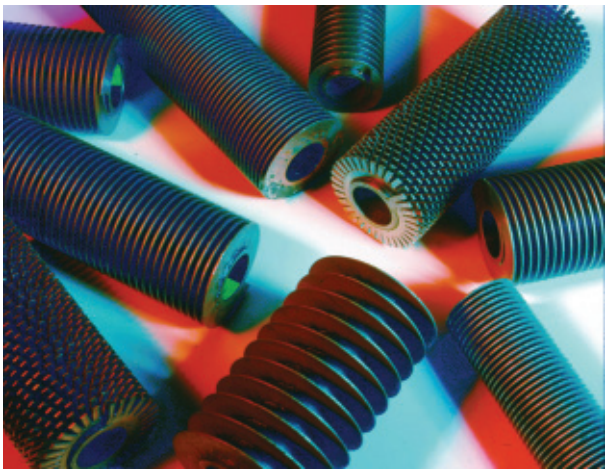
We work closely with boiler makers and technical consultants to provide products and solutions on waste heat recovery. During the Relevant Period, our revenue from waste heat recovery products primarily consisted of revenue from HRSG products such as HRSG modules. We also supply a number of other types of land waste heat recovery products, which utilize waste heat from cement plants, coking plants and oil refineries, for power generation in conjunction with diesel engines or for steam generation using exhaust gases from incinerators.

We are the largest China-based supplier of HRSG modules to HRSG system designers worldwide, based on 2008 revenue, according to Frost & Sullivan Limited. Our HRSG customers include a number of well-recognized HRSG system designers such as Vogt and Austrian Energy & Environment. We believe we attained our market position in significant part by capitalizing on our experience and capabilities in finning technology, which is a key process of manufacturing for waste heat recovery products and because of our knowledge of international design requirements and our skills in the design and supply of boilers and heat exchangers with high temperature materials. HRSG products primarily operate in clean environments at high temperature and pressures, and spiral finned tubes are the key components for our HRSG modules.

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 50MW and CHP plant below 50MW. 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. During the Relevant Period, all of our HRSG products were designed and manufactured for CCGT plants applications. Since beginning production in China, we received our first purchase order of HRSGs in 2005 from Harbin Boiler, which remains as one of our major customers. Since then, we have diversified our HRSG customer base significantly, delivering units for Vogt and Austrian Energy & Environment.

We also supply a range of waste heat boilers for steam generation from process heating in industrial applications where furnaces or ovens exhaust large volumes of hot gas to the atmosphere, and in waste-to-energy plants where incinerators exhaust hot gas after burning refuse or waste materials or biomass.

The following are images of spiral fin tubes (on the left) and HRSG modules (on the right) manufactured by us.



Project Profiles

Recent projects for our HRSG products and other waste heat recovery products include[(1)]:

- *Zhujiang project*. The Zhujiang project is a 335 MW CCGT plant in Guangdong province in China. We supplied HRSG modules weighing 1,450 tonnes to our customer, Harbin Boiler, the system designer for the project in May 2006. We successfully met the delivery schedule of our customers, which was six months from the contract date. The Zhujiang project was our first large-scale HRSG project. Our capability in manufacturing using specialist steel materials distinguished us from our competitors.

- *Wharton project*. The Wharton project is a 275 MW CCGT plant in Wharton, Texas in the United States. We supplied HRSG modules weighing 2,400 tonnes to our customer, Vogt, the system designer for the project in September 2007. We made delivery eight months from the contract date in order to meet the construction schedule of the project. All main HRSG materials were sourced from the PRC. We carried out detail engineering, manufacturing and delivery of the HRSG modules in support of Vogt, who designed, engineered and supplied the overall HRSG system.

Boiler components

We offer a variety of boiler components in the pressure and containment sections of a boiler system, including air pre-heaters, superheaters, and other components such as power station steel structures. We also offer other boiler components such as membrane walls, steam drums reheaters, headers 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. Our boiler components are designed for industrial and power generation applications, as well as large boilers in general.

Marine products

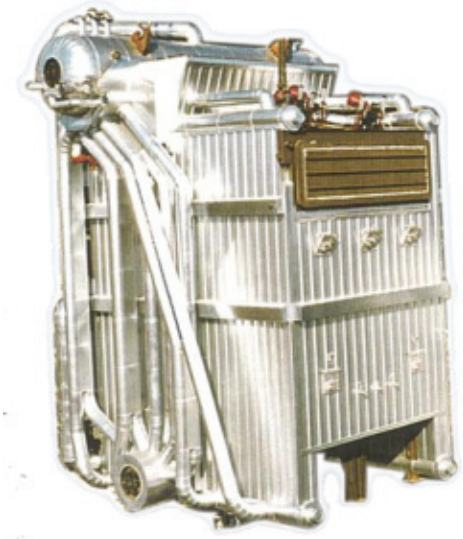
We supply a variety of packaged marine boilers, marine exhaust gas boilers, and other marine boiler products for PRC and international customers. Many of our PRC customers are shipyards in China, and our products are used in a wide range of marine vessels such as bulk carriers, container ships, tankers and LNG vessels. We design, market and sell our marine boiler products in-house, and source components from GPEL and third parties. We work closely with our customers in the assembling process, and provide after-sales services under our warranty arrangement with our customers. Prior to our Reorganization, we sourced marine boiler shells from GSz, and sourced other marine boiler components, such as control panels, burners, mountings, and pumps, from third parties. We started to source marine

(1) These project profiles are intended to illustrate, among other things, the range of applications of our products and the diversity of our customer base. Accordingly, our products and services supplied to each of these projects, on an individual basis, may not have contributed significantly to our revenue or net profit.

boiler shells from GPEL after it commenced operation in 2007 and disposed of Greens UK's equity interest in GSz in August 2009. Our marine boiler products can be generally categorized into fired boilers and other marine boilers:

- *Watertube fired boilers*. These are larger scale packaged marine boilers generating steam through combustion of fuels to provide power for vessels and larger scale marine applications, such as, LNG carriers and floating production storage and offloading vessels, or FPSOs. We offer two types of fired boilers—Spanner-branded fired boilers and ESD fired boilers. We currently have the capability to offer Spanner boiler with steam output up to 50 tonnes per hour and ESD-branded fired boiler with steam output of 20 to 120 tonnes per hour at GPEL. ESD fired boilers are primarily used in larger scale marine applications such as LNG carriers or FPSOs, with steam output of 20 to 220 tonnes per hour.
- *Packaged marine boilers*. We design and sell marine boiler products for smaller marine applications. These products include exhaust gas boilers, which use exhaust heat from diesel engines or gas turbines to generate steam for power output, and composite marine boilers, which combine a fired boiler component and an exhaust gas boiler component, as well as smaller capacity fired boilers of the smoke-tube type, typically with less than 20 tonnes per hour in capacity.

The following is an image of a watertube ESD-type fired marine boiler manufactured by us.



Services and Repairs

Our services and repairs business seeks to capitalize on our experience and capabilities in our heat transfer product manufacturing businesses. We acquired Greens UK and SGME from Mr. Ellis, our controlling shareholder, as part of our Reorganization. Through Greens UK and SGME, we provide a wide range of services, including boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing, and repairs. SGME primarily engages in marine boiler repairs and services business.

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, we have entered into a cooperation agreement on our Xinjiang Project, which is a waste heat power generation project. We intend to continue to diversify ourselves into the waste heat power generation market and seek opportunities to establish cooperation relationships with other waste or exhaust heat resource owners. However, 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 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. Under our agreements with Xinjiang Coke, Greens Baicheng, the project company we established for this project, will sell electricity generated from the waste heat produced by Xinjiang Coke to State Grid Corporation of China for public utilities when the construction of the project is completed until July 2015. Xinjiang Coke was an independent third party prior to its entry into cooperation agreement with us in relation to Xinjiang Project. The installed capacity of the Xinjiang Project is 30MW. Xinjiang Coke is expected to provide the waste heat exclusively to Greens Baicheng. On May 20, 2009, Xinjiang Project was approved by Xinjiang Provincial Development and Reform Commission. The Xinjiang Project has passed the commissioning acceptance of its power generation units. We plan to apply for power generation permit for Xinjiang Project by the governmental authority in October 2009. We expect Xinjiang Project to receive relevant approvals and to commence commercial operation by the end of 2009. However, because of the recent events that occurred in July 2009 in Xinjiang, we understand that certain local government functions have experienced a slow-down. As a result, we cannot assure you that we can submit the application for power generation permit or receive relevant approvals for commencement of commercial operation on a timely basis. We have been advised by Jingtian & Gongcheng, our PRC Legal counsel, that (i) there is no material legal impediment under the PRC Laws for us to receive the power generation permit; and (ii) the dispatch at electricity in Xinjiang Project prior to the obtaining of the power generation permit will not lead to any material administrative penalty, or result in an order to cease operation. Xinjiang Project is also subject to the construction completion acceptance after the construction of the project is completed.

Baicheng (HK) failed to pay up the first installment of the registered capital of Greens Baicheng within the required time limit. Greens Baicheng has submitted to the relevant governmental authority an application to extend the payment of the first installment of the registered capital. We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that there is no material legal impediment for us to obtain the consent on the time extension from the competent governmental authority. GNE (HK), our wholly-owned subsidiary, has paid up 50% of the registered capital of Greens Baicheng on behalf of Baicheng (HK).

The following is an image of the waste heat power generation facility at our Xinjiang Project.

Our Xinjiang Project is structured based on the build-operate-transfer, or BOT model. Under the project's cooperation agreement, we, through our 100% equity interest in Greens Baicheng, will construct the project and provide the equipments for the project, which we primarily sourced from third parties. We will also operate and maintain the project until July 2015. During this period, Greens Baicheng will be entitled to the profits generated from the project's electricity sales. At the end of such period, we will transfer our entire equity interest in Greens Baicheng to Xinjiang Coke free of charge.

The total cost for the construction of the plant is approximately RMB 130.5 million, which we have financed through our working capital and the proceeds from our private placement. See "—History and Reorganization—Private Placement." As part of the cooperation agreement, Xinjiang Coke leased a land plot of 20,000 square meters to Greens Baicheng for RMB 500,000 per year. In addition, Greens Baicheng agreed to make payments to Xinjiang Coke based on the sale price for the electricity generated from the project as follows:

- RMB 0.05 per kWh of electricity generated, plus half of sales price premium over RMB 0.30 per kWh, if the price of electricity sale power is set above RMB 0.30 per kWh;

- RMB 0.05 per kWh of electricity generated, if the price of electricity sale is set below or at RMB 0.30 per kWh, but exceeds or at RMB 0.20 per kWh; or

- RMB 0.04 per kWh of electricity generated, if the price of electricity sale is set below RMB 0.20 per kWh.

We entered into the power purchase agreement and the dispatch agreement with Aksu Power Co., Ltd, or Aksu Power, an affiliate of State Grid Corporation of China, in June 2009, pursuant to which Greens Baicheng has agreed to sell electricity at RMB 0.235 per kWh (including value-added taxes) in 2009. The total dispatch volume for Xinjiang Project for 2009 has not been determined as of the date of the agreement as Xinjiang Project has not commenced commercial operation. As of September 30, 2009, Xinjiang Project dispatched and sold 23 million kWh of electricity. The power purchase agreement and the dispatch agreement will be negotiated and signed annually and the price of electricity sale will be reviewed by the parties annually, subject to governmental approval.

Wind Turbine Towers Manufacturing

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, an independent third party prior to its entry into joint venture contract with us in relation to Tongliao Greens, to engage in the wind turbine towers manufacturing and sale business. Tongliao Boiler is a private enterprise incorporated in the PRC experienced in manufacturing operations in Inner Mongolia and northeastern China, which has recently become favorable locations for wind power projects. We understand that Tongliao Boiler has strong relationships with potential customers in wind turbine products in the region and we expect to benefit from these relationships. Wind turbine towers is the tubular steel structure which holds the nacelle that includes the generator. The typical height of the wind turbine towers is approximately 60 to 100 meters. The processing technique for wind turbine towers is similar to that for large-scale boiler vessels. In entering this market, we are seeking to capitalize on our capability to manufacture large-scale products more efficiently than many of our competitors.

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. The registered capital of Tongliao Greens is RMB 60 million, of which we have agreed to contribute RMB 36 million and Tongliao Boiler has agreed to contribute the remaining RMB 24 million. Tongliao Greens is expected to manufacture and supply wind turbine towers to regions such as Inner Mongolia, Heilongjiang, Jilin and Liaoning in China. Tongliao Boiler agreed that it and its affiliate would not enter into or engage in any businesses relating to design, manufacture, installation, sale or repair of boiler and pressure vessels or any businesses relating to wind turbine towers businesses. Under our agreement, the profit after provision for income taxes and statutory and discretionary reserve will be shared by the parties in proportion to their respective contribution to the registered capital of Tongliao Greens, subject to the authorization and approval by the board of directors of Tongliao Greens. The term for the joint venture is 20 years, extendible upon mutual agreements reached within one year prior to the expiration of the joint venture term. Tongliao Boiler has agreed to assist Tongliao Greens in obtaining the preferential treatments and any essential approval for its construction and operation. Both Tongliao Boiler and we have agreed to help Tongliao Greens obtain any necessary financing. We have the right to appoint three directors to the board of directors of Tongliao Greens, and Tongliao Boiler has the right to appoint the other two directors. We currently plan to invest RMB 42 million into Tongliao Greens, which we plan to finance through bank loans.

Tongliao Greens obtained its incorporation approval in July 2009 and was established in August 2009. It holds an interim granted land use right certificate for a parcel of land with a gross land area of approximately 135,880 square meters. We are currently in the process of obtaining the formal granted land use right certificate for such parcel of land with local governmental authority, which includes entry into the Contract for Grant of State-owned Land Use Rights and payment of land premium and related taxes. Pursuant to the PRC Regulation on Safety Supervision over Special Equipments, the manufacturing of special equipment such as boilers, pressure vessels and the relevant safety accessories and safety protection fittings is subject to the obtaining of the special equipment manufacturing license. In addition, the GAQSIQ promulgated a Directory of Special Equipments,

which clarifies the scopes of the special equipment. The wind turbine towers is not listed in such directory. We have been informed by the Bureau of Quality and Technology Supervision of Tongliao, the local regulatory authority responsible for the manufacturing special equipment, which received verbal confirmation from the Administration of Quality and Technology Supervision of Inner Mongolia and the GAQSIQ, that the regulatory authorities do not believe that wind turbine towers fall under the scope of special equipment as defined in the relevant PRC laws and regulations, and thus it is unnecessary for Tongliao Greens to obtain such license.

We expect that Tongliao Greens will commence operation by the end of 2009.

ORDER BACKLOG

We generally recognize revenue on a stage-of-completion basis. Our order backlog represents that portion of the contract value as of a specified date whose associated revenue has not been recognized. Based on supply contracts we entered into on or prior to August 31, 2009, our total order backlog as of May 31, 2009 was RMB 488 million. This amount is calculated as the sum of (i) total order backlog as of May 31, 2009 under contracts entered into on or prior to that date; and (ii) total order backlog (as represented by the total contract value) under contracts entered into from June 1, 2009 to August 31, 2009. The following table sets forth, by business segment, our order backlog as of May 31, 2009 under contracts entered into on or prior to August 31, 2009.

	Contract value to be recognized	
	On or prior to December 31, 2009	On or after January 1, 2010
	(in millions of RMB)	
Economisers	122	14
Waste heat recovery products	185	82
Boiler components	29	3
Marine products	17	27
Services and repairs	6	4
Total	359	130

Historically, a portion of our purchase orders has been filled pursuant to informal written instructions from our customers, particularly Harbin Boilers, with whom we maintain stable relationships. The table above excludes order backlog on such orders. See "Risk Factors—Risks Relating to Our Business and Industry—Our backlog may not be indicative of our future results of operations". See also "—Manufacturing Facilities and Real Properties—Manufacturing Facilities" for certain information on our plans and estimates relating to production capacity and utilization, which may form the bases and assumptions of the above order backlog amounts.

SALES AND MARKETING

Our sales and marketing department is responsible for identifying and assessing existing or potential market opportunities. Our sales and marketing team in China, with 10 employees as of May 31, 2009, is responsible for sales and marketing activities in China. Our sales and marketing team in the U.K, with 6 employees as of the same date, is responsible for sales and marketing activities outside of China. We sell our products principally through direct sales by our sales and marketing department. We have a network of sales agents who are paid on a commission basis for sales support through introduction of projects as well as customer service support through the completion of the projects. For a description of our strategy to enhance our global presence, see "—Our Strategy—Expand global sales network".

Sales cycle

Our sales cycle may vary significantly from product to product. Our sales cycle generally ranges from three to six months for sales in the PRC, and 3 to 12 months for international sales. Sales cycles on international sales are generally longer than domestic sales as international sales generally require more time for support through

our customers' bidding process to their power plant customers. Our typical sales cycle for economiser products primarily consists of the following stages:

- *Identifying potential purchase order*. Our sales cycle generally begins with a request for proposal from a potential customer. Generally within one to two weeks, we will respond with a proposal that includes our proposed solution and the key pricing terms. It is common from our experience for our PRC boilermaker customers to have secured their contracts with their power plant customers before they solicit proposals for their contracts with subcontractors such as us. In contrast, our international boilermaker customers often bid for their contracts with their power plant customers at the same time as they solicit proposals from subcontractors.

- *Entering into non-binding technical agreement*. Because our PRC boilermaker customers' contracts with their customers are often secured at the time they solicit our proposal, our proposed designs for our PRC customers are often predetermined as well. As a result, in the PRC market, we generally enter into a non-binding technical agreement with the customer before the commercial terms are finalized in the supply agreement. The non-binding technical agreement provides for technical specifications of the product that the customer expects to order. However, such agreement is not legally binding and the customer is under no obligation to award us any supply contract.

- *Signing of supply contract*. Typically, for our supply of economiser products in the PRC market, we sign the supply contract with the customer after entering into the technical agreement. Execution of the technical agreement may precede the supply contract by a period that varies from one to two weeks to two months. For our supply of economiser products to our international market, we generally enter into a joint commercial and technical contract with our customers. Substantially all of our supply contracts are awarded and carried out on a fixed price basis. However, in some instances, we have successfully negotiated with our customers for increases in contract prices to offset the increases in steel based raw material prices that we have experienced.

- *Designing*, *manufacturing and delivery*. The final stage of our sales process is to design, manufacture and deliver the product to the customer. See "—Manufacturing and Quality Assurance".

Major contractual terms

The following summarizes the major contractual terms of our typical sales or supply contracts (other than contracts relating to our waste heat power generation business):

- *Payment terms*. Our customers generally make payments in a number of installments depending on our arrangement with individual customers. Under our contracts, customers paying in two installments generally agree to pay 90% upon delivery and the balance as retention money; customers paying in three installments generally agree to pay 5% to 30% upon signing of the sales or supply contract, 60% to 80% upon delivery, and the remaining 5% to 10% as warranty retention money. Our payment terms are affected by factors such as (i) whether raw materials are supplied by customers on a free-issue basis, in which case the sales cycle will be shortened; (ii) whether our sale is to an international or PRC customer, as sales to PRC customers generally have shorter sales cycles; and (iii) local commercial practices on progress payments, with PRC customers often less willing to make progress payments, but more willing to pay a higher percentage of initial down payment, compared to our international customers.

- *Delivery*. In the PRC market, we generally require one to three months after the date of supply contract to make delivery of our economiser products; five to six months for HRSG products; and eight to twelve months for our marine boiler products. For international market, longer period of time is generally required before delivery. Delivery and insurance costs arrangements vary depending on our practice with individual customers.

- *Warranty*. We generally enter into a warranty arrangement with the customer in the supply contract. The warranty arrangement provides that the customer may withhold a portion of the purchase price,

normally 5% to 10% of the total purchase price, as retention money which will only be released after expiration of warranty period. This retention money will be paid to us only if our product does not have any major quality problem during the warranty period. To date, warranty claims have not had a material impact on our results of operations. Our warranty period varies depending on our practice with individual customers, which are generally extended for one to three years after delivery or acceptance of our products by our customers or after the installation of our products by our customers. For international sales or supply contracts, Mega Smart generally enters into warranty guarantees with commercial banks and credit insurance companies. We generally do not enter into these arrangements in the PRC market.

Activities Subject to U.S. Economic Sanctions Laws

As a non-U.S. corporation with operations in various parts of the world, we have engaged in the past in activities in Cuba, which U.S. Economic Sanctions Laws would prohibit for U.S. citizens and other persons subject to U.S. laws, or Sanctions Targets. These prohibitions, in some cases, extend to non-U.S. persons and corporations. Cuba, in which we have in the past engaged in business, is currently and in 2006, 2007 and 2008 has been, subject to sanctions administered by OFAC and BIS. We are subject to the laws and regulations of the various countries and regions where we do business, and a number of international conventions on the sale of products and other matters. We currently do not have operations in the U.S., and no U.S. individuals we employ are involved in the supply of our products and services in the countries subject to U.S. Economic Sanctions Laws. We are not involved in exporting or re-exporting goods of U.S. origin to countries that are Sanctions Targets. Historically, our business activities in Cuba primarily consisted of sales of boilers and other products to Cuba and provision of after-sales warranty services. Substantially all of our business activities in Cuba were conducted through Mega Smart. In 2008, we underwent a Reorganization which resulted in our acquisition from Mr. Ellis, our controlling shareholder, Mega Smart, which consists of a number of businesses previously wholly owned by him. Prior to our acquisition of Mega Smart, we generally entered into manufacturing arrangements through Mega Smart for the supply of products into Cuba. In 2006, 2007, and the year-to-date period ended July 22, 2008 (the date on which we completed our Reorganization), total revenue generated by Mega Smart from entities incorporated in Cuba and products shipped to Cuba amounted to approximately RMB 10.1 million, RMB 2.0 and RMB 0.3 million, respectively, representing approximately 9.01%, 0.60%, 0.15% of Mega Smart's revenue, respectively. On a Pro Forma basis, total revenue from entities incorporated in Cuba and products shipped to Cuba amounted to approximately RMB 0.3 million, representing 0.05% of our total revenue in 2008. In the year-to-date period ended June 9, 2009, our revenue from entities incorporated in Cuba and products shipped to Cuba was RMB 6.6 million, and as of that date, our total accounts receivable on such sales was RMB 3.9 million. As of September 30, 2009, our accounts receivable on sales to Cuba was nil. We also have various warranty obligations, which we expect will terminate prior to March 2011.

CUSTOMERS

During the Relevant Period, SGTE has entered into significant business transactions with the Mega Smart businesses, i.e. GPEL, SGME and Greens UK, which currently form a part of our Group as a result of the Reorganization. See "Financial Information—Financial Impact of Our Reorganization". Accordingly, some of these related parties historically have been our largest customers. 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 accounted for approximately 95%, 94%, 54% and 61% of our revenue, respectively. All of our five largest customers, other than the Mega Smart businesses, during the Relevant Period were independent third parties. In 2006, 2007 and the year-to-date period ended July 22, 2008, Mega Smart accounted for approximately 7%, 30% and 30% of our revenue, respectively. None of our Directors, senior management members, associates or shareholders holding more than 5% of our issued share capital had any interest in any of our five largest end customers for the Relevant Period.

The following table sets forth our revenue and percentage to 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

The following table sets forth Mega Smart's revenue by geographical location of its customer for the periods indicated.

	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)							
China	27,014	24.1	159,676	48.1	55,729	43.9	90,846	44.9
Europe	29,844	26.6	87,472	26.4	23,875	18.8	64,277	31.8
North and South America	38,726	34.6	48,331	14.6	18,849	14.9	27,041	13.4
Japan	13,444	12.0	34,491	10.3	27,013	21.3	12,642	6.2
Rest of Asia	2,284	2.0	1,372	0.4	958	0.8	7,414	3.7
Others	820	0.7	557	0.2	423	0.3	78	0.0
Total	112,132	100.0	331,899	100.0	126,847	100.0	202,298	100.0

RAW MATERIALS AND SUPPLIERS

The principal raw materials we use for our manufacturing operations are steel-based components such as steel tubes and steel plates. We source a significant majority of the raw materials used in our production in the PRC, and the remaining from international market. For steel-based components, which has been the largest component of our raw material purchase, we generally purchase from a limited number of distributors, which in turn source from qualified steel manufacturers. Such distributors generally seek to maintain long-term business relationships with steel manufacturers, which often require their customers to make minimum annual purchase volume commitments which are significantly higher than our demand. From time to time, we manufacture products on a free-issue basis, where our customers procure components such as steel tubes to be used for our production. See "Financial Information—Factors Affecting Our Results of Operations—Procurement Arrangement".

In 2007, GPEL, a company under Mega Smart, entered into a subcontracting arrangement with SGTE. As a result, GPEL has been one of our largest suppliers on an actual historical basis in 2007 and 2008. See "Financial Information—Financial Impact of Our Reorganization". In 2006, 2007, 2008 and for the five months ended May 31, 2009, purchases from our largest five suppliers accounted for 70%, 84%, 72% and 33% of our total raw material purchases on an actual historical basis, respectively. During the same period, our largest supplier accounted for approximately 28%, 69% (which was GPEL), 20% and 13% of our total raw material purchases respectively. During the same period, other than GPEL, all of our five largest suppliers were distributors for steel-based components and were independent third parties. None of our Directors, senior management members, associates or shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers for the Relevant Period. We have not experienced any material shortage of raw materials or components, and currently we anticipate no material difficulty in procuring raw materials and components from alternative suppliers.

MANUFACTURING AND QUALITY ASSURANCE

Overview

Our manufacturing process can generally be divided into the following stages:

- *Design.* The overall objectives of each of our designs are to meet our customers' design requirements, maximize thermal efficiency and compactness of our products, as well as to reduce maintenance and repair costs and increase plant availability. To this end, our engineers work closely with our customers from the initial design stages with a view to developing optimal solutions. Our design process is aided by our extensive database comprised of more than 500 references of the Steel-H economiser since Steel-H economisers were introduced in 1959. In addition, our design team is experienced in thermal and mechanical designs that meet international standards. We have developed in-house design capabilities for a range of products, including HRSGs, waste heat boilers and large-scale marine boilers.

- *Procurement*. The principal raw materials used in our manufacturing process are steel-based components such as steel tubes, steel plates and finning strips. We seek to procure our raw materials primarily from suppliers in the PRC who are approved by our customers as well as PRC and international qualification requirements.

- *Manufacturing and assembly*. We believe that a key characteristic that distinguishes our products from those of our competitors is our finning quality. See "—Finning Technology" below. In addition, our skills and experience in the fabrication, transport and handling of large boiler components such as pressure vessels, steam drums and boiler modules have placed us in a favorable position in our efforts to compete in the wind turbine towers manufacturing business and to expand into other product areas.

- *Quality control*. We place great emphasis on the quality of our products. Accordingly, we carry out quality control procedures at various stages of the manufacturing and assembly processes. As a reflection of our efforts, we have received a number of quality certifications in China and around the world. See "—Quality Certifications".

Finning Technology

Finning is the process through which fins are welded to steel tubes. Finning quality is critical to the quality of our products. Finned tubes are key components of almost all of our heat transfer products, including Steel-H economisers, waste heat recovery products (including HRSGs products), boiler components and marine products. High quality finning contributes to longer operating life with higher heat transfer efficiency.

Finning quality is significantly dependent on the machinery used in the finning process. Our finning machines are primarily manufactured at our Greens UK facilities in Wakefield, U.K. We also source some of our spiral finning machines from independent third party manufacturers. We have continuously upgraded the designs of our finning machines in-house to improve finning quality. We believe that the following characteristics of our Steel-H and spiral finning machines distinguish us from our competitors:

- solid and strong attachment of fins to the tubes through controlled finning processes;

- finning process that achieves a higher welding contact rate between the fin and the tube to increase heat transfer rate from gases to the base tube;

- precise positioning of fins to facilitate free flow of dusty gases to reduce impact or friction between the heating surface and the dusty gas;

- guaranteed amount of heating surface to ensure thermal performance;

- highly automated manufacturing process to maintain high levels of reliability and production level with minimal manual intervention; and

- finning machines designed to manufacture Steel-H finned tubes of up to 20 meters or spiral finned tubes of up to 25 meters in length, which has contributed to our ability to manufacture larger-scale and higher-quality economisers, including ultra supercritical units, and waste heat recovery products, including HRSGs for enhanced power gas turbines.

Quality Certifications

Our products and manufacturing facilities have received various manufacturing licenses and certificates that allow us to manufacture and provide our products to major markets in the world, including:

Certificate	Certifying body	Scope	Facilities	Period of certification	Our product segment
Manufacture License of Special Equipment	GAQSIQ (PRC)	Class A boiler components (limited to economisers finned pipes, headers, and finned tubes) (限予省煤器（翅片管式), 集箱, 翅片式管束)	SGTE	May 23, 2008 - July 29, 2012	Economisers; waste heat recovery products; boiler components
		Class A boilers	GPEL Xieqiao and Gushan plant	September 3, 2008 - September 2, 2012	
ASME S Stamp	American Society of Mechanical Engineers (US)	Power boiler products manufactured and assembled in accordance with the standards of the ASME Boiler and Pressure Vessel	SGTE	May 19, 2008 - June 1, 2011	Economisers; waste heat recovery products; boiler components
			GPEL Gushan plant	July 25, 2007 - July 25, 2010	
			GPEL Xieqiao plant	August 1, 2008 - August 1, 2011	
ASME U Stamp	American Society of Mechanical Engineers (US)	Pressure vessel products manufactured and assembled in accordance with the standards of the ASME Boiler and Pressure Vessel	GPEL Gushan plant	July 25, 2007 - July 25, 2010	Economisers; waste heat recovery products; boiler components
			GPEL Xieqiao plant	August 1, 2008 - August 1, 2011	
NB	National Board of Boiler and Pressure Vessel Inspectors (US)	Boilers, pressure vessels or other pressure—retaining products manufactured in accordance with ASME S Stamp or U Stamp with the National Board of Boiler and Pressure Vessel Inspectors	SGTE	June 1, 2008 - June 1, 2011	Economisers; waste heat recovery products; boiler components
			GPEL Gushan plant	September 5, 2007 - July 25, 2010	
			GPEL Xieqiao plant	September 16, 2008 - August 1, 2011	

Certificate	Certifying body	Scope	Facilities		Period of certification	Our product segment
EN Certificate	TÜV SÜD Industrie Service Gmbh (Europe)	The certificate confirmed that the certified facilities permit the manufacturing and inspection in compliance with the current technical standards for pressure equipments in Europe, operate a quality system which guarantees that manufacturing and inspection of the products stated in certification body's report are in conformity with the technical rules and standards, and employ qualified supervisory and inspection personnel	SGTE		May 30, 2008 - May 30, 2011	Economisers; waste heat recovery products; boiler components
			GPEL plant	Gushan	November 26, 2008 - September 30, 2011	
			GPEL plant	Xieqiao	November 26, 2008 - September 30, 2011	
Lloyd's Register Certificate	Lloyd's Register	Fusion welded pressure vessels Class 1, subject to compliance with the Lloyd's Register Rules for the Classification of Ships	GPEL plant	Gushan	February 11, 2008 - December 25, 2010	Marine products
Bureau Veritas Recognition Certificate	Bureau Veritas	Recognized for its BV Model II Survey Scheme	GPEL plant	Gushan	April 23, 2008 - April 22, 2012	Marine products
Korean Register of Shipping Approval Certificate	Korean Register of Shipping	Certified to be in accordance with the its standards, and was entered in the "List of Approved manufacturer and Type Approved Equipment"	GPEL plant	Gushan	June 9, 2008 - June 8, 2013	Marine products
Germanischer Lloyd Certificate	Germanischer Lloyd	Approved for welding in accordance with the Germanischer Lloyd Rules for welding of steam boilers and pressure vessels	GPEL plant	Gushan	October 15, 2008 - April 30, 2011	Marine products
Det Norske Veritas Approval of Manufacturer Certificate	DNV Nanjing	Approved for the manufacture of welded boilers and welded pressure vessels Class I and II	GPEL		December 4, 2008 - December 31, 2012	Marine products

MANUFACTURING FACILITIES AND REAL PROPERTIES

Manufacturing Facilities

We own and operate four manufacturing facilities in the PRC. As of the Latest Practicable Date, we had equipped seven Steel-H finning machines and three spiral finning machines Greens UK manufactured in-house at our manufacturing plants of SGTE and GPEL. We also equipped four spiral finning machines at GPEL Xieqiao plant manufactured by a third party. For more information on our finning technology, see "—Manufacturing and Quality Assurance—Finning Technology".

Generally, it is difficult for us to estimate the production capacity and utilization rate of our manufacturing facilities on a group-wide basis as we operate a range of businesses, some of which operate under different revenue models. To help readers understand the production capacity and utilization rate of some of our major business segments, we provide such information below on our economisers segment and our waste heat power generation segment. For our economisers segment, we generally estimate utilization rate based on real production capacity, which discounts the effect of work interruptions, maintenance and stoppages from theoretical production capacity. We generally estimate real production capacity as 75% of our theoretical production capacity, both of which assume application of all Steel-H finning machines to the manufacture of economiser products. For the year 2008, we estimate that our real production capacity for the production of economisers was

approximately between 17,000 tonnes to 19,000 tonnes per year, and that our utilization rate during this period was approximately between 69% to 77%. For the five months ended May 31, 2009, we estimate that our real production capacity for the production of economisers was approximately between 10,800 tonnes to 11,300 tonnes, and that our utilization rate during this period was approximately between 68% to 70%. We expect our real production capacity for the production of economisers to increase to approximately 31,200 tonnes per year in the near future. As is the case with many other equipment manufacturers, our real production capacity and utilization rate vary significantly from period to period due to a number of factors, including any limitations to our production space, start-up testing and training on newly installed machinery, any major upgrade to existing machinery, fluctuations in the volume of supply orders, procurement arrangement (free-issue basis or non-free issue basis), and the allocation of our human resources and machinery in the manufacturing of our various products. The installed capacity of Xinjiang Project is 30MW, and is expected to operate for approximately 8,000 hours per year upon completion of trial operation, representing a utilization rate of 91%.

For more information, see "—Our Products and Services".

The following table sets forth selected key information on our principal manufacturing facilities currently in operates.

Manufacturing facility	Year commencing operation	Current location	Gross land area (square meters)	Lease/own	Main products/services	Key machinery
GPEL Gushan plant	2007	No.152, Middle Gushan Road, Gushan Town, Jingjiang City, Jiangsu Province, China	33,559	Owned(1)	Marine products, boiler components, waste heat recovery products	three spiral finning machines
GPEL Xieqiao plant	2008	Liuzhugang Road, Guangfu Village, Xieqiao Town, Jingjiang, Jiangsu Province, China	126,849	Owned(2)	Waste heat recovery products, marine products, boiler components	four spiral finning machine, two Steel-H finning machines
SGTE Puwei Plant	2003	No.8958, Puwei Highway, Fengxian District, Shanghai, China	11,549	Leased(3)	Economisers, waste heat recovery products, boiler components	five Steel-H finning machines
SGME	2003	No.171, Meisheng Road, Waigaoqiao Free Trade Zone, Shanghai, China	500	Leased(4)	Marine services and repairs	

(1) We own the land use right to use the land for 50 years.
(2) We own the land use right to use the land for 50 years.
(3) The current lease expires on March 2011, with an option to renew for an additional period as mutually agreed by the parties.
(4) The current lease expires in June 2011, with an option to renew for an additional period as mutually agreed by the parties.

Real Properties

Land and Properties at GPEL, Jingjiang

As of the Latest Practicable Date, GPEL owned two parcels of land with a gross land area of approximately 160,408 square meters, which include a parcel of land with a gross land area of approximately 33,559 square meters currently used by Gushan plant and a parcel of land with a gross land area of approximately 126,849 square meters currently used by Xieqiao plant. GPEL also held 14 buildings with a gross floor area of approximately 18,849 square meters at Gushan plant.

Our GPEL Xieqiao plant is currently under construction, and is expected to be completed in October 2009. We obtained the necessary approval to commence construction on a portion of the project, which upon completion is expected to have a gross floor area of approximately 65,587 square meters. For a portion of the project which will primarily be used as dining hall and warehouses and upon completion is expected to have a gross floor area of approximately 11,454 square meters, or 14.9% of the total gross floor area under construction, we are in the process of applying for the approvals for construction commencement with relevant governmental authorities. We expect to obtain the approval by October 2009. We began operations at GPEL Xieqiao plant in December 2008, after a portion of the construction was completed but not inspected and accepted by relevant governmental authorities. We have passed the construction quality inspection, which is conducted by Jingjiang Station of Quality Supervision for Construction Project, for the portion of GPEL Xieqiao plant that is currently being used. We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that (i) there is no material legal impediment to obtaining the relevant approval for the commencement of the relevant construction project from relevant governmental authorities; (ii) we will not be subject to any material fines, or other material administrative penalties in relation to our construction commencement without relevant approval and our operation at GPEL Xieqiao plant before the relevant properties we use are duly inspected and accepted by the governmental authorities; and (iii) the operation at Xieqiao plant before the relevant properties we use are duly inspected and accepted by the governmental authorities will not have a material adverse effect on our business and operations.

Land and Properties at Puwei Road, Fengxian, Shanghai

As of the Latest Practicable Date, SGTE leased a parcel of land with a gross land area of approximately 11,549 square meters, and the industrial complex located on the land with a gross floor area of approximately 4,834 square meters at Puwei Road, Shanghai from an independent third party. The lease bears a monthly rental of RMB 100,000 per month, and will expire on March 31, 2011, extendible upon mutual agreement between the parties.

As of the same date, the lessor held allocated state-owned land use right certificate with respect to such land, which without necessary governmental approvals does not permit the lessor to lease the land to us. The lessor has entered into a Contract for the Grant of State-owned Land Use Rights with relevant governmental authority and has paid the premium for the granted land use rights accordingly. In addition, the lessor does not have the building ownership certificate for a portion of the buildings under such lease, with a gross floor area of approximately 947 square meters, which SGTE uses for office purpose. As of the Latest Practicable Date, the lessor was in the process of applying for the title certificate for the land use right and the building ownership, and it is expected that such title certificate will be obtained by the end of 2009. The lessor has the title certificate for the portion of the buildings, with a gross floor area of approximately 3,887 square meters, which SGTE uses for manufacturing purpose.

We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that (i) our lease agreement with the lessor is legally valid, enforceable and binding on the parties to the lease agreement; (ii) there is no material legal impediment for the lessor to obtaining the title certificate for the granted land use right from relevant governmental authorities; and (iii) the absence of the title certificates by the lessor will not have a material adverse effect on our business and operations.

Land and Properties at Baicheng, Xinjiang

We leased a parcel of land at Baicheng, Xinjiang, for our Xinjiang Project. See "—Our Products and Services—Waste Heat Power Generation". Xinjiang Coke held valid land use right certificate for the land we leased. We have commenced construction of our Xinjiang Project in July 2008, and are currently in the process of applying for the approval for the construction commencement. We expect to obtain the relevant approval from local governmental authority by the end of 2009. We have been advised by Jingtian & Gongcheng, our PRC legal counsel that (i) there is no material legal impediment to obtaining the relevant approval for the construction commencement from relevant governmental authorities; and (ii) we will not be subject to any material fines or other material administration penalties or sanctions in relation to our construction commencement without relevant approval.

Other Leased Office Spaces and other properties

Except as disclosed above, as of the Latest Practicable Date, we leased various office spaces with a total gross floor area of 3,864 square meters in China and the U.K. We also leased a workshop for SGME in Shanghai with a gross floor area of 500 square meters. We have duly registered lease agreements for various office spaces representing an aggregate gross floor area of 2,615 square meters, and have complied with registration requirements under the English Law in respect of our leases in the U.K., which has an aggregate gross floor area of 1,101 square meters. The lessor for the office space leased by GPEL, with a gross floor area of 100 square meters, does not have the building ownership certificate. We plan to terminate the lease after the completion of construction at GPEL Xieqiao plant. We have not registered our lease agreement for the workshop leased in Shanghai and a lease agreement for an office space with a gross floor area of 48 square meters with relevant governmental authorities. We leased an office space with a gross floor area of 600 m^2 from Tongliao Boiler, but the lease has not been registered with relevant governmental authorities. We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that (i) failure to register the lease agreements does not affect the legality, validity and enforceability of the lease agreements; and (ii) the absence of the registration of relevant lease agreements will not have a material adverse effect on our business and operations.

As of the Latest Practicable Date, there has been no accidents relating to construction safety with respect to the buildings used by the Group.

COMPETITION

Our competitors vary significantly based on business segments and geographical markets. The following table sets forth some of the key competitors in the markets we operate.

Business segment	PRC market	International markets
Economisers	Harbin Xinbeiyuan; Beijing Bozhaofeng Electric; Shanghai Xinjun	Ekstroms; BHEL; Mitsubishi; Alstom; Kentube; Boiler Tube Company of America; Rosink; Clyde Bergemann
Waste heat recovery products	Hangzhou Boiler Group Co., Ltd.; Wuxi Huaguang Industrial Boiler Co., Ltd.	SES; Zio Podolsk; Rafako; Duro Dakovic; TKZ; Sefako; Alstom; Austrian Energy & Environment; Aalborg Industries A/C
Boiler components	Jiangsu Sunco Boiler Co., Ltd.	Boiler Tube Company of America; Doosan Babcock; Babcock & Wilcox; Kang Rim
Marine boilers	Aalborg Industries Saacke GmbH	Aalborg Industries; MHI; Saacke; Kang Rim
Services and repairs	Aalborg Industries	Doosan Babcock; Aalborg Industries; Harris Pye Marine
Waste heat power generation	China Energy Conservation Investment Corporation	
Wind turbine towers manufacturing	Taisheng Power Engineering Machinery Co. Ltd.	Vestas Wind System A/S; Avanti

We compete on the basis of a variety of factors, including brand name, industrial experience, project management skills, ability to provide turnkey solutions, ability to customize the products, product quality, price, on-time delivery, after-sales support, relationship with sub-suppliers, references, ability to keep pace with technological developments.

INTELLECTUAL PROPERTIES

We rely on a combination of trademarks and contractual rights to protect our intellectual property rights. As of the Latest Practicable Date, we owned six trademarks registered and two trademarks pending approval for registration in the PRC and elsewhere in the world. Our intellectual properties also include tradenames, software, project references, technical data such as test results and operating data from projects, drawings, designs, and machinery and manufacturing techniques we acquired through our acquisition of Mega Smart on July 22, 2008 or developed in-house. We enter into employment agreements, which contain confidentiality provisions, with our management employees and engineers. We are not involved in any litigation or legal proceedings for violation of intellectual property rights, nor are we aware of any violation of the same. See "Appendix VII—Statutory and General Information" for more information on our intellectual property rights.

EMPLOYEES

As of December 31, 2006, 2007, 2008 and May 31, 2009, the total number of full-time employees employed our Group was 321, 467, 870 and 821, respectively. As of May 31, 2009, approximately 34.8% of our full-time employees have received senior high school level of education or higher, including approximately 20.8% with bachelor's degrees or higher. The following table sets forth the number of our full-time employees by area of responsibility as of May 31, 2009.

On-site workers	497
Administrative	140
On-site engineers	102
Engineering	44
Sales and marketing	16
Company management	14
After-sales services	7
Oversea representative	1
Total	821

We have not had any strikers or other labor disturbances that have interfered with our operations, and we believe that we have maintained a good working relationship with our employees. We have been in compliance in all material respects with applicable employment laws during the Relevant Period.

OCCUPATIONAL HEALTH AND SAFETY

Our operations involve welding and handling of heavy machinery and components. As a result, our employees may face the risk of various work-related injuries and accidents. Moreover, the occurrence of any of the foregoing events could result in damage to, or destruction of properties or manufacturing facilities, business interruption and possible legal liability. See "Risk Factors—Risks relating to Our Business and Industry—The manufacturing processes for our products involve risks and occupational hazards."

We are subject to the relevant rules and regulations on occupational health and safety, such as the Safe Production Law of the PRC, the Law of the PRC on the Prevention and Treatment of Occupational Diseases and Regulations on the Reporting, Investigation and Handling of Work Safety Accidents. We have established work safety policies or procedures to ensure that all parts of our operations are in compliance with existing laws and regulations.

We provide various healthcare benefits and insurance to our employees in accordance with applicable laws and regulations. As of the Latest Practicable Date, we have not experienced any material work related injuries or fatalities. We have been in compliance in all material respects with applicable occupational health and safety laws during the Relevant Period.

ENVIRONMENTAL MATTERS

Our production processes primarily involve the manufacture and assembly of components, and we do not operate in a highly-polluted industry. Our operations in the PRC are subject to, among other relevant environmental protection standards, the following environmental laws and regulations:

(i) Environmental Protection Law of the PRC;

(ii) Water Pollution Prevention Law of the PRC;

(iii) PRC Law on Prevention and Control of Environmental Pollution by Solid Waste;

(iv) PRC Law on Prevention and Control of Environmental Noise Pollution;

(v) Air Pollution Control Act of the PRC;

(vi) Environment Impact Assessment Act of the PRC;

(vii) Cleaner Production Promotion Law of the PRC.

We conduct environmental feasibility studies and environmental impact assessments for all of our projects and will install pollution control facilities, if necessary, to ensure our compliance with current and potential higher environmental protection standards and/or requirements in connection with our expansion of our manufacturing facilities. We have been in compliance in all material respects with applicable environmental laws during the Relevant Period.

INSURANCE

We maintain various insurance policies for our PRC operations, which primarily include:

- all-risk property insurance for our properties, equipments, and inventories;
- product liability insurance within PRC against losses related to physical injuries or property damages arising out of our products manufactured by SGTE and GPEL;
- public liability insurance against third parties physical injuries or property damage resulting from accidents incurred in connection with our business operations;
- employer's liability insurance against employees' physical injuries relating to our operations; and
- product transportation liability against losses incurred in the products transportation process within the PRC

For all of our employees, we make contributions to mandatory social security funds that provide retirement, medical, work-related injury, maternity and unemployment benefits. In addition, we contribute on a monthly basis to a housing fund organized by the PRC Government.

We also maintain insurance arrangements in the U.K., which primarily include:

- property damage insurance covering our properties, plants, equipment and inventories of Greens UK at Wakefield;
- business interruption insurance for increased cost of working incurred by the interruption of our business;

- employer's liability insurance against Greens UK employees' bodily injury or disease sustained during the course of employment;
- public and products liability insurance against third parties' bodily injury or property damage arising out of the course of our U.K. business;
- contract work insurance to insure against loss or damage to contract works;
- marine insurance against losses of shipment in connection with our distribution;
- engineering and inspection insurance; and
- directors and officers insurance against liability for compensation payable, and approved defense costs for claims arising out of errors or omissions committed by directors and officers of Greens UK in their official capacity.

As of the Latest Practicable Date, we had not received any product liability or third party liability claims from our customers or any other third parties. We do not maintain any insurance coverage for business interruption relating to our PRC operations, and our business interruption insurance in the U.K. only covers increased costs for maintaining continuous operations. We have not experienced any material business interruptions during the Relevant period. Although we maintain insurance that we consider customary for our industry and our operations, we may still be subject to losses resulted from the risks that is not covered by the insurance we currently carry on. See "Risk Factors—Risks relating to Our Business and Industry—We may not maintain sufficient insurance coverage for the risks associated with our business operations."

LEGAL PROCEEDINGS

To the knowledge of our Board of Directors, we are not involved in or threatened by any litigation or other legal matters which, if decided adversely against us, could reasonably be expected to have a material adverse impact on our business or operations.