2009

The Directors
Greens Holdings Ltd

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Greens Holdings Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended December 31, 2008 and the five months ended May 31, 2009 (the "Relevant Period").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on February 27, 2008. Pursuant to a group reorganisation, as more fully explained in the section headed "Business—History and Reorganisation" in the document (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on July 22, 2008.

As at the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Group as at										Principal activities
			December 31, 2006		December 31, 2007		December 31, 2008		May 31, 2009		Date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
General Thermal Engineering (China) Ltd. ("GTE")(Note i)	The British Virgin Islands (the "BVI") January 9, 2003	US$ 1,000	N/A	N/A	N/A	N/A	100	—	100	—	100	—	Investment holding
Mega Smart Investments Limited ("Mega Smart")(Note ii)	The BVI March 27, 2008	US$ 100	N/A	N/A	N/A	N/A	100	—	100	—	100	—	Investment holding
Silver Park Holdings Limited ("Silver Park")	The BVI April 2, 2008	US$ 100	N/A	N/A	N/A	N/A	100	—	100	—	100	—	Investment holding
Greens Thermal Equipment (BVI) Ltd. ("GTBVI")	The BVI April 9, 2008	US$ 50,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Marine Engineering (BVI) Ltd. ("GMBVI")(Note ii)	The BVI April 9, 2008	US$ 50,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Power Equipment (BVI) Ltd. ("GPBVI")(Note ii)	The BVI April 9, 2008	US$ 50,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Energy Environmental Holdings Company Limited ("GEBVI")(Note ii)	The BVI May 14, 2008	US$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Port Rich International Limited ("PRBVI")(Note ii)	The BVI April 29, 2008	US$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Eagle Speed International Limited ("ESBVI")(Note ii)	The BVI July 3, 2007	US$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Nice Bright Limited ("NBBVI")	The BVI April 15, 2009	US$ 1,000	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Greens Overseas Holdings Limited ("GOBVI")	The BVI May 8, 2009	US$ 50,000	N/A	N/A	N/A	N/A	N/A	N/A	100	—	100	—	Investment holding
Greens Singapore (BVI) Limited ("GSBVI")	The BVI May 8, 2009	US$ 50,000	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Greens Marine Engineering (SG) Pte. Ltd. ("Greens Marine Singapore")	Singapore June 12, 2009	SGD 100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	100	Sale of marine boilers and provision of marine boiler repair services

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Group as at										Principal activities
			December 31, 2006		December 31, 2007		December 31, 2008		May 31, 2009		Date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
Greens Thermal Equipment (HK) Limited ("GTHK")	Hong Kong April 17, 2008	HK$ 1	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Marine Engineering (HK) Limited ("GMHK")(Note ii)	Hong Kong April 17, 2008	HK$ 1	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Power Equipment (HK) Limited ("GPHK")(Note ii)	Hong Kong April 17, 2008	HK$ 1	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Energy Environmental (Baicheng) Limited ("Baicheng HK")(Note ii)	Hong Kong May 21, 2008	HK$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens Energy Environmental (Pingxiang) Limited ("Pingxiang HK")(Note ii)	Hong Kong May 21, 2008	HK$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Investment holding
Greens New Energy Limited ("GNE(HK)")	Hong Kong May 18, 2009	HK$ 1	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
上海格林熱能設備有限公司 Shanghai Greens Thermal Equipment Ltd. ("SGTE")(Note iii)	The People's Republic of China (the "PRC") April 30, 2003	US$ 1,800,000	—	100	—	100	—	100	—	100	—	100	Manufacture and supply of economisers, waste heat recovery products and boiler components
上海格林船務工程有限公司 Shanghai Greens Marine Engineering Limited ("SGME")(Note ii)	The PRC October 30, 2003	US$ 140,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Provision of repair and maintenance services for marine boilers
格菱動力設備(中國)有限公司 Greens Power Equipment (China) Limited ("GPEL")(Note ii)	The PRC January 17, 2007	US$ 30,000,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Manufacture and supply of waste heat recovery products, marine products, boiler components and economisers
廣安桂興熱電有限公司 Guang'an Guixing Thermal Power Co., Ltd. ("Guang'an Guixing")	The PRC May 8, 2009	US$ 5,000,000	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Waste heat power generation

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Group as at										Principal activities
			December 31, 2006		December 31, 2007		December 31, 2008		May 31, 2009		Date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
拜城格林餘熱發電有限公司 Baicheng Greens Waste-Heat Power Generation Co., Ltd. ("Greens Baicheng")	The PRC June 16, 2009	US$ 5,760,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	100	Waste heat power generation
通遼格林風電設備有限公司 Tongliao Greens Wind Power Equipment Company Limited ("Tongliao Greens")	The PRC August 5, 2009	RMB 60,000,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	60	Manufacture and supply of wind turbine towers
Greens Power Limited (formerly known as TEI Greens Overseas Limited) ("Greens UK")(Note ii)	The United Kingdom (the "UK") December 13, 2004	GBP 491,001	N/A	N/A	N/A	N/A	—	100	—	100	—	100	International sales, engineering design and provision of after-sales services
E Green & Son Limited ("E Green & Son")(Note ii)	The UK March 7, 2006	GBP 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Dormant
Senior Green Limited ("Senior Green")(Note ii)	The UK March 7, 2006	GBP 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Dormant
TEI Greens Limited ("TEI Greens")(Note ii)	The UK March 7, 2006	GBP 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Dormant
Greens Economisers Limited ("Greens Economisers")(Note ii)	The UK March 7, 2006	GBP 1,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Dormant

Notes:

(i) GTE was a former owner of SGTE and became a subsidiary of the Company as part of the Group Reorganisation set out in Note 2.

(ii) These entities were acquired by the Group on July 22, 2008 pursuant to the Group Reorganisation.

(iii) As part of the Group Reorganisation set out in Note 2, the Company acquired 100% interest in SGTE on July 21, 2008 and became the holding company of the Group.

The financial year end date of all the companies now comprising the Group is December 31.

No statutory audited financial statements have been prepared for the Company, GTE, Silver Park, GTBVI, Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI, ESBVI, NBBVI, GOBVI and GSBVI since their incorporation as there is no statutory audit requirement in their respective places of incorporation. No audited financial statements have been prepared for GNE(HK) and Guang'an Guixing as they have been incorporated/established for less than one year. No audited financial statements have been prepared for E Green & Son, Senior Green, TEI Greens and Greens Economisers as there is no statutory audit requirement for dormant companies in the UK. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, GTE, Silver Park, GTBVI, Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI, ESBVI, NBBVI, GOBVI, GSBVI, GNE(HK) and Guang'an Guixing since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of their financial information in the document.

The statutory financial statements of SGTE, SGME and GPEL were prepared in accordance with the relevant accounting principles and financial regulations in the PRC. The statutory financial statements of Greens UK were prepared in accordance with applicable law and United Kingdom Accounting Standards. The statutory financial statements of GTHK, GMHK, GPHK, Baicheng HK and Pingxiang HK were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They were audited by the following certified public accountants registered in the PRC, UK and Hong Kong, as appropriate:

Name of subsidiary	Financial year/period	Name of auditor
SGTE	Years ended December 31, 2006, 2007 and 2008	上海華誠會計師事務所 Shanghai Huacheng Certified Public Accountants Co., Ltd.
SGME	Years ended December 31, 2006, 2007 and 2008	上海華誠會計師事務所 Shanghai Huacheng Certified Public Accountants Co., Ltd.
GPEL	From January 17, 2007 (date of establishment) to December 31, 2007 and the year ended December 31, 2008	泰州興瑞會計師事務所靖江分所 Taizhou Xingrui Certified Public Accountants Co., Ltd. Jingjiang Branch
Greens UK	Years ended December 31, 2006 and 2007 Year ended December 31, 2008	Walker & Sutcliffe Deloitte LLP
GTHK	From April 17, 2008 (date of incorporation) to December 31, 2008	Deloitte Touche Tohmatsu
GMHK	From April 17, 2008 (date of incorporation) to December 31, 2008	Deloitte Touche Tohmatsu
GPHK	From April 17, 2008 (date of incorporation) to December 31, 2008	Deloitte Touche Tohmatsu
Baicheng HK	From May 21, 2008 (date of incorporation) to December 31, 2008	Deloitte Touche Tohmatsu
Pingxiang HK	From May 21, 2008 (date of incorporation) to December 31, 2008	Deloitte Touche Tohmatsu

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the applicable accounting rules.

The Financial Information of the Group for the Relevant Period as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 2 to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 2 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as of December 31, 2006, 2007 and 2008 and May 31, 2009 and the state of affairs of the Company as of December 31, 2008 and May 31, 2009 and of the consolidated results and consolidated cash flows of the Group for the Relevant Period.

The comparative combined income statement, combined statement of comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the five months ended May 31, 2008 together with the notes thereon have been extracted from the Group's combined financial information for the same period (the "May 2008 Financial Information") and were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the May 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquires of group management and applying analytical procedures to the May 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the May 2008 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the May 2008 Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended December 31,			Five months ended May 31,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	8	189,817	231,750	431,073	102,109	269,393
Cost of sales/services		(140,229)	(182,158)	(321,397)	(76,288)	(191,598)
Gross profit		49,588	49,592	109,676	25,821	77,795
Selling and distribution expenses		(2,289)	(5,743)	(6,708)	(670)	(5,019)
Administrative expenses		(6,203)	(5,673)	(33,249)	(2,852)	(34,284)
Other income and other gains and losses	9	1,163	705	4,259	(257)	7,613
Finance costs	10	(1,092)	(2,289)	(1,939)	(891)	(773)
Profit before tax		41,167	36,592	72,039	21,151	45,332
Taxation	11	(5,570)	(5,003)	(11,984)	(3,061)	(8,265)
Profit for the year/period		35,597	31,589	60,055	18,090	37,067
Attributable to owners of the Company		35,597	31,589	60,055	18,090	37,067
Earnings per share—Basic	16	RMB 0.053	RMB 0.047	RMB 0.078	RMB 0.027	RMB 0.041

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	35,597	31,589	60,055	18,090	37,067
Other comprehensive income:					
Exchange differences arising on translation of foreign operations	—	—	(8,115)	—	2,498
Total comprehensive income for the year/period	35,597	31,589	51,940	18,090	39,565
Attributable to owners of the Company	35,597	31,589	51,940	18,090	39,565

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		At December 31,			At May 31,	At December 31,	At May 31,
	NOTES	2006	2007	2008	2009	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets							
Property, plant and equipment	17	16,110	17,633	136,190	196,609	—	—
Intangible assets	18	9	7	145,192	181,713	—	—
Prepaid lease payments	19	1,000	1,000	36,255	36,145	—	—
Deposit paid for acquisition of property, plant and equipment		850	1,023	2,634	1,849	—	—
Deposits paid for construction of infrastructure in service concession arrangement		—	—	17,634	2,500	—	—
Investments in subsidiaries	20	—	—	—	—	192,396	192,396
Deferred tax assets	32	—	—	341	940	—	—
Total non-current assets		17,969	19,663	338,246	419,756	192,396	192,396
Current assets							
Inventories	21	13,626	6,926	49,590	60,220	—	—
Amounts due from customers for contract work	22	8,637	7,167	29,293	32,284	—	—
Trade and other receivables	23	106,551	110,559	308,623	299,915	863	328
Prepaid lease payments	19	—	—	527	668	—	—
Amounts due from related parties	24	17,373	60,748	—	—	—	—
Amounts due from shareholders		—	—	110	109	52	52
Pledged bank deposits	25	1,096	3,415	10,307	30,389	—	—
Cash and bank balances	25	7,405	39,508	80,279	83,798	1,785	469
Total current assets		154,688	228,323	478,729	507,383	2,700	849
Current liabilities							
Trade and other payables	26	56,380	42,343	182,916	208,098	—	3,237
Amounts due to customers for contract work	22	15,413	34,314	54,784	33,824	—	—
Amounts due to related parties	27	32,506	57,109	—	—	4,880	5,241
Amounts due to shareholders	28	—	—	15,302	15,297	8	8
Income tax payable		2,463	1,736	17,367	21,651	—	—
Bank borrowings	29	10,000	30,000	72,000	155,000	—	—
Bank overdrafts	29	—	—	789	—	—	—
Total current liabilities		116,762	165,502	343,158	433,870	4,888	8,486
Net current assets (liabilities)		37,926	62,821	135,571	73,513	(2,188)	(7,637)
Total assets less total current liabilities		55,895	82,484	473,817	493,269	190,208	184,759
Non-current liabilities							
Deferred tax liabilities	32	—	—	19,578	20,265	—	—
Total non-current liabilities		—	—	19,578	20,265	—	—
		55,895	82,484	454,239	473,004	190,208	184,759
Capital and reserves							
Share capital/ paid-in capital	30	14,933	14,933	136	136	136	136
Reserves	31	40,962	67,551	454,103	472,868	190,072	184,623
Total equity attributable to owners of the Company		55,895	82,484	454,239	473,004	190,208	184,759

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital/ paid-in capital	Share premium	Special reserve	Translation reserve	Statutory surplus reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Note iii)	RMB’000	RMB’000
Balance at January 1, 2006	14,933	—	—	—	1,930	43,462	60,325
Profit for the year and total comprehensive income for the year	—	—	—	—	—	35,597	35,597
Dividends recognised as distribution(Note 15)	—	—	—	—	—	(40,027)	(40,027)
Appropriation of statutory surplus reserve	—	—	—	—	5,134	(5,134)	—
Balance at December 31, 2006	14,933	—	—	—	7,064	33,898	55,895
Profit for the year and total comprehensive income for the year	—	—	—	—	—	31,589	31,589
Dividends recognised as distribution(Note 15)	—	—	—	—	—	(5,000)	(5,000)
Appropriation of statutory surplus reserve	—	—	—	—	3,189	(3,189)	—
Balance at December 31, 2007	14,933	—	—	—	10,253	57,298	82,484
Exchange differences arising on translation of foreign operations	—	—	—	(8,115)	—	—	(8,115)
Profit for the year	—	—	—	—	—	60,055	60,055
Total comprehensive income for the year	—	—	—	(8,115)	—	60,055	51,940
Deemed distribution arising from Group Reorganisation(Note i)	(14,831)	—	8,386	—	—	—	(6,445)
Shares issued	34	196,677	—	—	—	—	196,711
Discount arising from acquisition of Mega Smart and its subsidiaries(Note ii)			129,549	—	—	—	129,549
Appropriation of statutory surplus reserve	—	—	—	—	2,984	(2,984)	—
Balance at December 31, 2008	136	196,677	137,935	(8,115)	13,237	114,369	454,239
Exchange differences arising on translation of foreign operations	—	—	—	2,498	—	—	2,498
Profit for the period	—	—	—	—	—	37,067	37,067
Total comprehensive income for the period				2,498		37,067	39,565
Dividends recognised as distribution(Note 15)	—	(12,054)	—	—	—	(8,746)	(20,800)
Balance at May 31, 2009	136	186,623	137,935	(5,617)	13,237	142,690	473,004
(Unaudited)							
Balance at January 1, 2008	14,933	—	—	—	10,253	57,298	82,484
Profit for the period and total comprehensive income for the period	—	—	—	—	—	18,090	18,090
Balance at May 31, 2008	14,933	—	—	—	10,253	75,388	100,574

Notes:

(i) As part of the Group Reorganisation set out in Note 2, the Company acquired 100% interest in SGTE on July 21, 2008 and became the holding company of the Group. The amount payable by the Company to its then shareholders for the acquisition of the interest in SGTE is regarded as a deemed distribution to shareholders since the Financial Information has been prepared as if the Company had always been the holding company of SGTE.

(ii) As part of the Group Reorganisation, the Company on July 22, 2008 acquired 100% equity interest in Mega Smart and its subsidiaries (hereinafter collectively referred to as the "Mega Smart Group") from Mr. Frank ELLIS, a substantial shareholder of the Company. The discount arising from the acquisition amounting to RMB 129,549,000 was deemed as a contribution from the shareholders and credited to special reserve (see Note 33).

(iii) According to the relevant laws in the PRC, SGTE, SGME and GPEL are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The statutory surplus reserve can be used to offset the previous years' losses, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	41,167	36,592	72,039	21,151	45,332
Adjustments for:					
Finance costs	1,092	2,289	1,939	891	773
Interest income	(1,387)	(2,003)	(1,902)	(861)	(795)
Profit on construction under service concession arrangements	—	—	(5,606)	—	(3,595)
Loss on disposal of property, plant and equipment	34	21	25	—	—
Amortisation of intangible assets	3	2	1,368	1	1,755
Release of prepaid lease payments	—	—	222	—	219
Depreciation of property, plant and equipment	2,042	2,285	5,074	1,033	4,835
Allowance for bad and doubtful debts	—	—	1,748	—	1,946
Operating cash flows before movements in working capital	42,951	39,186	74,907	22,215	50,470
Decrease (increase) in inventories	3,139	6,700	3,887	(9,803)	(10,630)
(Increase) decrease in trade and other receivables	(43,257)	(2,446)	(115,992)	(7,298)	7,292
Decrease (increase) in amounts due from customers for contract work	1,619	1,470	6,398	(9,568)	(2,991)
Increase in amounts due from related parties	(47)	(21,771)	(10,310)	(6,160)	—
Increase (decrease) in trade and other payables	21,858	(14,037)	8,406	(535)	49,285
(Decrease) increase in amounts due to related parties	(636)	46,591	31,379	27,649	—
(Decrease) increase in amounts due to customers for contract work	(615)	18,901	911	(24,028)	(20,960)
Cash generated from operations	25,012	74,594	(414)	(7,528)	72,466
Income taxes paid	(3,107)	(5,730)	(9,202)	(2,611)	(3,893)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	21,905	68,864	(9,616)	(10,139)	68,573

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Note	Year ended December 31,			Five months ended May 31,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES						
Interest received		230	441	499	105	265
Acquisition of the Mega Smart Group	33	—	—	30,113	—	—
Payments for acquisition of property, plant and equipment		(6,590)	(1,094)	(27,893)	(272)	(61,350)
Payments for acquisition of intangible assets		(6)	—	—	—	—
Payments for prepaid lease payments		—	—	(3,000)	—	(250)
Payments for construction of infrastructure in service concession arrangement		—	—	(47,776)	—	(43,193)
Proceeds from disposal of property, plant and equipment		90	145	—	—	—
Advance to related parties		(9,148)	(21,604)	(107,201)	(85,083)	—
Advance to shareholders		—	—	(110)	—	—
Decrease (increase) in pledged bank deposits		3,515	(2,319)	(5,630)	2,852	(20,082)
NET CASH USED IN INVESTING ACTIVITIES		(11,909)	(24,431)	(160,998)	(82,398)	(124,610)
FINANCING ACTIVITIES						
Dividends paid		(10,027)	(35,000)	—	—	(20,800)
New bank borrowings raised		20,000	60,000	82,000	35,000	140,000
Repayment of bank borrowings		(20,000)	(40,000)	(70,000)	(35,000)	(57,000)
Interest paid		(1,092)	(2,289)	(4,487)	(891)	(4,189)
Proceeds from issue of shares/capital injection		—	—	196,711	100,715	—
Advance from shareholders		—	—	15,302	—	—
Deemed distribution to shareholders		—	—	(6,445)	—	—
Advance from (repayment to) related parties		—	4,959	4,957	(259)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(11,119)	(12,330)	218,038	99,565	58,011
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,123)	32,103	47,424	7,028	1,974
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		8,528	7,405	39,508	39,508	79,490
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		—	—	(7,442)	—	2,334
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, represented by						
cash and bank balances		7,405	39,508	80,279	46,536	83,798
bank overdrafts		—	—	(789)	—	—
		7,405	39,508	79,490	46,536	83,798

Notes to the Financial Information

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on February 27, 2008. The registered office of the Company is situated at Second Floor Cayside, Harbour Drive, P.O. Box 30592, George Town, Grand Cayman KY1-1203, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and supply of heat transfer products and solutions, including economisers, waste heat recovery products, marine products and boiler components as well as related services and repairs, and waste heat power generation.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

SGTE was established on April 30, 2003 and was jointly owned by Greens UK, which was solely owned by Mr. Frank ELLIS, and GTE, which was owned by Ms CHEN Tianyi and Mr. XIE Zhiqing, prior to the Group Reorganisation.

On February 27, 2008, Mr. Frank ELLIS and GTE jointly set up the Company. Pursuant to the Group Reorganisation as set out in the section headed "Business—History and Reorganisation" in the document, the Company acquired the 100% equity interest in SGTE and became the holding company of SGTE on July 21, 2008. On July 22, 2008, the Company acquired 100% equity interest in the Mega Smart Group from Mr. Frank ELLIS, a substantial shareholder of the Company.

The Group resulting from the Group Reorganisation continued to be jointly owned by Mr. Frank ELLIS, Ms CHEN Tianyi and Mr. XIE Zhiqing and therefore is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared as if the Company had always been the holding company of SGTE. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Period have been prepared as if the current group structure had been in existence throughout the Relevant Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period, except for the Mega Smart Group of which the result, changes in equity and cash flows have been consolidated since July 22, 2008. The consolidated statements of financial position of the Group as at December 31, 2006, 2007 and 2008 and May 31, 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group which were in existence at those dates, except for the Mega Smart Group of which the assets and liabilities have not been incorporated as at December 31, 2006 and 2007 prior to the acquisition.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and the majority of the group entities operate.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Group has consistently early adopted International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2009 except for IAS 39 & IFRS 7 (Amendments) Reclassification of Financial Assets, which are effective from July 1, 2008 but should not be applied before July 1, 2008, throughout the Relevant Period.

At the date of this report, the International Accounting Standards Board has issued the following new and revised standards, amendments and interpretations which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs April 2009[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 (Amendment)	Classification of Rights Issues[3]
IAS 39 (Amendment)	Eligible Hedged Items[2]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[4]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 5 (Amendments)	Amendments resulting from Improvements to IFRSs May 2008[2]
IFRIC 17	Distributions of Non-cash Assets to Owners[2]
IFRIC 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate
2 Effective for annual periods beginning on or after July 1, 2009
3 Effective for annual periods beginning on or after February 1, 2010
4 Effective for annual periods beginning on or after January 1, 2010
5 Effective for transfers on or after July 1, 2009

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information. The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. IAS 27 (revised) will affect the accounting treatment for changes in Group's interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, and in accordance with the accounting policies set out below which conform to IFRSs.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances from customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight-line basis.

Government grants

Unconditional discretionary government grants from local authorities are recognised in the consolidated income statement as other income to match them with the related costs when there is reasonable assurance that the grants will be received.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year/period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the items of property, plant and equipment (other than construction in progress) over their estimated useful lives and, after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Financial Information in the year/period in which the item is derecognised.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible assets and intangible assets other than goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group’s financial assets are classified into financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL including derivatives not for hedging are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, amounts due from shareholders, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairments of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties, amounts due to shareholders, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Revenue recognition on construction contracts

The Group uses the stage of completion method to account for its contract revenue from construction contracts where it is probable that contract costs are recoverable. The stage of completion is measured in accordance with the accounting policy stated in Note 4.

Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract cost and the recoverability of the contract costs. In making the judgment, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction contracts is disclosed in Note 8. The stage of completion of each construction contract is assessed on a cumulative basis in each accounting period. Changes in estimate of contract revenue or contract costs, or changes in the estimated outcome of a contract could impact the amounts of revenue and expenses recognised in the consolidated income statement in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

Impairment of intangible assets

If there is any indication of impairment, determining the extent to which intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

At December 31, 2006, 2007 and 2008 and May 31, 2009, the directors of the Company were satisfied that there was no indication that the intangible assets had suffered an impairment loss. As at December 31, 2006, 2007 and 2008 and May 31, 2009, the carrying amounts of the intangible assets of the Group were RMB 9,000, RMB 7,000, RMB 145,192,000 and RMB 181,713,000 respectively.

Impairment of trade receivables

When there is objective evidence of impairment of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2006, 2007 and 2008 and May 31, 2009, the carrying amounts of trade receivables were RMB 100,580,000, RMB 93,348,000, RMB 282,657,000 and RMB 269,228,000 respectively.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Relevant Period.

The capital structure of the Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital/paid-in capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Categories of financial instruments

	The Group				The Company	
	At December 31,			At May 31,	At December 31,	At May 31,
	2006	2007	2008	2009	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Loan and receivables (including cash and cash equivalents)	131,654	199,302	388,149	400,217	1,837	521
Financial liabilities						
Amortised cost	92,673	121,725	266,330	374,132	4,888	8,486

Financial risk management objectives and polices

The Group's and the Company's major financial instruments include trade and other receivables, trade and other payables, amounts due from/ to related parties, amounts due from/ to shareholders, bank borrowings, pledged bank deposits, bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are state-owned banks located in the PRC or those banks with high credit ratings.

The Group has concentration of credit risk on the Group's trade receivables. For trade receivables, most of large customers are located in the PRC and Europe. The outstanding balance of the five largest customers represented approximately 95.4%, 94.0%, 70.2% and 66.9% of the trade receivables of the Group as at December 31, 2006, 2007 and 2008 and May 31, 2009 respectively. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

Market risk

The Group's and the Company's activities expose them primarily to the financial risks of changes in interest rate and foreign currency exchange rate. Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's and the Company's exposure to financial risks or the manner in which they manage and measure the risk throughout the Relevant Period. Details of each type of market risks are described as follows:

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's and the Company's cash flow interest rate risk relates primarily to their variable-rate bank deposits. The Group and the Company currently have not entered into interest rate swaps to hedge against their exposure to changes in fair values of the borrowings. Currently, the Group and the Company do not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future. In management's opinion, the Group does not have significant exposure to interest rate risk at December, 31, 2006, 2007 and 2008 and May 31, 2009. Therefore, no sensitivity analysis has been presented.

Foreign currency risk management

Certain sales and purchases of the Group are denominated in United States Dollars ("US$"), Euro ("EUR") and Japanese Yen ("JPY"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk. Certain monetary assets and liabilities of the Company are denominated in those foreign currencies.

Certain monetary assets of the Company are denominated in Hong Kong Dollars ("HK$") as well, which is a foreign currency of the Company.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	The Group				The Company	
	At December 31,			At May 31,	At December 31,	At May 31,
	2006	2007	2008	2009	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
US$	3,669	14,982	46,401	69,822	—	7
EUR	—	8,373	27,032	33,337	—	—
HK$	—	—	21,755	541	1,837	468
GBP	—	—	—	6,626	—	—
Liabilities						
US$	—	1,675	15,758	80,942	—	8
EUR	—	1,232	2,088	17,997	—	—
HK$	—	—	—	—	4,888	—

The Group had entered into certain foreign exchange forward contracts to mitigate its foreign currency exposure. The particulars of the outstanding foreign exchange forward contracts as at the end of each reporting period are disclosed in Note 34.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against US$, EUR, HK$ and GBP and a 5% change in GBP against RMB, US$ and EUR. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes (i) outstanding foreign currency denominated monetary items and adjusts their translation at each of the year/period end for a 5% change in foreign currency rates; and (ii) outstanding foreign currency forward contracts and adjusts for a 5% change in foreign currency rates at each of the year/period end.

	The Group			
	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
If RMB strengthens against US$ —Post-tax profit for the year/period will (decrease) increase by	(159)	(574)	51	(1,025)
If RMB strengthens against EUR —Post-tax profit for the year/period will decrease by		(308)	—	—
If RMB strengthens against HK$ —Post-tax profit for the year/period will decrease by	—	—	(937)	(22)
If RMB strengthens against GBP —Post-tax profit for the year/period will increase (decrease) by	—	—	619	(2,516)
If GBP strengthens against US$ —Post-tax profit for the year/period will decrease by	—	—	(1,280)	(752)
If GBP strengthens against EUR —Post-tax profit for the year/period will decrease by	—	—	(486)	(1,332)

For a 5% weakening of RMB against US$, EUR, HK$ and GBP or a 5% weakening of GBP against RMB, US$ and EUR, there would be an equal and opposite impact on the post-tax profit.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at December 31, 2006, 2007 and 2008 and May 31,2009, the Group had available unutilised banking facilities of nil, nil, RMB 18,000,000 and RMB 80,000,000 respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities as at December 31, 2006, 2007 and 2008 and May 31, 2009. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. For derivative instruments that require gross settlement, the undiscounted gross (inflows) outflows on these derivatives are shown in the tables.

The Group

	As at December 31, 2006						
	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	50,167	—	—	—	50,167	50,167
Amounts due to related parties	—	32,506	—	—	—	32,506	32,506
Bank borrowings	6.14%	5,121	5,057	—	—	10,178	10,000
		87,794	5,057	—	—	92,851	92,673

	As at December 31, 2007						
	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	34,616	—	—	—	34,616	34,616
Amounts due to related parties	—	57,109	—	—	—	57,109	57,109
Bank borrowings	6.47%	25,197	5,085	—	—	30,282	30,000
		116,922	5,085	—	—	122,007	121,725

	As at December 31, 2008						
	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	178,239	—	—	—	178,239	178,239
Amounts due to shareholders	—	15,302	—	—	—	15,302	15,302
Bank borrowings	6.24%	28,740	45,990	—	—	74,730	72,789
		222,281	45,990	—	—	268,271	266,330
Derivatives-gross settlement							
Foreign exchange forward contracts							
—inflow		(11,335)	—	—	—	(11,335)	(11,335)
—outflow		11,768	—	—	—	11,768	11,768
		433	—	—	—	433	433

	As at May 31, 2009						
	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	203,835	—	—	—	203,835	203,835
Amounts due to shareholders	—	15,297	—	—	—	15,297	15,297
Bank borrowings	5.58%	6,969	152,735	—	—	159,704	155,000
		226,101	152,735	—	—	378,836	374,132
Derivatives-gross settlement							
Foreign exchange forward contracts							
—inflow		9,722	913	—	—	10,635	10,635
—outflow		(9,707)	(967)	—	—	(10,674)	(10,674)
		15	(54)	—	—	(39)	(39)

No liquidity analysis is presented for derivatives with net settlement as the net amount upon the settlement is insignificant at the end of each reporting period.

The Company

The Company's financial liabilities as at December 31, 2008 and May 31, 2009 consist of trade and other payables, amounts due to related parties and amounts due to shareholders with aggregate carrying amounts of RMB 4,888,000 and RMB 8,486,000 respectively, which are unsecured, non-interest bearing and repayable on demand.

Fair value

The fair value of foreign exchange forward contracts is estimated using quoted prices in active markets for identical assets or liabilities (under level I of the three-level fair value hierarchy).

The fair value of the Company and the Group's other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. SEGMENT INFORMATION

Products and services within each reportable segment

The chief operating decision maker of the Group has been identified as the board of directors. For management purposes, the Group is organised into six reportable segments—economisers, waste heat recovery products, boiler components, marine products, waste heat power generation, and services and repairs. These reportable segments form the basis on which the Group's board of directors make decision about resource allocation and performance assessment. The principal products and services of each of these segments are as follows:

Economisers	—key heat transfer equipment typically installed in boiler systems for power plants
Waste heat recovery products	—systems that extract thermal energy contained in the waste gases emitted from various industrial utilisations and utilise the recovered thermal energy in another process of further utilisations
Boiler components	—air-preheaters, superheaters, and other components such as power station steel structures and finned tubes
Marine products	—packaged marine boiler products generally categorised into fired boilers and other marine boilers
Waste heat power generation	—construction and operation of waste heat power generation facilities
Services and repairs	—boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs

Segment revenue and segment results

	Segment revenue					Segment results				
	Year ended December 31,			Five months ended May 31,		Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Economisers	159,620	184,104	180,212	77,709	74,957	55,102	43,809	48,071	23,623	22,864
Waste heat recovery products	24,761	34,548	106,409	10,558	75,814	(5,435)	3,211	39,478	2,626	30,878
Boiler components	4,837	10,646	39,188	13,600	54,626	1,156	2,192	6,815	(321)	17,358
Marine products	599	2,452	15,852	242	8,891	(1,235)	380	4,563	(107)	1,486
Waste heat power generation	—	—	80,674	—	38,234	—	—	5,606	—	3,595
Services and repairs	—	—	8,738	—	16,871	—	—	5,143	—	1,614
	189,817	231,750	431,073	102,109	269,393	49,588	49,592	109,676	25,821	77,795
Unallocated income and other gains and losses						1,163	705	4,259	(257)	7,613
Unallocated expenses						(8,492)	(11,416)	(39,957)	(3,522)	(39,303)
Finance costs						(1,092)	(2,289)	(1,939)	(891)	(773)
Profit before tax						41,167	36,592	72,039	21,151	45,332
Taxation						(5,570)	(5,003)	(11,984)	(3,061)	(8,265)
Profit for the year/period						35,597	31,589	60,055	18,090	37,067

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Relevant Period.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent the results of each reportable segments, excluding selling and distribution expenses, administrative expenses, other income and other gains and losses, finance costs and taxation.

Segment assets and liabilities

	Assets				Liabilities			
	At December 31,			At May 31,	At December 31,			At May 31,
	2006	2007	2008	2009	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Economisers	80,430	82,781	162,572	125,990	15,413	34,314	33,757	22,132
Waste heat recovery products	24,489	9,380	65,688	110,780	—	—	9,916	628
Boiler components	1,905	8,303	50,967	37,819	—	—	604	8,731
Marine products	2,393	51	20,175	8,320	—	—	10,414	1,820
Waste heat power generation	—	—	102,858	125,958	—	—	29,780	6,658
Services and repairs	—	—	12,548	18,603	—	—	93	513
Total of all segments	109,217	100,515	414,808	427,470	15,413	34,314	84,564	40,482
Unallocated	63,440	147,471	402,167	499,669	101,349	131,188	278,172	413,653
Consolidated	172,657	247,986	816,975	927,139	116,762	165,502	362,736	454,135

Reportable segment assets include amounts due from customers for contract work, trade receivables, deposits paid for construction of infrastructure in service concession arrangement and intangible assets.

Reportable segment liabilities include amounts due to customers for contract work and certain trade and other payables.

No segment information is presented for capital expenditure, depreciation, amortisation and non-cash expense as non-current assets are generally used for all reportable segments and segmental analysis is not practicable.

Geographical information

The Group's revenue is mostly derived from three principal geographical areas—the PRC and UK, which are the domicile countries of the Group and the foreign countries in Europe and North and South America. The following table provides an analysis of the Group's revenue by geographical market:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The PRC	176,495	165,090	288,936	87,322	186,180
The UK(note)	13,322	66,660	16,783	14,787	18,900
Europe, excluding the UK	—	—	56,946	—	37,173
Japan	—	—	7,984	—	5,348
North and South America	—	—	59,598	—	21,281
Rest of Asia	—	—	383	—	315
Others	—	—	443	—	196
	189,817	231,750	431,073	102,109	269,393

Note: The UK became the domicile country of the Group upon the acquisition of the Mega Smart Group on July 22, 2008.

The majority of the non-current assets (other than deferred tax assets) are located in the Group entities' countries of domicile (i.e. the PRC and UK).

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A in the economisers, waste heat recovery products and boiler components segments	130,237	99,502	95,832	65,593	34,505
Customer B in the economisers, waste heat recovery products and boiler components segments	—	66,660	—	14,787	—
Customer C in the economisers and boiler components segments	—	37,282	—	—	—
Customer D in the economisers and boiler components segments	—	—	52,852	—	—
Customer E in the economisers, waste heat recovery products and boiler components segments	—	—	—	—	65,966

8. REVENUE

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from construction contracts	189,817	231,750	341,661	102,109	214,288
Revenue from construction under service concession arrangements	—	—	80,674	—	38,234
Repair and maintenance	—	—	8,738	—	16,871
	189,817	231,750	431,073	102,109	269,393

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on bank deposits	230	441	499	105	265
Imputed interest income on retention money receivables	1,157	1,562	1,403	756	530
Net foreign exchange losses	(125)	(800)	(2,173)	(1,112)	(37)
Subsidy income(note)	—	—	2,619	—	—
Fair value change for forward foreign exchange contracts	—	—	229	—	(551)
Income from cancellation of contracts	—	—	—	—	7,294
Others	(99)	(498)	1,682	(6)	112
	1,163	705	4,259	(257)	7,613

Note: Subsidy income represented incentives granted by the local authorities to one of the Group's subsidiaries located in the PRC. There are no unfulfilled conditions and other contingencies attaching to such subsidy income.

10. FINANCE COSTS

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interests on borrowings wholly repayable within five years	1,092	2,289	4,487	891	4,189
Less: Amounts capitalised	—	—	(2,548)	—	(3,416)
	1,092	2,289	1,939	891	773

Finance costs capitalised during 2008 and the five months ended May 31, 2009 arose on general borrowings and are capitalised by applying a capitalisation of rate of 6.45% and 5.79% per annum to expenditure on qualifying assets.

11. TAXATION

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
PRC enterprise income tax ("EIT")	5,570	5,003	5,799	3,061	7,414
UK corporation tax	—	—	4,246	—	763
	5,570	5,003	10,045	3,061	8,177
Deferred tax charge (credit):					
Current year (Note 32)	—	—	1,939	—	88
	5,570	5,003	11,984	3,061	8,265

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

GTE, Silver Park, GTBVI, Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI, ESBVI, NBBVI, GOBVI and GSBVI were incorporated in the BVI and are not subject to any income tax.

GTHK, GMHK, GPHK, Baicheng HK, Pingxiang HK and GNE (HK) were incorporated in Hong Kong and have had no assessable profits subject to Hong Kong profits tax since their incorporation.

Greens UK, E Green & Son, Senior Green, TEI Greens and Greens Economisers were incorporated in the UK and are subject to UK corporation tax at a statutory tax rate of 30% for the years ended December 31, 2006 and 2007, 28.5% for the year ended December 31, 2008 and 28% for the five months ended May 31, 2009.

PRC EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

SGTE, being a Foreign Investment Enterprise registered in Fengxian District, Shanghai, the PRC, is entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. SGTE was entitled to and enjoyed the first exemption year in 2004 and a 50% tax relief for the three years ended December 31, 2008. SGTE's statutory tax rate for the two years ended December 31, 2007 was 27%.

On 16 March 2007, the PRC promulgated the Law of the PRC on EIT (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law, which have changed the income tax rate to 25% for all the PRC enterprises from 1 January 2008.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax concessions SGTE, SGME and GPEL have been entitled to are still applicable until the end of the five-year transitional period under the New Tax Law. Therefore, the applicable income tax rates of SGTE for the year ended December 31, 2008 and the five months ended May 31, 2009 were 12.5% and 25% respectively.

SGME, being a Foreign Investment Enterprise registered in Pudong New Area, Shanghai, the PRC, is entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. SGME was entitled to and enjoyed its first exemption year in 2005 and a 50% tax relief for the two years ended December 31, 2008 and the five months ended May 31, 2009. Therefore, the applicable income tax rate of SGME for the year ended December 31, 2008 and the five months ended May 31, 2009 was 12.5%.

GPEL, being a Foreign Investment Enterprise registered in Jingjiang Economic Development Zone, Jiangsu, the PRC, is entitled to an exemption from EIT for two years starting from its first profit-making year, followed by a 50% tax relief for the following three years. GPEL's first profit making year was 2007 and it was entitled to and enjoyed tax exemption in 2007 and 2008 and a 50% tax relief for the five months ended May 31, 2009. Therefore, the applicable income tax rates of GPEL for the year ended December 31, 2008 and the five months ended May 31, 2009 were nil and 12.5% respectively.

Under the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to interests and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to offshore group entities shall be subject to the withholding income tax at 10% or a lower treaty rate. Under the relevant tax treaty, the withholding income tax rate on distributions to Hong Kong resident companies is 5%. Withholding income tax has been provided for the profits amounting to RMB 26,704,000 and RMB 9,400,000 derived from PRC entities for the year ended December 31, 2008 and the five months ended May 31, 2009 respectively in accordance with the dividend amount the directors anticipate to distribute for such profits from its PRC subsidiaries in the foreseeable future.

The tax charge for the year/period can be reconciled to the profit before tax as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	41,167	36,592	72,039	21,151	45,332
Tax at the PRC income tax rate (2006 and 2007: 27%, 2008 and 2009: 25%)	11,115	9,880	18,010	5,288	11,333
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	—	—	480	—	(1)
Effect of tax exemption and concessionary rates	(5,557)	(4,940)	(10,125)	(3,061)	(6,231)
Tax effect of expenses not deductible for tax purpose	12	63	2,448	834	2,899
Deferred tax charged at different income tax rates	—	—	(818)	—	(205)
Withholding tax on PRC sourced profit	—	—	1,989	—	470
	5,570	5,003	11,984	3,061	8,265

The applicable income tax rate of 25% adopted is the unified statutory rate of the PRC subsidiaries effective from 1 January 2008, while the applicable income tax rate adopted for the year ended 31 December 2006 and 2007 was the domestic rate of SGTE which was the sole operating entity of the Group for the respective period.

12. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories as expenses	118,011	165,036	288,294	67,672	179,164
Depreciation of property, plant and equipment	2,042	2,285	5,074	1,033	4,835
Amortisation of intangible assets (included in administrative expenses)	3	2	1,368	1	1,755
Loss on disposal of property, plant and equipment	34	21	25	—	—
Release of prepaid lease payments	—	—	222	—	219
Allowance for bad and doubtful debts	—	—	1,748	—	1,946
Auditors' remuneration	12	15	243	—	101
Employee benefits expenses (including directors):					
Salaries and other benefits	7,219	7,414	30,288	3,800	21,362
Retirement benefit scheme contributions	502	598	1,884	255	1,272
	7,721	8,012	32,172	4,055	22,634

13. DIRECTORS' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the Relevant Period are as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' emoluments:					
—salaries and other benefits	190	452	1,735	95	1,441
—retirement benefit schemes contributions	16	17	50	3	53
	206	469	1,785	98	1,494

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Frank ELLIS	—	—	746	—	684
XIE Zhiqing	206	469	510	98	405
CHEN Tianyi	—	—	529	—	405
ZHU Keming	—	—	—	—	—
	206	469	1,785	98	1,494

Mr. Frank ELLIS, both a director and the single largest shareholder of SGTE, did not charge SGTE for any director's emoluments in 2006 and 2007. Ms. CHEN Tianyi did not charge SGTE for any emoluments in 2006 and 2007 per her agreement with SGTE. Mr. Frank ELLIS and Ms. CHEN Tianyi received directors' emoluments from the Mega Smart Group in 2006 and 2007.

14. EMPLOYEES’ EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the Relevant Period, one, one, three, one and three during the years ended December 31, 2006, 2007 and 2008 and May 31, 2008 and 2009 respectively were directors of the Company whose emoluments are included in the disclosure in Note 13 above. The emoluments of the remaining four, four, two, four and two individuals during the years ended December 31, 2006, 2007 and 2008 and May 31, 2008 and 2009 respectively were as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and other benefits	427	501	1,027	208	690
Retirement benefit schemes contributions	36	49	13	16	37
	463	550	1,040	224	727

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Period.

The emoluments of the five highest paid individuals during the Relevant Period were below HKD1,000,000.

15. DIVIDENDS

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Dividends recognised as distributions during the year/ period	40,027	5,000	—	—	20,800

The dividends recognised in the years ended December 31, 2006 and 2007 represented dividends declared/ paid by SGTE to its then shareholders prior to the Group Reorganisation. The Company declared and paid a dividend of RMB 1.040 per share, or RMB 20,800,000 in total, in May 2009.

16. EARNINGS PER SHARE—BASIC

The calculation of basic earnings per share is based on the profit attributable to the owner of the Company for each of the years/period in the Relevant Period and the weighted average number of 675,000,000, 675,000,000, 769,057,377 of ordinary shares in issue for the three years ended December 31, 2008 and 675,000,000 and 900,000,000 ordinary shares in issue for the five months ended May 31, 2008 and 2009. The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Relevant Period has been retrospectively adjusted for the capitalisation issue on the assumption that the Group Reorganisation had been effective on January 1, 2006.

No diluted earnings per share are presented for the Relevant Period as there were no potential dilutive ordinary shares in issue.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Buildings	Machinery	Computers and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2006	—	—	12,516	161	436	501	13,614
Additions	—	—	5,683	50	7	—	5,740
Transfer	—	—	501	—	—	(501)	—
Disposals	—	—	(69)	(8)	(174)	—	(251)
At December 31, 2006	—	—	18,631	203	269	—	19,103
Additions	—	—	1,863	33	398	1,680	3,974
Disposals	—	—	(10)	—	(262)	—	(272)
At December 31, 2007	—	—	20,484	236	405	1,680	22,805
Acquired on acquisition of the Mega Smart Group (Note 33)	373	5,328	14,846	1,530	777	62,258	85,112
Additions	6	46	12,100	1,213	676	24,985	39,026
Transfer	—	19,349	18,505	—	—	(37,854)	—
Disposals	—	—	(54)	—	—	(3)	(57)
Exchange adjustments	(99)	—	(84)	(267)	(32)	—	(482)
At December 31, 2008	280	24,723	65,797	2,712	1,826	51,066	146,404
Additions	—	—	2,733	223	—	62,180	65,136
Transfer	—	619	6,093	—	—	(6,712)	—
Disposals	—	—	—	—	—	—	—
Exchange adjustments	28		23	85	8		144
At May 31, 2009	308	25,342	74,646	3,020	1,834	106,534	211,684
DEPRECIATION							
At January 1, 2006	—	—	957	29	92	—	1,078
Provided for the year	—	—	1,933	33	76	—	2,042
Eliminated on disposal	—	—	(28)	(3)	(96)	—	(127)
At December 31, 2006	—	—	2,862	59	72	—	2,993
Provided for the year	—	—	2,196	39	50	—	2,285
Eliminated on disposal	—	—	(5)	—	(101)	—	(106)
At December 31, 2007	—	—	5,053	98	21	—	5,172
Provided for the year	31	322	4,249	282	190	—	5,074
Eliminated on disposal	—	—	(32)	—	—	—	(32)
At December 31, 2008	31	322	9,270	380	211	—	10,214
Provided for the period	34	550	3,770	316	165	—	4,835
Eliminated on disposal	—	—	—	—	—	—	—
Exchange adjustments	3	—	3	16	4	—	26
At May 31, 2009	68	872	13,043	712	380	—	15,075
CARRYING AMOUNT							
At December 31, 2006	—	—	15,769	144	197	—	16,110
At December 31, 2007	—	—	15,431	138	384	1,680	17,633
At December 31, 2008	249	24,401	56,527	2,332	1,615	51,066	136,190
At May 31, 2009	240	24,470	61,603	2,308	1,454	106,534	196,609

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of 5 years and the lease term
Buildings	4.5%
Machinery	9%-18%
Computers and office equipment	18%
Motor vehicles	18%

18. INTANGIBLE ASSETS

	Software	Trade name	Customer relationships	Technology	Service concession arrangement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2006	6	—	—	—	—	6
Additions	6	—	—	—	—	6
At December 31, 2006	12	—	—	—	—	12
At December 31, 2007	12	—	—	—	—	12
Acquired on acquisition of the Mega Smart Group (Note 33)	—	18,124	28,903	14,493	4,550	66,070
Additions	—	—	—	—	80,674	80,674
Exchange adjustments	—	—	—	(191)	—	(191)
At December 31, 2008	12	18,124	28,903	14,302	85,224	146,565
Additions	—	—	—	—	38,234	38,234
Exchange adjustments	—	—	—	51	—	51
At May 31, 2009	12	18,124	28,903	14,353	123,458	184,850
AMORTISATION						
At January 1, 2006	—	—	—	—	—	—
Charge for the year	3	—	—	—	—	3
At December 31, 2006	3	—	—	—	—	3
Charge for the year	2	—	—	—	—	2
At December 31, 2007	5	—	—	—	—	5
Charge for the year	2	377	602	387	—	1,368
At December 31, 2008	7	377	602	387	—	1,373
Charge for the period	2	382	976	395	—	1,755
Exchange adjustments	—	—	—	9	—	9
At May 31, 2009	9	759	1,578	791	—	3,137
CARRYING VALUES						
At December 31, 2006	9	—	—	—	—	9
At December 31, 2007	7	—	—	—	—	7
At December 31, 2008	5	17,747	28,301	13,915	85,224	145,192
At May 31, 2009	3	17,365	27,325	13,562	123,458	181,713

The above intangible assets have definite useful lives. Such intangible assets other than service concession arrangement are amortised on a straight-line basis at the following rates per annum:

Software	20%
Trade name	5%-10%
Customer relationships	7%-14%
Technology	5%

Technology primarily consists of know-how, manufacturing techniques and other proprietary technologies that are not patented.

Prior to the acquisition of Mega Smart by the Group (see Note 33), one of the Mega Smart Group entities entered into a cooperation agreement with Xinjiang International Coking Company Limited ("Xinjiang Coke") in Xinjiang Autonomous Region, pursuant to which, Xinjiang Coke granted the Waste Heat Power Generation Project of Xinjiang Baicheng International Coking to the entity.

Pursuant to the cooperation agreement, the entity is responsible for the construction of the infrastructure and equipment of the power station for the project. The entity will operate the power station and sell electricity generated from the waste heat to State Grid Corporation of China for public use for six consecutive years after the construction completed, i.e. until January 31, 2015. The entity will not hold any residual interest in the infrastructure and equipment upon termination of the operating period. As such, the arrangement under the cooperation agreement is accounted for as a service concession arrangement and the right to operate the power station is regarded as an intangible asset. Amortisation of the intangible asset will be provided for over the operation period on a straight-line basis when the power station commences its operation.

As at May 31, 2009, the construction was still in progress. Approximately RMB 80,674,000 and RMB 38,234,000 of construction revenue and approximately RMB 5,606,000 and RMB 3,595,000 construction profit has been recognised for the period from the date of acquisition to December 31, 2008 and the five months ended May 31, 2009 respectively by reference to the stage of completion of the construction work, which is recorded as cost of the intangible asset.

19. PREPAID LEASE PAYMENTS

	Year ended December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
The Group's prepaid lease payments comprise:				
Leasehold land in the PRC:				
Medium-term lease	1,000	1,000	36,782	36,813
Analysed for reporting purposes as:				
Current asset	—	—	527	668
Non-current asset	1,000	1,000	36,255	36,145
	1,000	1,000	36,782	36,813

20. INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Unlisted equity investments, at cost	192,396	192,396

21. INVENTORIES

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At May 31, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	13,626	6,926	49,590	60,220

22. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At May 31, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised losses	189,817	231,750	341,661	214,288
Less: progress billings	196,593	258,897	367,152	215,828
	(6,776)	(27,147)	(25,491)	(1,540)
Analysed for reporting purposes as:				
Amounts due from customers for contract work	8,637	7,167	29,293	32,284
Amounts due to customers for contract work	15,413	34,314	54,784	33,824
	(6,776)	(27,147)	(25,491)	(1,540)

As at December 2006, 2007 and 2008 and May 31, 2009, retentions held by customers for contract work amounted to RMB 28,656,000 RMB 32,405,000 and RMB 34,377,000 and RMB 47,976,000 respectively.

23. TRADE AND OTHER RECEIVABLES

The Group

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At May 31, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	100,580	93,348	284,405	272,922
Less: Allowance for doubtful debts	—	—	1,748	3,694
	100,580	93,348	282,657	269,228
Other receivables	4,396	1,867	10,198	9,939
Deposits	804	416	4,598	6,754
Prepaid expenses	—	—	2,734	5,963
Advances to suppliers	771	14,928	8,436	8,031
	106,551	110,559	308,623	299,915

The Group allows credit period ranging from 30 to 90 days to its trade customers. Moreover, the Group also allows its trade customers to withhold payment of about 5% to 10% of the total contract price (the retention money) until the expiration of a period from one year to three years from the date its products are installed and put into use.

The aging of trade receivables, excluding retention money receivables and net of allowance for doubtful debts, is as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	41,815	55,690	148,676	144,602
91 to 180 days	13,220	2,349	49,283	41,944
181 days to 1 year	11,826	751	48,737	29,340
1 to 2 years	5,063	2,153	1,584	5,366
	71,924	60,943	248,280	221,252

The aging of retention money receivables, net of allowance for doubtful debts, is as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	7,662	7,081	2,505	15,442
181 days to 1 year	7,438	7,785	10,589	3,567
1 to 2 years	11,196	12,759	12,738	15,010
2 to 3 years	2,360	4,780	4,125	7,637
Over 3 years	—	—	4,420	6,320
	28,656	32,405	34,377	47,976

Included in the Group's trade receivables (excluding retention money receivables) are debtors with a carrying amount of RMB 30,109,000, RMB 5,253,000, RMB 99,604,000 and RMB 76,650,000 as at December 31, 2006, 2007 and 2008 and May 31, 2009 respectively which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in the Group's retention money receivables are debtors with a carrying amount of RMB 2,360,000, RMB 4,780,000, RMB 8,545,000 and RMB 13,957,000 as at December 31, 2006, 2007 and 2008 and May 31, 2009 respectively which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

Movement in the allowance for doubtful debts

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	—	—	—	1,748
Impairment losses recognised on receivables	—	—	1,748	1,946
Balance at end of the year/period	—	—	1,748	3,694

The Company

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Prepaid expenses	863	328

24. AMOUNTS DUE FROM RELATED PARTIES

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trading in nature				
SGME(Note i)	—	2,547	—	—
Greens UK(Note i)	5,216	24,440	—	—
	5,216	26,987	—	—
Non-trading in nature				
SGME(Note i)	890	462	—	—
Shanghai ChangMao Thermal Equipment Co., Ltd.(Note ii)	10,159	5,008	—	—
Greens UK(Note i)	1,108	1,387	—	—
GPEL(Note i)	—	26,904	—	—
	12,157	33,761	—	—
	17,373	60,748	—	—

Notes:

i. These companies were wholly owned by Mr. Frank ELLIS, a substantial shareholder of the Company, prior to the completion of the Group Reorganisation. The non-trading balances represented temporary payments for construction and operating expenses on behalf of the related parties. The balances have been eliminated upon the acquisition of the Mega Smart Group on July 22, 2008.

ii. The company was previously controlled by Ms. CHEN Tianyi, one of the ultimate shareholders of the Company. It was disposed of by Ms. CHEN Tianyi in March 2008. The balance represented payments for a project for business expansion in Minhang District, Shanghai, the PRC, which was eventually aborted . The balance was recovered in full.

The aging analysis of the amounts due from related parties which are trading in nature is as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	5,216	26,987	—	—
91 to 180 days	—	—	—	—
	5,216	26,987	—	—

The Group allows a credit period ranging from 90 to 180 days for the amounts due from related parties of a trade nature. The amounts due from related parties are unsecured, non-interest bearing and to be settled in accordance with the agreed credit term. All these amounts are neither overdue nor impaired and are considered recoverable.

25. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and the Company and short-term deposits with an original maturity of three months or less. Pledged bank deposits represent deposits pledged to secure banking facilities granted to the Group.

The Group

Bank balances and pledged bank deposits of the Group carried market interest rates at 0.72%, 0.81%, 0.72% and 0.36% per annum as at December 31, 2006, 2007 and 2008 and May 31, 2009 respectively.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in				
HK$	—	—	21,703	542
US$	28	218	22,866	43,532
EUR	—	—	1,540	7,919
GBP	—	—	—	5,871

The Company

Bank balances of the Company carried market interest rates at 1.8% and nil per annum as at December 31, 2008 and May 31, 2009.

The Company's bank balances and cash that are denominated in currencies other than the functional currency of the Company are set out below:

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Denominated in		
HK$	1,785	469

26. TRADE AND OTHER PAYABLES

The Group

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	38,220	14,411	121,263	153,454
Bills payable	2,685	10,000	6,950	20,000
Other tax payables	6,213	7,727	4,677	4,263
Other payables for acquisition of property, plant and equipment	—	—	10,196	9,781
Other payables for construction of service concession arrangement	—	—	29,196	5,508
Salary and bonus payables	451	481	2,367	1,701
Accrued expenses	7,479	8,727	4,262	6,298
Social welfare and pensions payable	965	965	965	965
Others	367	32	3,040	6,128
	56,380	42,343	182,916	208,098

Trade and bills payables comprise amounts outstanding for trade purchase. Payment terms with suppliers are mainly on credit within 180 days from the time when the services are rendered by or goods received from suppliers. The aging of trade and bills payables is as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	12,545	2,074	76,932	120,557
91 to 180 days	6,985	13,738	14,010	20,806
181 days to 1 year	20,164	7,862	33,020	21,222
Over 1 year	1,211	737	4,251	10,869
	40,905	24,411	128,213	173,454

The Company

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Other payables	—	3,237

27. AMOUNTS DUE TO RELATED PARTIES

The Group

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trading in nature				
GPEL	—	47,998	—	—
Greens UK	2,506	4,152	—	—
	2,506	52,150	—	—
Non-trading in nature				
Greens UK	15,300	4,959	—	—
GTE	14,700	—	—	—
	30,000	4,959	—	—
	32,506	57,109	—	—

The aging analysis of the amounts due to related parties which are trading in nature is as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	2,506	27,491	—	—
91 to 180 days	—	24,659	—	—
181 days to 1 year	—	—	—	—
Over 1 year	—	—	—	—
	2,506	52,150	—	—

The amounts due to related parties are unsecured, non-interest bearing and to be settled in accordance with an agreed credit term ranging from 90 to 180 days for those trading in nature or payable on demand for those non-trading in nature. The balances have been eliminated upon the acquisition of the Mega Smart Group on July 22, 2008.

The amounts due to related parties which were non-trading in nature as at December 31, 2006 represented dividends declared by SGTE to its then shareholders. The amount due to Greens UK which was non-trading in nature as at December 31, 2007 mainly represented payables for the acquisition of property, plant and equipment.

The Company

	At December 31, 2008	At May 31, 2009
	RMB'000	RMB'000
Non-trading in nature		
Greens UK	4,880	5,241

28. AMOUNTS DUE TO SHAREHOLDERS

The Group

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trading in nature				
CHEN Tianyi	—	—	6,809	6,807
XIE Zhiqing	—	—	8,493	8,490
	—	—	15,302	15,297

The amounts due to shareholders represented dividends declared by SGTE to its then shareholders prior to the Group Reorganisation, which were unsecured, non-interest bearing and repayable on demand.

29. BANK BORROWINGS

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank borrowings	—	—	30,000	—
Unsecured bank borrowings	10,000	30,000	42,000	155,000
	10,000	30,000	72,000	155,000
Unsecured bank overdrafts	—	—	789	—
	10,000	30,000	72,789	155,000
Carrying amount repayable on demand or within 1 year	10,000	30,000	72,789	155,000

The borrowings are all denominated in RMB and carried a fixed interest rate of 6.14%, 6.14%-6.8%, 5.58%-6.90% and 5.58%-6.90% per annum as at December 31, 2006, 2007 and 2008 and May 31, 2009 respectively. The bank overdrafts were denominated in GBP and carried a variable interest rate of 200 basis points over base rate per annum as at December 31, 2008.

As at December 31, 2008, the bank borrowings amounting to RMB 30,000,000 were guaranteed by an independent third party—Jingjiang City Huaxin Guarantee Co., Ltd. (靖江市華信擔保有限公司).

30. SHARE CAPITAL/PAID-IN CAPITAL

	The Company	
	Number of shares	Share capital
		US$'000
Ordinary shares of US$1 each		
Authorised		
At incorporation, December 31, 2008 and May 31, 2009	50,000	50
Issued and fully paid		
At incorporation	1	—
Allotment on April 9, 2008	9,999	10
Allotment on May 28, 2008	5,000	5
Allotment on August 1, 2008	5,000	5
At December 31, 2008 and May 31, 2009	20,000	20
		RMB'000
Shown on the consolidated statement of financial position		136

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on February 27, 2008.

On April 9, 2008, the Company issued and allotted 5,100 and 4,899 shares of par value US$1 each to Mr. Frank ELLIS and GTE, which was one of the then holding companies of the Company prior to the completion of the Group Reorganisation, respectively.

On May 28, 2008, the Company issued and allotted 2,550 and 2,450 shares of par value US$1 each as fully paid to Mr. Frank ELLIS and GTE respectively.

On August 1, 2008, the Company issued and allotted 5,000 shares of par value US$1 each to China Fund Limited for a total subscription price of HK$224,000,000 (equivalent to RMB 196,711,000), which was received in two equal installments in April and August 2008.

All shares issued rank pari passu with other shares in issue in all respects.

For the purpose of the preparation of the consolidated statements of financial position prior to the Group Reorganisation, the balance of paid-in capital at December 31, 2006 and 2007 represented the paid-in capital of SGTE.

31. RESERVES

The Company

The movement in the reserves of the Company was as follows:

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At incorporation	—	—	—
Shares issued	196,677	—	196,677
Loss for the period	—	(6,605)	(6,605)
At December 31, 2008	196,677	(6,605)	190,072
Profit for the period	—	15,351	15,351
Dividends recognised as distribution	(12,054)	(8,746)	(20,800)
At May 31, 2009	184,623	—	184,623

32. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the Relevant Period:

Deferred tax assets:

	Allowance for doubtful debts
	RMB'000
At 31 December 2006 and 2007	—
Credit to the consolidated income statement for the year	341
At 31 December 2008	341
Credit to the consolidated income statement for the period	599
At May 31, 2009	940

Deferred tax liabilities:

	Income from service concession arrangement	Revaluation of intangible assets	Accelerated tax depreciation of property plant and equipment	Withholding tax on PRC sourced profit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006 and 2007	—	—	—	—	—
Acquired on acquisition of the Mega Smart Group (Note 33)	—	15,441	50	1,807	17,298
Charge (credit) to the consolidated income statement for the year	584	(243)	(50)	1,989	2,280
At 31 December 2008	584	15,198	—	3,796	19,578
Charge (credit) to the consolidated income statement for the period	566	(349)	—	470	687
At May 31, 2009	1,150	14,849	—	4,266	20,265

Except for the PRC withholding income tax provided as above, no deferred taxation has been provided for the accumulated profits of approximately RMB 30,573,000 and RMB 65,847,000 as at December 31, 2008 and May 31, 2009 respectively, which were derived from PRC entities since January 1, 2008 as the directors anticipate that no dividends will be distributed from these profits in the foreseeable future.

As at the end of each reporting period, the Group had no other significant unprovided deferred taxation.

33. ACQUISITION OF THE MEGA SMART GROUP

As part of the Group Reorganisation, on July 22, 2008, the Company acquired 100% equity interest in the Mega Smart Group from Mr. Frank ELLIS for a consideration of US$1,300,000 (equivalent to RMB 8,891,000). This acquisition has been accounted for using the purchase method. The discount arising as a result of the acquisition amounting to RMB 129,549,000 was deemed as contribution from the shareholders and credited to special reserve.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Net assets acquired:			
Property, plant and equipment	85,112	—	85,112
Intangible assets	5,267	60,803	66,070
Prepaid lease payments	33,004	—	33,004
Deposits paid for construction of infrastructure in service concession arrangement	15,730	—	15,730
Inventories	46,551	—	46,551
Amounts due from customers for contract work	28,524	—	28,524
Trade and other receivables	82,417	—	82,417
Amounts due from the Group	93,445	—	93,445
Pledged bank deposits	1,262	—	1,262
Cash and bank balances	39,331	—	39,331
Trade and other payables	(92,775)	—	(92,775)
Amounts due to customers for contract work	(19,559)	—	(19,559)
Amounts due to the Group	(178,259)	—	(178,259)
Income tax payable	(14,788)	—	(14,788)
Bank borrowings	(30,000)	—	(30,000)
Bank overdraft	(327)	—	(327)
Deferred tax liabilities	(1,857)	(15,441)	(17,298)
	93,078	45,362	138,440
Discount arising on acquisition			(129,549)
Total consideration, satisfied by cash			8,891
Net cash inflow arising on acquisition:			
Cash consideration paid			(8,891)
Bank balances and cash acquired, net of bank overdraft			39,004
			30,113

The Mega Smart Group contributed RMB 205,352,000 and RMB 34,052,000 to the Group's revenue and profit respectively for the period between the date of acquisition and December 31, 2008.

If the acquisition of the Mega Smart Group had been completed on January 1, 2008, the Group's revenue for the year ended December 31, 2008 would have been RMB 564,394,000 and the Group's profit for the year ended December 31, 2008 would have been RMB 72,524,000.

The pro forma information is for illustrative purposes only and is not necessarily the indicative results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2008, nor is it intended to be a projection of future results.

34. FOREIGN EXCHANGE FORWARD CONTRACTS

As at December 31, 2008, the Group had the following foreign exchange forward contracts to mitigate its foreign currency exposure:

Notional amount	Maturity	Exchange rates
Sell US$869,000	February 1, 2010	US$1:RMB 7.25
Sell US$977,000	March 31, 2010	US$1:RMB 7.27
Sell EUR226,000	March 24, 2009	EUR1:US$1.325332
Sell EUR330,000	March 12, 2009	EUR1:US$1.404542
Sell EUR227,000	February 24, 2009	EUR1:US$1.297881
Sell EUR223,000	February 12, 2009	EUR1:US$1.345297
Sell EUR227,000	January 27, 2009	EUR1:US$1.318968

As at May 31, 2009, the Group had the following foreign exchange forward contracts to mitigate its foreign currency exposure:

Notional amount	Maturity	Exchange rates
Sell US$868,965.52	February 1, 2010	US$1:RMB 7.2500
Sell US$976,616.23	March 31, 2010	US$1:RMB 7.2700
Sell US$2,186,588.92	July 15, 2009	US$1:RMB 6.8600
Sell US$2,184,041.93	September 15, 2009	US$1:RMB 6.8680
Sell US$2,170,767.00	February 16, 2010	US$1:RMB 6.9100
Sell EUR1,350,000.00	September 30, 2009	EUR1:RMB 8.7580
Sell EUR150,000.00	August 4, 2009	EUR1:US$1.3624
Sell EUR100,000.00	July 7, 2009	EUR1:US$1.3369
Sell EUR125,000.00	June 18, 2009	EUR1:US$1.3647
Sell GBP332,603.38	June 9, 2009	GBP1:US$1.5033
Sell US$500,000.00	June 9, 2009	US$1:GBP0.6867

No financial assets or liabilities were recognised in respect of the financial derivatives set out above because the fair value of the foreign exchange forward contracts is insignificant.

35. OPERATING LEASES

The Group as lessee

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Minimum lease payments paid under operating leases in the year/period	5,727	4,935	6,594	1,698	4,180

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,800	5,128	8,011	9,236
In the second to fifth years inclusive	277	2,271	7,454	4,571
Over five years	—	—	454	—
	4,077	7,399	15,919	13,807

Operating lease payments represent rentals payable by the Group for office premises and plants. Leases are negotiated and rentals are fixed for terms ranging from 12 to 108 months.

36. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 17% or 22% of a prescribed amount of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

The Group's full-time employees in the UK are covered by a defined contribution pension scheme provided by Greens UK. Greens UK contributes 5% of the employees' salary for all employees who have joined the pension scheme, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

During the Relevant Period, the total amounts contributed by the Group to the schemes and charged to the consolidated income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes and are as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amount contributed and charged to the consolidated income statements	502	598	1,884	255	1,272

As at December 31, 2006, 2007 and 2008 and May 31, 2009, the contributions due in respect of the year/period that had not been paid over to the schemes are Nil, RMB 10,000, RMB 42,000 and RMB 65,000 respectively.

37. RELATED PARTY TRANSACTIONS

Save for those disclosed in Notes 24, 27, 28 and 33, during the Relevant Period, the Group had the following related party transactions:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase of property, plant and equipment					
—Greens UK	4,308	3,053	—	—	—
Purchase of materials and semi-finished products					
—Greens UK	599	2,889	231	—	—
—GPEL	—	108,667	28,471	18,604	—
	599	111,556	28,702	18,604	—
Supply of products and construction services					
—Greens UK	13,322	66,660	24,540	14,787	—
—SGME	—	2,178	1,570	—	—
—GPEL	—	—	14,165	7,341	—
	13,322	68,838	40,275	22,128	—

In the opinion of the Directors, the transactions above were carried out in the Group's ordinary and usual course of business and in accordance with the terms agreed with the counterparties.

Related party transactions during the year ended December 31, 2008 as disclosed above relate to those carried out prior to the acquisition of the Mega Smart Group by the Company on July 22, 2008.

The remunerations of members of key management during the Relevant Period were as follows:

	Year ended December 31,			Five months ended May 31,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other benefits	382	672	3,612	435	3,762
Retirement benefits schemes contributions	29	35	116	12	174
	411	707	3,728	447	3,936

38. CAPITAL COMMITMENTS

	At December 31,			At May 31,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	604	—	32,456	4,483
Capital expenditure in respect of the acquisition of land use right	16,375	16,375	13,375	13,375

II. DIRECTORS' REMUNERATIONS

Saved as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Relevant Period.

Under the arrangement currently in force, the aggregate amount of the directors' fees and emoluments for the year ending December 31, 2009 is estimated to be approximately RMB 3,500,000.

III. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) Pursuant to a supplementary agreement entered into between Xinjiang Coke and the Group on June 8, 2009, both parties agreed to extend the operating period of the Xinjiang Baicheng waste heat power generation project by six months to July 31, 2015. The directors of the Company do not expect this extension to have any significant financial impact on the financial statements of the Group.

(ii) On October 10, 2009, the Company declared a special dividend of RMB 135 million to its shareholders.

(iii) Pursuant to the written resolutions of the Company's shareholders passed on October 19, 2009:

(a) each issued and unissued share of par value of US$1 in the share capital of the Company was sub-divided into 100 shares of par value of US$0.01 each;

(b) the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$24,000,000 divided into 2,400,000,000 shares of US$0.01 each; and

(c) 898,000,000 shares were issued upon capitalisation of an amount of US$8,980,000 standing to the credit of the share premium account of the Company.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to May 31, 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong