

APPENDIX IB

ACCOUNTANTS’ REPORT

2009

The Directors
Mega Smart Investments Limited

Dear Sirs,

We set out below our report on the pre-acquisition financial information (the “Pre-acquisition Financial Information”) relating to Mega Smart Investments Limited (“Mega Smart”) and its subsidiaries (hereinafter collectively referred to as the “Mega Smart Group”) for the two years ended December 31, 2007 and the period from January 1, 2008 to July 22, 2008 (the “Relevant Period”).

Mega Smart was incorporated in the British Virgin Islands (the “BVI”) as a limited liability company on March 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”), Mega Smart became the holding company of the Mega Smart Group on June 6, 2008. On July 22, 2008, the Mega Smart Group was acquired by the Company and became a subsidiary of the Company from then on.

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As at the date of this report, Mega Smart had the following group entities:

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Mega Smart Group as at						Principal activities		
			December 31, 2006		December 31, 2007		July 22, 2008				
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %			
(i) Subsidiaries											
Greens Marine Engineering (BVI) Limited ("GMBVT")	The BVI April 9, 2008	US\$ 50,000	N/A	N/A	N/A	N/A	100	—	100	—	Investment holding
Greens Power Equipment (BVI) Limited ("GPBVT")	The BVI April 9, 2008	US\$ 50,000	N/A	N/A	N/A	N/A	100	—	100	—	Investment holding
Greens Energy Environmental Holdings Company Limited ("GEBVT")	The BVI May 14, 2008	US\$ 1,000	N/A	N/A	N/A	N/A	100	—	100	—	Investment holding
Port Rich International Limited ("PRBVT")	The BVI April 29, 2008	US\$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Eagle Speed International Limited ("ESBVT") (Note)	The BVI July 3, 2007	US\$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Nice Bright Limited ("NBBVT")	The BVI April 15, 2009	US\$ 1,000	N/A	N/A	N/A	N/A	N/A	N/A	—	100	Investment holding
Greens Marine Engineering (HK) Limited ("GMHK")	Hong Kong April 17, 2008	HK\$ 1	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Greens Power Equipment (HK) Limited ("GPHK")	Hong Kong April 17, 2008	HK\$ 1	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Greens Energy Environmental (Baicheng) Limited ("Baicheng HK")	Hong Kong May 21, 2008	HK\$ 1,000	N/A	N/A	N/A	N/A	—	100	—	100	Investment holding
Greens Energy Environmental (Pingxiang) Limited ("Pingxiang HK")	Hong Kong May 21, 2008	HK\$ 1,000	N/A	N/A	N/A	N/A	—	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	Investment holding

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Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Mega Smart Group as at						Date of this report		Principal activities	
			December 31, 2006		December 31, 2007		July 22, 2008		Direct %	Indirect %		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %				
上海格林船務工程有限公司 Shanghai Greens Marine Engineering Limited ("SGME")	The People's Republic of China (the "PRC") October 30, 2003	US\$ 140,000	—	100	—	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")	The PRC January 17, 2007	US\$ 30,000,000	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	Waste heat power generation	
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	—	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	—	60	Manufacture and supply of wind turbine towers	
Greens Power Limited (formerly known as TEI Greens Overseas Ltd.) ("Greens UK")	The United Kingdom (the "UK") December 13, 2004	GBP 491,001	—	100	—	100	—	100	—	100	International sales, engineering design and provision of after-sales services	
E Green & Son Limited ("E Green & Son")	The UK March 7, 2006	GBP 1,000	—	100	—	100	—	100	—	100	Dormant	
Senior Green Limited ("Senior Green")	The UK March 7, 2006	GBP 1,000	—	100	—	100	—	100	—	100	Dormant	
TEI Greens Limited ("TEI Greens")	The UK March 7, 2006	GBP 1,000	—	100	—	100	—	100	—	100	Dormant	
Greens Economisers Limited ("Greens Economisers")	The UK March 7, 2006	GBP 1,000	—	100	—	100	—	100	—	100	Dormant	
(ii) Jointly controlled entity												
上海格林熱能設備有限公司 Shanghai Greens Thermal Equipment Ltd. ("SGTE")	The PRC April 30, 2003	US\$ 1,800,000	—	51%	—	51%	—	—	—	—	Manufacture and supply of economisers, waste heat recovery products and boiler components	

Note: GEBVI acquired 100% equity interest in ESBVI on May 14, 2008.

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

No audited financial statements for the Relevant Period have been prepared for Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI and ESBVI since their incorporation as there is no statutory audit requirement in the BVI. No audited financial statements for the Relevant Period have been prepared for GMHK, GPHK, Baicheng HK and Pingxiang HK as they have been incorporated for less than one year. No audited financial statements for the Relevant Period 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 Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI, ESBVI, GMHK, GPHK, Baicheng HK and Pingxiang HK 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 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. They were audited by the following certified public accountants registered in the PRC and UK, as appropriate:

<u>Name of subsidiary</u>	<u>Financial year/period</u>	<u>Name of auditor</u>
SGME	Years ended December 31, 2006 and 2007	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	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	Year ended December 31, 2006 and 2007	Walker & Sutcliffe

For the purpose of this report, the directors of Mega Smart have prepared the consolidated financial statements of the Mega Smart 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The Pre-acquisition Financial Information of the Mega Smart 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 Pre-acquisition Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Pre-acquisition Financial Information.

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

In our opinion, on the basis of presentation set out in Note 2 to the Pre-acquisition Financial Information, the Pre-acquisition Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Mega Smart Group as of December 31, 2006 and 2007 and July 22, 2008 and of the consolidated results and consolidated cash flows of the Mega Smart 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 Mega Smart Group for the period from January 1, 2007 to July 22, 2007 together with the notes thereon have been extracted from the Mega Smart

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Group’s unaudited combined financial information for the same period (the “July 22, 2007 Financial Information”) which was prepared by the directors of Mega Smart solely for the purpose of this report. We have reviewed the July 22, 2007 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 enquiries of group management and applying analytical procedures to the July 22, 2007 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 July 22, 2007 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 July 22, 2007 Financial Information.

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I. PRE-ACQUISITION FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended December 31,		Period from January 1 to July 22,	
		2006	2007	2007	2008
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	8	112,132	331,899	126,847	202,298
Cost of sales/services		(76,961)	(247,375)	(100,566)	(159,661)
Gross profit		35,171	84,524	26,281	42,637
Selling and distribution expenses		(4,238)	(4,956)	(2,766)	(4,158)
Administrative expenses		(24,254)	(33,934)	(18,095)	(25,858)
Other income and other gains and losses	9	844	449	709	14,312
Finance costs	10	(198)	(498)	(260)	(246)
Share of profit of a jointly controlled entity		18,154	16,110	10,248	14,531
Profit before tax		25,479	61,695	16,117	41,218
Taxation	11	(1,852)	(3,457)	(314)	(13,466)
Profit for the year/period		23,627	58,238	15,803	27,752
Attributable to owners of Mega Smart		23,627	58,238	15,803	27,752

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		Period from	
	2006	2007	2007	2008
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Profit for the year/period	23,627	58,238	15,803	27,752
Other comprehensive income:				
Exchange differences arising on translation to presentation currency	527	245	(990)	476
Total comprehensive income for the year/period	24,154	58,483	14,813	28,228
Attributable to owners of Mega Smart	24,154	58,483	14,813	28,228

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		The Mega Smart Group		
		At December 31,	At July 22,	
		2006	2007	2008
	NOTES	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	16	2,475	25,491	85,112
Intangible assets	17	1,455	970	5,267
Prepaid lease payments	18	—	11,980	32,477
Interest in a jointly controlled entity	19	30,612	44,172	—
Available-for-sale investment	20	1,862	1,862	—
Deposits paid for construction of infrastructure in service concession arrangement		—	—	15,730
Total non-current assets		36,404	84,475	138,586
Current assets				
Inventories	21	4,157	23,353	46,551
Amounts due from customers for contract work	22	750	10,663	28,524
Trade and other receivables	23	30,110	82,884	82,417
Prepaid lease payments	18	—	—	527
Amounts due from related parties	24	17,806	57,109	93,445
Pledged bank deposits	25	—	—	1,262
Cash and bank balances	25	3,024	7,564	39,331
Total current assets		55,847	181,573	292,057
Current liabilities				
Trade and other payables	26	17,666	47,925	92,775
Amounts due to customers for contract work	22	2,347	12,835	19,559
Amounts due to related parties	27	7,214	72,889	178,259
Amounts due to shareholders		—	724	—
Income tax payable		1,596	4,313	14,788
Bank borrowings	28	—	10,000	30,000
Bank overdrafts	28	3,756	875	327
Total current liabilities		32,579	149,561	335,708
Net current assets (liabilities)		23,268	32,012	(43,651)
Total assets less total current liabilities		59,672	116,487	94,935
Non-current liabilities				
Deferred tax liabilities	29	199	53	1,857
Total non-current liabilities		199	53	1,857
		59,473	116,434	93,078
Capital and reserves				
Share capital/ paid-in capital	30	7,786	7,786	7
Reserves		51,687	108,648	93,071
Total equity attributable to owners of Mega Smart		59,473	116,434	93,078

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Mega Smart					Total RMB'000
	Share capital/ paid-in capital	Other reserve	Special reserve	Translation reserve	Retained profits	
	RMB'000	RMB'000 (Note ii)	RMB'000 (Note i)	RMB'000	RMB'000	
Balance at January 1, 2006	7,786	—	—	(142)	28,435	36,079
Exchange differences arising on translation to the presentation currency	—	—	—	527	—	527
Profit for the year	—	—	—	—	23,627	23,627
Total comprehensive income for the year	—	—	—	527	23,627	24,154
Dividends recognised as distribution (Note 15)	—	—	—	—	(760)	(760)
Balance at December 31, 2006	7,786	—	—	385	51,302	59,473
Exchange differences arising on translation to the presentation currency	—	—	—	245	—	245
Profit for the year	—	—	—	—	58,238	58,238
Total comprehensive income for the year	—	—	—	245	58,238	58,483
Dividends recognised as distribution (Note 15)	—	—	—	—	(1,522)	(1,522)
Balance at December 31, 2007	7,786	—	—	630	108,018	116,434
Exchange differences arising on translation to the presentation currency	—	—	—	476	—	476
Profit for the period	—	—	—	—	27,752	27,752
Total comprehensive income for the period	—	—	—	476	27,752	28,228
Deemed distribution on disposal of interest in a jointly controlled entity (Note i) ...	—	—	(51,584)	—	—	(51,584)
Creation of merger reserve on the Group Reorganisation (Note ii)	(7,779)	7,779	—	—	—	—
Balance at July 22, 2008	7	7,779	(51,584)	1,106	135,770	93,078
(Unaudited)						
Balance at January 1, 2007	7,786	—	—	385	51,302	59,473
Exchange differences arising on translation to the presentation currency	—	—	—	(990)	—	(990)
Profit for the period	—	—	—	—	15,803	15,803
Total comprehensive income for the period	—	—	—	(990)	15,803	14,813
Balance at July 22, 2007	7,786	—	—	(605)	67,105	74,286

Notes:

- (i) Special reserve represents the loss on the disposal of the interest in SGTE to the Company as part of the Group Reorganisation, which is regarded as a deemed distribution to the shareholder of Mega Smart, Mr. Frank ELLIS, who holds significant interests in the Company.
- (ii) Other reserve represents the difference between the nominal amount of the shares issued by Mega Smart and the share capital of Greens UK acquired pursuant to the Mega Smart Restructuring.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Period from	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before tax	25,479	61,695	16,117	41,218
Adjustments for:				
Finance costs	198	498	260	246
Interest income	(18)	(116)	(60)	(76)
Share of profit of a jointly controlled entity	(18,154)	(16,110)	(10,248)	(14,531)
Loss on disposal of available-for-sale investment	—	—	—	1,862
Loss on disposal of property, plant and equipment	8	11	—	44
Amortisation of intangible assets	365	365	213	194
Release of prepaid lease payments	—	—	—	129
Depreciation of property, plant and equipment	697	1,699	771	1,919
Subsidy income	—	—	—	(15,320)
Operating cash flows before movements in working capital	8,575	48,042	7,053	15,685
Decrease (increase) in inventories	1,391	(19,196)	(17,450)	(23,198)
(Increase) decrease in trade and other receivables	(20,523)	(52,774)	(15,053)	467
Decrease (increase) in amounts due from related parties	4,037	(49,644)	(23,379)	(31,379)
Increase (decrease) in trade and other payables	(3,307)	26,772	34,681	38,605
Increase in amounts due to related parties	738	21,771	16,593	10,310
Increase (decrease) in amounts due from customers for contract work	5,802	(9,913)	(12,481)	(17,861)
Increase in amounts due to customers for contract work	864	10,488	4,916	6,724
Cash used in operations	(2,423)	(24,454)	(5,120)	(647)
Income taxes (paid) refunded	(292)	(886)	40	(506)
NET CASH USED IN OPERATING ACTIVITIES	(2,715)	(25,340)	(5,080)	(1,153)

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CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Year ended December 31,		Period from January 1 to July 22,	
	2006 RMB'000	2007 RMB'000	2007 RMB'000 (unaudited)	2008 RMB'000
INVESTING ACTIVITIES				
Interest received	18	116	60	76
Dividends received from a jointly controlled entity	3,008	17,850	17,850	—
Payments for acquisition of property, plant and equipment	(1,091)	(21,395)	(11,365)	(55,477)
Payments for prepaid lease payments	—	(11,980)	(6,800)	(5,833)
Proceeds on disposal of interest in a jointly controlled entity	—	—	—	6,438
Proceeds on disposal of property, plant and equipment	—	—	—	13
Payments for construction of infrastructure in service concession arrangement	—	—	—	(20,280)
Advance to related companies	—	(4,959)	—	(4,957)
Increase in pledged bank deposits	—	—	—	(1,262)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,935	(20,368)	(255)	(81,282)
FINANCING ACTIVITIES				
Dividends paid	(760)	(1,522)	—	—
New bank borrowings raised	—	10,000	10,000	30,000
Repayment of bank borrowings	—	—	—	(10,000)
(Repayment to) advance from shareholders	(1,247)	724	—	(724)
Advance from related companies	1,998	43,904	15,152	95,060
Interest paid	(198)	(498)	(260)	(246)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(207)	52,608	24,892	114,090
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(987)	6,900	19,557	31,655
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD	121	(732)	(732)	6,689
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	134	521	(680)	660
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	(732)	6,689	18,145	39,004
Represented by:				
Cash and bank balances	3,024	7,564	18,255	39,331
Bank overdrafts	(3,756)	(875)	(110)	(327)
	<u>(732)</u>	<u>6,689</u>	<u>18,145</u>	<u>39,004</u>

Notes to the Pre-acquisition Financial Information

1. GENERAL

Mega Smart was incorporated as a limited liability company in the BVI on March 27, 2008. The registered office of Mega Smart is situated at 2nd Floor, Abbott Building, Road Town, Tortola, the BVI.

The principal activity of Mega Smart is investment holding. The principal activities of the Mega Smart 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 PRE-ACQUISITION FINANCIAL INFORMATION

Mega Smart was established by Mr. Frank ELLIS, who also held 100% interest in Greens UK, SGME and GPEL. As part of the Group Reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"), Mega Smart became the holding company of the entities now comprising the Mega Smart Group on June 6, 2008. ("Mega Smart Restructuring")

On July 22 2008, the Mega Smart Group was acquired by the Company and became a subsidiary of the Company upon the completion of the Group Reorganisation. Details of the Group Reorganisation are set out in the section headed "Business—History and Reorganisation" in the document.

When preparing the Pre-acquisition Financial Information, the Mega Smart Restructuring is regarded as a continuing entity prior to the acquisition by the Company as at July 22, 2008. Accordingly, the Pre-acquisition Financial Information of the Mega Smart Group has been prepared as if Mega Smart had always been the holding company of the Mega Smart Group using the principles of merger accounting. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Mega Smart Group for the Relevant Period have been prepared as if the group structure as at June 6, 2008 had been in existence throughout the Relevant Period, or since the respective dates of incorporation/establishment of the relevant companies comprising the Mega Smart Group as at June 6, 2008 where this is a shorter period. The consolidated statements of financial position of the Mega Smart Group as at December 31, 2006 and 2007 and July 22, 2008 have been prepared to present the assets and liabilities of the companies comprising the Mega Smart Group which were in existence at those dates.

The functional currency of Mega Smart is UK Pound Sterling ("GBP"). The functional currency of the respective Mega Smart Group entities is the currency of the primary economic environment in which the entity operates, i.e. GBP or Renminbi ("RMB"). The Pre-acquisition Financial Information is presented in RMB as the directors consider that presenting financial information in RMB is preferable for the purpose of reporting to its shareholders.

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

For the purpose of preparing and presenting the Pre-acquisition Financial Information for the Relevant Period, the Mega Smart Group has consistently early adopted all International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (hereinafter collectively referred to as "new IFRSs"), 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.

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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 transactions 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 and after July 1, 2009

The Mega Smart Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Pre-acquisition Financial Information. The adoption of IFRS 3 (Revised) may affect the Mega Smart Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. IAS 27 (revised) will affect the Mega Smart Group's accounting treatment for changes in the Mega Smart Group's ownership interest in a subsidiary. The directors of Mega Smart 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 Mega Smart Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Mega Smart Group.

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Mega Smart Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Mega Smart Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Mega Smart Group's net investment in the jointly controlled entity), the Mega Smart Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Mega Smart Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Mega Smart Group, profits or losses are eliminated to the extent of the Mega Smart Group's interest in the jointly controlled entity.

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.

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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 received. 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 that 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 Pre-acquisition Financial Information, the assets and liabilities of the Mega Smart Group's entities are translated into the presentation currency of the Mega Smart Group (i.e. RMB) at

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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 Pre-acquisition 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 Mega Smart 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 Pre-acquisition 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 and interests in jointly controlled entities, except where the Mega Smart 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.

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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.

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 and intangible assets

At the end of each reporting period, the Mega Smart 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 Mega Smart 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

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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 Mega Smart Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 or 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 Mega Smart 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 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, 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (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

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events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 Mega Smart 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

Impairment losses on available-for-sale equity investments carried at cost will not be reversed in subsequent periods.

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 Mega Smart Group after deducting all of its liabilities. The Mega Smart 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

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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 Mega Smart 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 of the Mega Smart Group (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 Mega Smart 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 Mega Smart Group retains substantially all the risks and rewards of ownership of a transferred asset, the Mega Smart 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 Mega Smart Group's accounting policies, which are described in Note 4, management is required to make judgments, 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.

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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 Mega Smart 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 Mega Smart 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 trade receivables

When there is objective evidence of impairment of trade receivables, the Mega Smart 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 and 2007 and July 22, 2008, the carrying amounts of trade receivables were RMB 26,932,000, RMB 75,804,000 and RMB 67,315,000 respectively.

6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk

The Mega Smart Group manages its capital to ensure that entities in the Mega Smart 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 Mega Smart Group's overall strategy remains unchanged during the Relevant Period.

The capital structure of the Mega Smart Group consists of net debt (which includes bank borrowings and amounts due to related parties), cash and cash equivalents and equity attributable to equity holders of Mega Smart, comprising issued share capital, reserves and retained profits.

The management of the Mega Smart Group reviews the capital structure regularly. The Mega Smart 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.

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Categories of financial instruments

	The Mega Smart Group		
	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	48,692	140,956	205,683
Available-for-sale investment	1,862	1,862	—
Financial liabilities			
Amortised cost	26,794	129,438	290,404

Financial risk management objectives and policies

The Mega Smart Group's major financial instruments include trade and other receivables, trade and other payables, amounts due from/ to related parties, amounts due to shareholders, bank borrowings, pledged bank deposits and bank balances and cash. Details of these financial instruments are disclosed in 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 Mega Smart Group's maximum exposure to credit risk which will cause a financial loss to the Mega Smart 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 Mega Smart 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 Mega Smart 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 Mega Smart consider that the Mega Smart 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 Mega Smart Group has concentration of credit risk on trade receivables. For trade receivables, most of the large customers are located in the PRC and Europe. The outstanding balances of the five largest customers represented approximately 43%, 66% and 64% of the trade receivables of the Mega Smart Group as at December 31, 2006 and 2007 and July 22, 2008 respectively. In order to minimise the credit risk, management continuously monitor 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.

The Mega Smart Group also have concentration of credit risk on amounts due from related parties, notwithstanding their credit risk being considered to be low.

Market risk

The Mega Smart Group'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

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no change to the Mega Smart Group’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 Mega Smart Group’s fair value interest rate risk relates primarily to fixed-rate bank borrowings. The Mega Smart Group’s cash flow interest rate risk relates primarily to its variable-rate bank deposits and bank overdrafts. Currently, the Mega Smart Group does not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future.

In the management’s opinion, the Mega Smart Group does not have significant exposure to interest rate risk during the Relevant Period. Therefore, no sensitivity analysis has been presented.

Foreign currency risk management

Certain sales and purchases of the Mega Smart Group are denominated in United States Dollars (“US\$”), Euro (“EUR”) and RMB, which are currencies other than the functional currency of the relevant group entities and expose the Mega Smart Group to foreign currency risk.

The carrying amounts of the Mega Smart Group’s foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	The Mega Smart Group		
	At December 31,		At July 22,
	2006	2007	2008
	RMB’000	RMB’000	RMB’000
Assets			
US\$	7,333	23,304	18,326
EUR	5,197	24,494	25,592
RMB	<u>18,381</u>	<u>3,177</u>	<u>2,353</u>
Liabilities			
US\$	(9,432)	(17,118)	(16,106)
EUR	(346)	(10,122)	(10,109)
RMB	<u>(1,109)</u>	<u>(1,386)</u>	<u>(194)</u>

The Mega Smart 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 32.

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Foreign currency sensitivity analysis

The following table details the Mega Smart Group's sensitivity to a 5% change in RMB and GBP against the relevant foreign currencies. 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 Mega Smart Group		
	Year ended December 31,		Period from January 1, 2008 to July 22,
	2006 RMB'000	2007 RMB'000	2008 RMB'000
If RMB strengthens against US\$			
—Post-tax profit for the year/period will decrease by:	(64)	(156)	(378)
If GBP strengthens against RMB			
—Post-tax profit for the year/period will decrease by:	(864)	(90)	(108)
If GBP strengthens against US\$			
—Post-tax profit for the year/period will increase (decrease) by:	169	(153)	66
If GBP strengthens against EUR			
—Post-tax profit for the year/period will decrease by:	(243)	(264)	(463)

For a 5% weakening of RMB and GBP against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

Liquidity risk

In the management of the liquidity risk, the Mega Smart Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Mega Smart 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.

The Mega Smart Group had net current liabilities amounting to approximately RMB 44 million as at July 22, 2008. The Pre-acquisition Financial Information has been prepared on a going concern basis because the directors believe that the Mega Smart Group has sufficient funds to finance its current working capital requirements, taking into account the financial support from the Company, existing banking facilities and cashflows from operations. Accordingly, the directors believe that the Mega Smart Group's liquidity risk is minimal.

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Liquidity tables

The following tables detail the Mega Smart Group's remaining contractual maturity for its non-derivative financial liabilities as at December 31, 2006 and 2007 and July 22, 2008. 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 Mega Smart 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 Mega Smart Group

At December 31, 2006								
	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
Trade and other payables . . .	—	15,824	—	—	—	—	15,824	15,824
Amounts due to related parties								
	—	7,214	—	—	—	—	7,214	7,214
Bank borrowings	7.00%	3,756	—	—	—	—	3,756	3,756
		26,794	—	—	—	—	26,794	26,794
As at December 31, 2007								
	Weighted Average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
Trade and other payables . . .	—	44,950	—	—	—	—	44,950	44,950
Amounts due to related parties								
	—	72,889	—	—	—	—	72,889	72,889
Amounts due to shareholders								
	—	724	—	—	—	—	724	724
Bank borrowings	7.78%	1,005	10,127	—	—	—	11,132	10,875
		119,568	10,127	—	—	—	129,695	129,438
Derivatives—gross settlement								
Foreign exchange forward contracts								
—inflow		(12,511)	—				(12,511)	(12,511)
—outflow		12,833	—				12,833	12,833
		322	—				322	322

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As at July 22, 2008								
	Weighted Average interest rate	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities								
Trade and other payables ...	—	81,818	—	—	—	—	81,818	81,818
Amounts due to related parties	—	178,259	—	—	—	—	178,259	178,259
Bank borrowings	8.59%	972	31,532	—	—	—	32,504	30,327
		<u>261,049</u>	<u>31,532</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>292,581</u>	<u>290,404</u>
Derivatives—gross settlement								
Foreign exchange forward contracts								
—inflow		(17,405)	—				(17,405)	(17,405)
—outflow		<u>17,457</u>	<u>—</u>				<u>17,457</u>	<u>17,457</u>
		<u>52</u>	<u>—</u>				<u>52</u>	<u>52</u>

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

Fair value

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

The fair value of the Mega Smart 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 Mega Smart consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Pre-acquisition Financial Information approximate their fair values.

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7. SEGMENT INFORMATION

Products and services within each reportable segment

The chief operating decision maker of the Mega Smart Group has been identified as the board of directors. For management purposes, the Mega Smart 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 Mega Smart Group's board of directors make decisions about resource allocation and performance assessment. The principal products and services within each of these reportable 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 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,		Period from		Year ended December 31,		Period from	
	2006	2007	2007	2008	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Economisers	19,416	184,169	68,327	52,270	5,567	55,354	11,982	11,039
Waste heat recovery products	34,879	37,654	16,542	15,650	10,575	6,376	2,283	(708)
Boiler components	—	4,399	—	63,563	—	86	—	20,270
Marine products	18,200	54,068	23,559	19,743	1,499	3,991	2,100	2,665
Services and repairs	39,637	51,609	18,419	46,522	17,530	18,717	9,916	9,371
Waste heat power generation	—	—	—	4,550	—	—	—	—
	<u>112,132</u>	<u>331,899</u>	<u>126,847</u>	<u>202,298</u>	<u>35,171</u>	<u>84,524</u>	<u>26,281</u>	<u>42,637</u>
Share of profit of a jointly controlled entity					18,154	16,110	10,248	14,531
Other unallocated income and gains and losses . . .					844	449	709	14,312
Unallocated expenses					(28,492)	(38,890)	(20,861)	(30,016)
Finance costs					(198)	(498)	(260)	(246)
Profit before tax					25,479	61,695	16,117	41,218
Taxation					(1,852)	(3,457)	(314)	(13,466)
Profit for the year/period					<u>23,627</u>	<u>58,238</u>	<u>15,803</u>	<u>27,752</u>

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

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The accounting policies of the reportable segments are the same as the Mega Smart Group's accounting policies described in Note 4. Segment results represent the results of each reportable segment, excluding share of profit of a jointly controlled entity 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 July 22,	At December 31,		At July 22,
	2006	2007	2008	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Economisers	4,899	41,793	22,406	2,868	2,937	16,805
Waste heat recovery products	8,970	1,768	13,137	—	2,285	5,906
Boiler components	—	13,821	35,343	—	2,977	4,966
Marine products	4,918	5,321	9,767	229	196	184
Services and repairs	8,895	23,764	15,186	—	5,168	314
Waste heat power generation	—	—	20,280	—	—	—
Total of all segments	27,682	86,467	116,119	3,097	13,563	28,175
Unallocated	64,569	179,581	314,524	29,681	136,051	309,390
Consolidated	92,251	266,048	430,643	32,778	149,614	337,565

Reportable segment assets include amounts due from customers for contract work, trade receivables, trading-in-nature amounts due from related parties, 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 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 Mega Smart Group's revenue is mostly derived from three principal geographical areas – the PRC and UK, which are the domicile countries of the Mega Smart Group and the foreign countries in Europe and North and South America. The following table provides an analysis of the Mega Smart Group's revenue by geographical market:

	Year ended December 31,		Period from	
	2006	2007	January 1 to July 22,	2008
	RMB'000	RMB'000	2007	2008
			RMB'000	RMB'000
			(unaudited)	
The PRC	27,014	159,676	55,729	90,846
The UK	4,855	41,296	6,272	46,355
Europe, excluding the UK	24,989	46,176	17,603	17,922
North and South America	38,726	48,331	18,849	27,041
Japan	13,444	34,491	27,013	12,642
Rest of Asia	2,284	1,372	958	7,414
Others	820	557	423	78
	112,132	331,899	126,847	202,298

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

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Information about major customers

Revenue from major customers which accounted for 10% or more of the Mega Smart Group's revenue is as follows:

	Year ended December 31,		Period from January 1 to July 22,	
	2006 RMB'000	2007 RMB'000	2007 RMB'000 (unaudited)	2008 RMB'000
Customer A in the waste heat recovery products segment	<u>20,439</u>	<u>—</u>	<u>—</u>	<u>—</u>
Customer B in the waste heat recovery products segment	<u>16,018</u>	<u>—</u>	<u>—</u>	<u>—</u>
Customer C in the economisers segment	<u>11,991</u>	<u>—</u>	<u>27,310</u>	<u>—</u>
Customer D in the economisers and waste heat recovery products segment	<u>4,907</u>	<u>114,609</u>	<u>19,764</u>	<u>28,702</u>
Customer E in the waste heat recovery products segment	<u>—</u>	<u>36,188</u>	<u>18,014</u>	<u>—</u>
Customer F in the marine products segment	<u>—</u>	<u>—</u>	<u>13,154</u>	<u>—</u>
Customer G in the boiler components segment	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,961</u>
Customer H in the services and repairs segment	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,621</u>

8. REVENUE

	Year ended December 31,		Period from January 1 to July 22,	
	2006 RMB'000	2007 RMB'000	2007 RMB'000 (unaudited)	2008 RMB'000
Revenue from construction contracts	72,495	280,290	108,428	151,226
Revenue from construction under service concession arrangements	—	—	—	4,550
Services and repairs	<u>39,637</u>	<u>51,609</u>	<u>18,419</u>	<u>46,522</u>
	<u>112,132</u>	<u>331,899</u>	<u>126,847</u>	<u>202,298</u>

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9. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on bank deposits	18	116	60	76
Net foreign exchange (losses) gains	(61)	3	274	1,958
Change in fair value of foreign exchange forward contracts	43	337	376	(888)
Loss on disposal of available-for-sale investment	—	—	—	(1,862)
Investment incentive income (note)	—	—	—	15,320
Others	844	(7)	(1)	(292)
	<u>844</u>	<u>449</u>	<u>709</u>	<u>14,312</u>

Note: The investment incentive income represents incentives granted by the local authorities to one of Mega Smart's subsidiaries located in the PRC for investment in a designated district. See also Note 31.

10. FINANCE COSTS

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on borrowings wholly repayable within five years	<u>198</u>	<u>498</u>	<u>260</u>	<u>246</u>

11. TAXATION

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:				
PRC enterprise income tax ("EIT")	—	776	424	—
PRC withholding capital gains tax	—	—	—	12,515
UK corporation tax (credit)	<u>1,754</u>	<u>3,351</u>	<u>414</u>	<u>(1,534)</u>
	<u>1,754</u>	<u>4,127</u>	<u>838</u>	<u>10,981</u>
Over-provision in prior years:				
UK corporation tax	—	(524)	(524)	—
Deferred tax:				
Current year (Note 29)	<u>98</u>	<u>(146)</u>	<u>—</u>	<u>2,485</u>
	<u>1,852</u>	<u>3,457</u>	<u>314</u>	<u>13,466</u>

Mega Smart, GMBVI, GPBVI, GEBVI, PRBVI and ESBVI were incorporated in the BVI and are not subject to any income tax.

GMHK, GPHK, Baicheng HK and Pingxiang 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 were subject to UK corporation tax at a statutory tax rate of 30% for the years ended December 31, 2006 and 2007 and 28.5% for the period from January 1 to July 22, 2008.

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SGME is a Foreign Investment Enterprise registered in Pudong New Area, Shanghai, the PRC and was subject to EIT at a statutory tax rate of 33% for the two years ended December 31, 2007. SGME 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. Therefore, SGME was entitled to and enjoyed the exemption in 2006 as the second exemption year and enjoyed the 50% tax relief in 2007.

GPEL is a Foreign Investment Enterprise registered in Jingjiang Economic Development Zone, Jiangsu, the PRC, and was subject to EIT at a statutory tax rate of 33% for the year ended December 31, 2007. GPEL 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. Therefore, GPEL was entitled to and enjoyed the first exemption year in 2007.

On March 16, 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 December 6, 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 January 1, 2008.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for EIT (Guofa [2007] No. 39), the tax concessions 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 SGME and GPEL for the period from January 1 to July 22, 2008 were 12.5% and nil 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 of RMB 1,807,000 has been provided for the profits amounting to RMB 36,142,000 derived from PRC subsidiaries since January 1, 2008 in accordance with the dividend amounts the directors anticipate to distribute from its PRC subsidiaries in the foreseeable future. Withholding income tax of RMB 681,000 has been provided for the profits amounting to RMB 13,619,000 derived from the PRC jointly controlled entity since January 1, 2008.

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

	Year ended December 31,		Period from January 1 to July 22,	
	2006 RMB'000	2007 RMB'000	2007 RMB'000 (unaudited)	2008 RMB'000
Profit before tax	25,479	61,695	16,117	41,218
Tax at the PRC income tax rate (2006 and 2007: 33%, 2008: 25%)	8,408	20,359	5,319	10,304
Tax effect of share of profit of a jointly controlled entity	(5,991)	(5,316)	(3,382)	(3,633)
Effect of tax concessions	(939)	(13,108)	(1,455)	(7,642)
Tax effect of expenses not deductible for tax purpose	609	2,687	361	—
Tax effect of income not taxable for tax purposes	—	—	—	(343)
Effect of different tax rates of group entities operating in other jurisdictions	(235)	(641)	(5)	(223)
Over-provision in respect of prior years	—	(524)	(524)	—
Withholding tax on capital gains arising from the Group Reorganisation (Note)	—	—	—	12,515
Withholding tax on PRC sourced profits	—	—	—	2,488
	<u>1,852</u>	<u>3,457</u>	<u>314</u>	<u>13,466</u>

Note: As part of the Group Reorganisation, Greens UK transferred (i) its 100% equity interest in SGME to GMHK; (ii) its 51% equity interest in SGTE to Greens Thermal Equipment (HK) Limited ("GTHK"), a subsidiary of the Company; and (iii) its 100% equity interest in GPEL to GPHK at original investment cost before July 22, 2008. Under the New Tax law, Implementation Regulations and the rule entitled "Income Tax Treatment of Enterprise Restructuring" (Caishui [2009] No. 59) (which takes retroactive effect from January 1, 2008), such cross-border equity transfers do not qualify as a special reorganisation. As a result, the capital gains arising from such equity transfers will be subject to tax in the PRC at 10% based on the deemed fair market value less the tax basis of the investment cost of the transferor.

12. PROFIT FOR THE YEAR/PERIOD

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

	Year ended December 31,		Period from January 1 to July 22,	
	2006 RMB'000	2007 RMB'000	2007 RMB'000 (unaudited)	2008 RMB'000
Cost of inventories as expenses	75,051	239,147	96,953	153,376
Depreciation of property, plant and equipment	697	1,699	771	1,919
Amortisation of intangible assets (included in administrative expenses)	365	365	213	194
Loss on disposal of property, plant and equipment	8	11	—	44
Release of prepaid lease payments	—	—	—	129
Auditors' remuneration	164	164	89	170
Employee benefits expenses (including directors):				
Salaries and other benefits	15,273	23,303	11,785	21,107
Retirement benefit scheme contributions	580	894	424	1,031
	<u>15,853</u>	<u>24,197</u>	<u>12,209</u>	<u>22,138</u>

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13. DIRECTORS' EMOLUMENTS

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

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' emoluments:				
—salaries and other benefits	2,573	3,473	2,078	2,805
—retirement benefit schemes contributions	98	115	60	115
	<u>2,671</u>	<u>3,588</u>	<u>2,138</u>	<u>2,920</u>

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Frank ELLIS	1,949	1,993	1,199	1,087
Andrew LYON	588	979	579	563
Gifford BROWN	—	—	—	142
CHEN Tianyi	134	366	214	448
LI Qi	—	—	—	226
XIE Zhiqing	—	250	146	454
	<u>2,671</u>	<u>3,588</u>	<u>2,138</u>	<u>2,920</u>

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Mega Smart Group for the Relevant Period, two, two, two and four during the years ended December 31, 2006 and 2007 and the periods from January 1 to July 22, 2007 and 2008 respectively were directors of Mega Smart whose emoluments are included in the disclosure in Note 13 above. The emoluments of the remaining three, three, three and one individuals during the years ended December 31, 2006 and 2007 and the periods from January 1 to July 22, 2007 and 2008 respectively were as follows:

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	1,738	2,061	1,239	439
Retirement benefit schemes contributions	5	82	50	20
	<u>1,743</u>	<u>2,143</u>	<u>1,289</u>	<u>459</u>

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

Their emoluments were within the following bands:

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	No. of employees	No. of employees	No. of employees	No. of employees
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>1</u>

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15. DIVIDENDS

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends recognised as distributions during the year/period	<u>760</u>	<u>1,522</u>	<u>—</u>	<u>—</u>

The dividends recognised in the years ended December 31, 2006 and 2007 represented dividends declared/paid by Greens UK to its then shareholders prior to the Group Reorganisation. Mega Smart has not declared or paid any dividends since its incorporation.

16. 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	187	—	564	1,207	323	—	2,281
Additions	149	—	422	367	153	—	1,091
Disposals	—	—	—	(8)	—	—	(8)
Exchange adjustments	26	—	31	160	35	—	252
At December 31, 2006	362	—	1,017	1,726	511	—	3,616
Additions	343	5,014	4,126	774	494	14,131	24,882
Transfer	—	—	2,422	—	—	(2,422)	—
Disposals	(150)	—	(7)	(15)	—	—	(172)
Exchange adjustments	(33)	—	(59)	(155)	(41)	—	(288)
At December 31, 2007	522	5,014	7,499	2,330	964	11,709	28,038
Additions	14	357	4,452	639	328	55,932	61,722
Transfer	—	225	5,158	—	—	(5,383)	—
Disposals	—	(8)	(36)	—	(78)	—	(122)
Exchange adjustments	(34)	—	(40)	(133)	(32)	—	(239)
At July 22, 2008	<u>502</u>	<u>5,588</u>	<u>17,033</u>	<u>2,836</u>	<u>1,182</u>	<u>62,258</u>	<u>89,399</u>
DEPRECIATION							
At January 1, 2006	2	—	78	227	69	—	376
Provided for the year	58	—	138	385	116	—	697
Exchange adjustments	3	—	5	49	11	—	68
At December 31, 2006	63	—	221	661	196	—	1,141
Provided for the year	177	115	741	477	189	—	1,699
Eliminated on disposal	(150)	—	(4)	(7)	—	—	(161)
Exchange adjustments	(15)	—	(14)	(81)	(22)	—	(132)
At December 31, 2007	75	115	944	1,050	363	—	2,547
Provided for the period	60	148	1,262	329	120	—	1,919
Eliminated on disposal	—	(3)	(5)	—	(57)	—	(65)
Exchange adjustments	(6)	—	(14)	(73)	(21)	—	(114)
At July 22, 2008	<u>129</u>	<u>260</u>	<u>2,187</u>	<u>1,306</u>	<u>405</u>	<u>—</u>	<u>4,287</u>
CARRYING AMOUNT							
At December 31, 2006	<u>299</u>	<u>—</u>	<u>796</u>	<u>1,065</u>	<u>315</u>	<u>—</u>	<u>2,475</u>
At December 31, 2007	<u>447</u>	<u>4,899</u>	<u>6,555</u>	<u>1,280</u>	<u>601</u>	<u>11,709</u>	<u>25,491</u>
At July 22, 2008	<u>373</u>	<u>5,328</u>	<u>14,846</u>	<u>1,530</u>	<u>777</u>	<u>62,258</u>	<u>85,112</u>

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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%
Computers and office equipment	18%
Motor vehicles	18%

17. INTANGIBLE ASSETS

	Purchased technology RMB'000	Service concession arrangement RMB'000	Total RMB'000
COST			
At January 1, 2006	1,681	—	1,681
Exchange adjustments	238	—	238
At December 31, 2006	1,919	—	1,919
Exchange adjustments	(182)	—	(182)
At December 31, 2007	1,737	—	1,737
Exchange adjustments	(115)	—	(115)
Additions	—	4,550	4,550
At July 22, 2008	1,622	4,550	6,172
AMORTISATION			
At January 1, 2006	70	—	70
Charge for the year	365	—	365
Exchange adjustments	29	—	29
At December 31, 2006	464	—	464
Charge for the year	365	—	365
Exchange adjustments	(62)	—	(62)
At December 31, 2007	767	—	767
Charge for the period	194	—	194
Exchange adjustments	(56)	—	(56)
At July 22, 2008	905	—	905
CARRYING VALUES			
At December 31, 2006	1,455	—	1,455
At December 31, 2007	970	—	970
At July 22, 2008	717	4,550	5,267

Purchased technology has a definite useful life and is amortised on a straight-line basis over 5 years.

In May 2008, 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. The entity will not hold any residual interest in the infrastructure and equipment

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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.

As at July 22, 2008, since the construction was still in the early stage, approximately RMB 4,550,000 of construction revenue has been recognised to the extent of the construction cost incurred which is recorded as cost of the intangible asset.

18. PREPAID LEASE PAYMENTS

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
The Group's prepaid lease payments comprise:			
Leasehold land in the PRC:			
Medium-term lease	—	11,980	33,004
Analysed for reporting purposes as:			
Current asset	—	—	527
Non-current asset	—	11,980	32,477
	—	11,980	33,004

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost of unlisted investment in a jointly controlled entity	4,525	4,525	—
Share of post-acquisition profits, net of dividends received	26,087	39,647	—
	30,612	44,172	—

The Mega Smart Group had interest in the following jointly controlled entity:

<u>Name of entity</u>	<u>Place of registration and operation</u>	<u>Proportion of equity interest held by the Group</u>			<u>Principal activities</u>
		<u>December 31, 2006</u>	<u>December 31, 2007</u>	<u>July 22, 2008</u>	
上海格林熱能設備有限公司 SGTE	The PRC	51%	51%	—	Manufacture and supply of economisers, waste heat recovery products and boiler components

Three of five directors of SGTE were appointed by the Mega Smart Group, while a valid board resolution requires unanimous approval from all directors. The Mega Smart Group does not have the power to direct the financial and operating policies of SGTE. Therefore, SGTE had been accounted for as a jointly controlled entity of the Mega Smart Group.

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The summarised financial information in respect of the Mega Smart Group's interest in the jointly controlled entity which are accounted for using the equity method is set out below:

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current assets	154,688	228,323	—
Non-current assets	17,969	19,663	—
Current liabilities	116,762	165,502	—
Income	189,817	231,750	134,044
Expenses	154,220	200,161	105,551

On July 21, 2008, as part of the Group Reorganisation, the Mega Smart Group disposed of its 51% equity interest in SGTE to the Company at RMB 6,438,000. The loss on disposal of RMB 51,584,000 was recognised directly in equity (special reserve), which is regarded as a transaction with the shareholder of Mega Smart, Mr. Frank ELLIS, who holds significant interest in the Company.

20. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Unlisted investments in equity securities	1,862	1,862	—

The above unlisted investment represents the 49% equity interest in Zhangjiagang Greens Shazhou Boiler Co., Ltd. ("GSz"), which was established in the PRC. They are measured at cost less impairment at the end of each reporting period. The investment in GSz is considered to be neither an interest in a jointly controlled entity nor an interest in an associate because the Mega Smart Group does not have any joint control or significant influence over GSz.

In July 2008, as part of the Group Reorganisation, the investment in GSz was disposed of and a loss of RMB 1,862,000 was recognised in the consolidated income statement. The legal transfer of the investment was registered with the relevant authorities in June 2009.

21. INVENTORIES

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials	4,157	23,353	46,551

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22. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of reporting period:			
Contract costs incurred plus recognised profits less recognised losses	72,495	280,290	151,226
Less: progress billings	(74,092)	(282,462)	(142,261)
	<u>(1,597)</u>	<u>(2,172)</u>	<u>8,965</u>
Analysed for reporting purposes as:			
Amounts due from contract customers	750	10,663	28,524
Amounts due to contract customers	(2,347)	(12,835)	(19,559)
	<u>(1,597)</u>	<u>(2,172)</u>	<u>8,965</u>

23. TRADE AND OTHER RECEIVABLES

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade receivables	26,932	75,804	67,315
Other receivables	792	351	2,810
Deposits	138	128	1,520
VAT refundable for export sales	36	250	2,095
VAT recoverable	—	3,593	3,122
Prepaid expenses	1,949	2,125	668
Advances to suppliers	263	633	4,887
	<u>30,110</u>	<u>82,884</u>	<u>82,417</u>

The Mega Smart Group allows a credit period ranging from 30 to 90 days to its trade customers. The aging of trade receivables, net of allowance for doubtful debts, is as follows:

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
0 to 90 days	25,596	66,922	55,565
91 to 180 days	2	7,140	5,057
181 days to 1 year	1,314	1,610	1,974
1 to 2 years	20	132	4,719
	<u>26,932</u>	<u>75,804</u>	<u>67,315</u>

Included in the Mega Smart Group's trade receivables were debtors with a carrying amount of RMB 1,336,000, RMB 8,882,000 and RMB 11,750,000 as at December 31, 2006 and 2007 and July 22, 2008 respectively which were overdue for which the Mega Smart 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 Mega Smart Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Mega Smart Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

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24. AMOUNTS DUE FROM RELATED PARTIES

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trading in nature			
SGTE	<u>2,506</u>	<u>52,150</u>	<u>83,529</u>
Non-trading in nature			
SGTE	15,300	4,959	3,285
GTHK	—	—	6,290
Silver Park Holdings Limited ("Silver Park")	—	—	341
	<u>15,300</u>	<u>4,959</u>	<u>9,916</u>
	<u>17,806</u>	<u>57,109</u>	<u>93,445</u>

GTHK and Silver Park are subsidiaries of the Company, in which Mr. Frank ELLIS, the ultimate shareholder of Mega Smart prior to the completion of the Group Reorganisation, holds significant interests.

The amounts due from related parties are unsecured, non-interest bearing and to be settled in accordance with the agreed credit term ranging from 90 days to 180 days for trade balances and payable on demand for non-trade balances.

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

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
0 to 90 days	2,506	27,491	24,012
91 to 180 days	—	24,659	20,028
181 days to 1 year	—	—	39,489
	<u>2,506</u>	<u>52,150</u>	<u>83,529</u>

All the amounts due from related parties that are trading in nature are neither overdue nor impaired, except for the trade receivables due from related parties with a carrying amount of RMB 39,489,000 as at July 22, 2008 which were overdue, for which the Mega Smart Group has not provided for any impairment loss as they are still considered recoverable.

The amount due from SGTE which was non-trading in nature as at December 31, 2006 represented dividends declared by SGTE to Greens UK, its then shareholder. The amounts due from SGTE which were non-trading in nature as at December 31, 2007 and July 22, 2008 mainly represented the amounts paid by Mega Smart Group on behalf of SGTE for purchase of property, plant and equipment.

The other amounts due from related parties which were non-trading in nature as at July 22, 2008 represented advances to subsidiaries of the Group which were non-interest bearing and collectable on demand.

25. CASH AND BANK BALANCES

Bank balances and cash comprise cash 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 Mega Smart Group.

Bank balances and pledged bank deposits carried market interest rates at 0.72% to 1.62%, 0.72% to 1.71% and 0.72% to 1.71% per annum as at December 31, 2006 and 2007 and July 22, 2008 respectively.

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Bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Denominated in			
US\$	1,407	643	6,405
EUR	—	3	2,803
	<u> </u>	<u> </u>	<u> </u>

26. TRADE AND OTHER PAYABLES

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables	12,741	36,715	68,198
Other tax payables	1,092	2,247	2,341
Accrued cost for subcontracting work	750	728	8,616
Other payables for acquisition of property, plant and equipment	—	3,487	9,732
Salary and bonus payables	78	761	1,253
Accrued expenses	65	2,292	1,770
Social welfare and pensions payable	589	1,231	—
Others	2,351	464	865
	<u>17,666</u>	<u>47,925</u>	<u>92,775</u>

Trade payables comprise amounts outstanding for trade purchase. Payment terms with suppliers are mainly on credit ranging from 90 days to 180 days from the time when the services are rendered by or goods received from suppliers. The aging of trade payables is as follows:

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
0 to 90 days	12,497	30,987	41,195
91 to 180 days	209	4,380	12,624
181 days to 1 year	4	1,203	13,917
Over 1 year	31	145	462
	<u>12,741</u>	<u>36,715</u>	<u>68,198</u>

27. AMOUNTS DUE TO RELATED PARTIES

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trading in nature			
SGTE	5,216	26,987	37,297
	<u>5,216</u>	<u>26,987</u>	<u>37,297</u>
Non-trading in nature			
SGTE	1,998	28,753	27,338
General Thermal Engineering (China) Ltd. ("GTE")	—	17,149	15,305
Greens Thermal Equipment (BVI) Limited ("GTBVI")	—	—	341
The Company	—	—	97,978
	<u>1,998</u>	<u>45,902</u>	<u>140,962</u>
	<u>7,214</u>	<u>72,889</u>	<u>178,259</u>

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

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
0 to 90 days	5,216	26,987	25,183
91 to 180 days	—	—	2,647
181 days to 1 year	—	—	9,467
	<u>5,216</u>	<u>26,987</u>	<u>37,297</u>

GTE and GTBVI are subsidiaries of the Company, in which Mr. Frank ELLIS, the ultimate shareholder of Mega Smart prior to the completion of the Group Reorganisation, holds significant interests.

The amounts due to related parties which were trading in nature were unsecured, non-interest bearing and to be settled in accordance with an agreed credit term ranging from 90 to 180 days.

The amounts due to SGTE which were non-trading in nature at the end of each reporting period represented temporary payments made by SGTE for construction and operating expenses on behalf of the Mega Smart Group. The other amounts due to related parties which were non-trading in nature represented advances from the Company and its subsidiaries. All these amounts were non-interest bearing and repayable on demand.

28. BANK BORROWINGS

	<u>At December 31,</u>		<u>At July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Secured bank borrowings	—	10,000	30,000
Unsecured bank overdrafts	<u>3,756</u>	<u>875</u>	<u>327</u>
Carrying amount repayable on demand or within 1 year	<u>3,756</u>	<u>10,875</u>	<u>30,327</u>

The bank borrowings are denominated in RMB or GBP and carried an average fixed interest rate of 7%, 7.776% and 8.591% per annum as at December 31, 2006 and 2007 and July 22, 2008 respectively. The bank overdrafts are denominated in GBP and carried a variable interest rate of 200 basis points over base rate per annum as at December 31, 2006 and 2007 and July 22, 2008 respectively.

During the year ended 31 December, 2007 and the period from January 1, 2008 to July 22, 2008, the secured bank borrowings were guaranteed by an independent third party—Jingjiang City Huaxin Guarantee Co., Ltd. (靖江市華信擔保有限公司).

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29. DEFERRED TAX LIABILITIES

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

	Withholding tax on PRC sourced profits	Accelerated tax depreciation of property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2006	—	101	101
Charge to the consolidated income statement	—	98	98
At 31 December 2006	—	199	199
Credit to the consolidated income statement	—	(146)	(146)
At 31 December 2007	—	53	53
Debit (credit) to the consolidated income statement	2,488	(3)	2,485
Transfer out upon disposal of jointly controlled entity	(681)	—	(681)
At 22 July 2008	<u>1,807</u>	<u>50</u>	<u>1,857</u>

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

30. SHARE CAPITAL/PAID-IN CAPITAL

	Mega Smart	
	Number of shares	Share capital
		US\$
Ordinary shares of US\$1 each		
<i>Authorised</i>		
At incorporation	50,000	50,000
At July 22, 2008	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid</i>		
At incorporation	1,000	1,000
At July 22, 2008	<u>1,000</u>	<u>1,000</u>
Shown on the consolidated statement of financial position as at July 22, 2008		RMB'000 <u>7</u>

Mega Smart was incorporated in the BVI as a limited liability company on March 27, 2008.

For the purpose of the preparation of the consolidated statements of financial position, the balance of paid-in capital as at December 31, 2006 and 2007 represented the share capital of Greens UK prior to the Mega Smart Restructuring.

31. NON-CASH TRANSACTIONS

During the period ended July 22, 2008, one of the subsidiaries of Mega Smart was granted an investment incentive by the local government amounting to RMB 15,320,000. The amount was paid to settle a liability incurred for the acquisition of land use rights directly.

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32. FOREIGN EXCHANGE FORWARD CONTRACTS

As at the end of each reporting period, the Mega Smart Group had the following foreign exchange forward contracts to mitigate its foreign currency exposure:

As at July 22, 2008

Notional amount	Maturity	Exchange rates
Sell US\$2,591,000	December 18, 2008	US\$1:RMB 6.747339
Sell EUR259,000	August 27, 2008	EUR1:US\$1.546598
Sell GBP266,000	July 24, 2008	GBP1:EUR1.258163
Sell GBP109,000	July 24, 2008	GBP1:US\$1.982947
Sell EUR438,000	July 24, 2008	EUR1:GBP0.79212
Sell US\$350,000	July 24, 2008	GBP1:US\$1.962758
Sell EUR223,000	July 24, 2008	EUR1:US\$1.570063

As at December 31, 2007

Notional amount	Maturity	Exchange rates
Sell EUR200,000	March 27, 2008	GBP1:EUR1.421709
Sell EUR200,000	February 29, 2008	GBP1:EUR1.424644
Sell EUR210,000	January 24, 2008	GBP1:EUR1.384159
Sell US\$200,000	January 11, 2008	EUR1:US\$1.441502
Sell EUR136,000	January 11, 2008	EUR1:US\$1.468826
Sell EUR120,000	January 8, 2008	GBP1:EUR1.381034
Sell EUR200,000	January 8, 2008	GBP1:EUR1.393773

As at December 31, 2006

None

No financial assets or liabilities were recognised in respect of the financial derivatives set out above at the end of each reporting period since their fair values were insignificant.

33. OPERATING LEASES

The Mega Smart Group as lessee

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Minimum lease payments paid under operating leases in the year/period	<u>1,871</u>	<u>2,780</u>	<u>1,138</u>	<u>2,879</u>

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

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within one year	1,414	3,259	6,051
In the second to fifth years inclusive	4,066	6,885	7,228
Over five years	<u>1,732</u>	<u>924</u>	<u>635</u>
	<u>7,212</u>	<u>11,068</u>	<u>13,914</u>

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

34. RETIREMENT BENEFIT PLANS

The Mega Smart 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 Mega Smart 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 Mega Smart 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 Mega Smart Group to the schemes and charged to the consolidated income statement represent contributions payable to the schemes by the Mega Smart Group at rates specified in the rules of the schemes and are as follows:

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amount contributed and charged to the consolidated income statements	<u>580</u>	<u>894</u>	<u>424</u>	<u>1,031</u>

As at December 31, 2006 and 2007 and July 22, 2008, the contributions due in respect of the year/period that had not been paid over to the schemes were RMB 589,000, RMB 1,231,000 and nil respectively.

35. RELATED PARTY TRANSACTIONS

Save for those disclosed in Notes 19, 24 and 27, during the Relevant Period, the Mega Smart Group had the following related party transactions:

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Supply of products				
—SGTE	<u>4,907</u>	<u>114,609</u>	<u>19,764</u>	<u>28,702</u>
Purchase of materials and subcontracting work				
—SGTE	<u>13,322</u>	<u>68,838</u>	<u>17,532</u>	<u>40,275</u>

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

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

	Year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	4,248	5,830	3,458	4,962
Retirement benefits schemes contributions	155	213	117	216
	<u>4,403</u>	<u>6,043</u>	<u>3,575</u>	<u>5,178</u>

36. CAPITAL COMMITMENTS

	At December 31,		At July 22,
	2006	2007	2008
	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 Pre-acquisition Financial Information	—	70,986	15,311
Capital expenditure in respect of the acquisition of land use rights	—	5,380	—

II. DIRECTORS' REMUNERATIONS

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

III. EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 22, 2008, the Company acquired 100% equity interest in Mega Smart from Mr. Frank ELLIS for a consideration of US\$1,300,000.

IV. SUBSEQUENT FINANCIAL STATEMENTS

Audited financial statements of GMHK, GPHK, Baicheng HK, Pingxiang HK, GPEL, SGME and Greens UK for the year ended December 31, 2008 have been prepared subsequent to July 22, 2008. No audited financial statements have been prepared by Mega Smart and its other subsidiaries in respect of any period subsequent to July 22, 2008.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
 Hong Kong