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Web Proof Information Pack of
GREENS HOLDINGS LTD
格菱控股有限公司*
(incorporated in the Cayman Islands with limited liability)

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SUMMARY

OVERVIEW

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

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

Major Business Segments

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

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

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

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

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

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

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

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

Customers and Suppliers

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

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

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

Design, Manufacturing and Geographical Expansion

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

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

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

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

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

Reorganization and Private Placement

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

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

OUR COMPETITIVE STRENGTHS

We believe we have the following key competitive strengths:

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

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

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

OUR STRATEGY

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

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

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

BASIS OF PRESENTATION

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

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SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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

Summary Consolidated Income Statement of the Group

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

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Summary Consolidated Statement of Financial Position of the Group

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

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

SUMMARY

Summary Consolidated Statement of Cash Flows of the Group

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

SUMMARY HISTORICAL FINANCIAL INFORMATION OF MEGA SMART

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

Summary Consolidated Income Statement for Mega Smart

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

SUMMARY

Summary Consolidated Statement of Financial Position of Mega Smart

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

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

SUMMARY

SUMMARY PRO FORMA FINANCIAL INFORMATION

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

Summary Pro Forma Combined Income Statement

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

Summary Pro Forma Combined Statement of Cash Flows

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

FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

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

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

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

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

SUMMARY

RISK FACTORS

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

Risks Relating to Our Business and Industry

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

SUMMARY

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

Risks Relating to the PRC

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

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles of Association”, “Articles”	the articles of association of our Company, adopted on October 19, 2009 and as amended from time to time
“associates”	has the meaning ascribed thereto under the Listing Rules
“Austrian Energy & Environment”	AE&E Austria GmbH & Co KG or its affiliates, as applicable
“Baicheng (HK)”	Greens Energy Environmental (Baicheng) Limited (格林能源環境(拜城)有限公司), a limited liability company incorporated in Hong Kong on May 21, 2008
“b/d”	barrels per day
“BIS”	the Bureau of Industry and Security of the United States Department of Commerce
“Board of Directors” or “Board”	the board of directors of our Company
“Business Day”	any day (other than Saturday and Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 898,000,000 Shares to be made upon capitalization of an amount of US\$8,980,000 standing to the credit of the share premium account of our Company referred to under “written resolutions of our Company’s shareholders passed on October 19, 2009” in Appendix VII to this document
“China Fund Limited”	an exempted company incorporated in the Cayman Islands on March 13, 2008, which is a wholly owned subsidiary of Luckever
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and amended from time to time) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “Greens”, “our Company”, “we” or “us”	Greens Holdings Ltd, a company incorporated in the Cayman Islands on February 27, 2008 with limited liability, or where the context refers to any time prior to its incorporation, those businesses and operations which were assumed by it pursuant to the transactions as described in “Business—History and Reorganization”, or where the context requires, any of the businesses and operations that is or was carried on by any member of our Group

DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, in the context of this document, means the controlling shareholder of our Company, being Mr. Ellis
“Crown Max”	Crown Max Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 27, 2008
“Director(s)”	the director(s) of our Company
“Dongfang Boiler”	Dong Fang Boiler Group Co., Ltd or its affiliates, as applicable
“Foster Wheeler”	Foster Wheeler Ltd or its affiliates, as applicable
“Founder Shareholders”	Mr. Ellis, Mr. Xie, Ms. Chen, Union Rise and Crown Max
“GAQSIQ”	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC
“GBP”	Pound sterling, the lawful currency of the United Kingdom
“GDP”	gross domestic product
“GPEL”	Greens Power Equipment (China) Co., Ltd. (格菱動力設備（中國）有限公司), a wholly foreign owned enterprise with limited liability incorporated in the PRC on January 17, 2007
“Greens Baicheng”	Baicheng Greens Waste-Heat Power Generation Co. Ltd, a wholly foreign owned enterprise with limited liability incorporated in the PRC on June 16, 2009, the project company for our Xinjiang Project
“Greens Marine Singapore”	Greens Marine Engineering (SG) Pte. Ltd, a limited private company incorporated in Singapore on June 12, 2009
“Greens UK”	Greens Power Limited, (formerly named GW 396 Limited and TEI Greens Overseas Limited), a private company limited by shares incorporated in England and Wales on March 9, 2004.
“Group”, “our Group”, “Greens Power”, “Greens”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their predecessors
“GSz”	Zhangjiagang Greens-Shazhou Boiler Co., Ltd. (張家港格林沙洲鍋爐有限公司), a sino-foreign equity joint venture with limited liability incorporated in the PRC on March 3, 2003
“GTE”	General Thermal Engineering (China) Limited, a limited liability company incorporated in the British Virgin Islands on January 9, 2003
“Hailu”	Zhangjiagang Hailu Shazhou Boiler Co. Ltd. (張家港海陸沙洲鍋爐有限公司), a company with limited liability

DEFINITIONS

	incorporated in the PRC on January 26, 2000. Hailu is a subsidiary of Suzhou Hailu Heavy Industry Co., Ltd, a company listed on the Shenzhen Stock Exchange and an independent third party
“Harbin Boiler”	Harbin Boiler Company Limited or its affiliates, as applicable
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“IHI”	IHI Corporation or its affiliates, as applicable
“independent third party/parties”	person(s) or company/companies and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Company and its connected person (as defined in the Listing Rules)
“Latest Practicable Date”	October 15, 2009, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Luckever Holdings Limited” or “Luckever”	Luckever Holdings Limited, a company incorporated under the laws of the British Virgin Islands controlled by Mr. Liu Xuezhong
“Mega Smart”	Mega Smart Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 27, 2008
“Memorandum or Memorandum of Associations”	the memorandum of association of the Company, adopted on February 27, 2008 and as amended from time to time
“MHI”	Mitsubishi Heavy Industries, Ltd or its affiliates, as applicable
“MOF”	the Ministry of Finance of the PRC
“MOFCOM”	the Ministry of Commerce of the PRC
“Mr. Ellis”	Mr. Frank Ellis, Chairman of the board, chief executive officer, an executive director and the Controlling Shareholder of our Group
“Mr. Xie”	謝志慶 (Mr. Xie Zhiqing), chief technology officer and an executive director of our Group
“MS Bank”	Morgan Stanley Bank International Limited, a company incorporated under the laws of England and Wales
“Ms. Chen”	陳天翼 (Ms. Chen Tianyi), chief operating officer and an executive director of our Group

DEFINITIONS

“NDRC”	the National Development and Reform Commission of the PRC
“OFAC”	the Office of Foreign Assets Control of the U.S. Department of the Treasury
“Pingxiang (HK)”	Greens Energy Environmental (Pingxiang) Limited (格林能源環境（萍鄉）有限公司), a limited liability company incorporated in Hong Kong on May 21, 2008
“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purpose of this document, references in this document to the PRC or China do not include Taiwan, Hong Kong or Macau
“Pro Forma”	the basis on which relevant information is presented assuming that the Reorganization is completed at the beginning of the period indicated
“Property Valuer”	DTZ Debenham Tie Leung Limited
“Relevant Period”	the period comprising the three years ended December 31, 2008 and the five months ended May 31, 2009
“Reorganization”	the reorganization of the business comprising our Group, as described in the section headed “Business—History and Reorganization” in the document
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAIC”	the State Administration for Industry and Commerce
“SAT”	the State Administration of Taxation of the PRC
“SGME”	Shanghai Greens Marine Engineering Co., Ltd (上海格林船務工程有限公司), a wholly foreign owned enterprise with limited liability incorporated in the PRC on October 30, 2003
“SGTE”	Shanghai Greens Thermal Equipment Limited (上海格林熱能設備有限公司), a wholly foreign owned company with limited liability incorporated in the PRC on April 30, 2003
“Shanghai Boiler”	Shanghai Boiler Works, Ltd or its affiliates, as applicable
“Share(s)”	ordinary shares issued by our Company, with a nominal value of US\$0.01 each
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by its shareholders on October 19, 2009, a summary of the principal terms of which is set out in “Statutory and General Information—Share Option Scheme” in Appendix VII to this document
“Silver Park”	Silver Park Holdings Limited, a limited liability company incorporated in the British Virgin Islands on April 2, 2008

DEFINITIONS

“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder”	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of our general meetings
“TEiL”	Thermal Engineering International Limited (previously named Senior Engineering (Process Heating) Limited and Senior Thermal Engineering limited), a private company limited by shares incorporated in England and Wales on March 25, 1968
“Tongliao Greens”	Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司), a sino-foreign equity joint venture with limited liability incorporated in the PRC on August 5, 2009
“Union Rise”	Union Rise International Limited, a limited liability company incorporated in the British Virgin Islands on January 2, 2008
“United Kingdom” or “U.K.”	The United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.”	The United States of America, including the District of Columbia, its territories and possessions
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Economic Sanctions Laws”	includes all U.S. sanctions administered by OFAC and BIS, including but not limited to U.S. regulations codified in Chapter V of Title 31, U.S. Code of Federal Regulations, all U.S. Executive orders, proclamations, and regulations issued under the authority of the Trading with the Enemy Act, the International Emergency Economic Powers Act, the International Security and Development Cooperation Act, the Antiterrorism and Effective Death Penalty Act, the Cuban Liberty and Democratic Solidarity (Libertad) Act and the United Nations Participation Act, the aforementioned statutes themselves and all orders, licenses or rules issued under the authority of any of the foregoing
“Vogt”	Vogt Power International Limited or its affiliates, as applicable
“Xinjiang Project”	our waste heat power generation plant at Baicheng County, Akesu area, Xinjiang Uygur Autonomous Region, China. See “Business—Waste Heat Power Generation”
“%”	per cent

The English language names of certain entities referred to in this document are provided for your convenience only. Some of these entities do not have registered English language names.

GLOSSARY

This glossary contains certain technical terms used in this document in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

"air pre-heater"	heat exchanger for transferring useful thermal energy in boiler exhaust gases to the cold air being introduced for combustion of fuel to increase thermal efficiency.
"ash content"	the inorganic residue remaining after the combustion of coal which affects the burning characteristics of coal
"boiler"	the device or equipment that is a pressure vessel in which water is converted into steam with high temperature and high pressure by external heat source which typically includes combustion of fuels such as coal, gas, oil or hot exhaust gas from another process or from incineration and which typically consists of various components made of metal shells and tubes
"CCGT plant"	combined cycle gas turbine plant
"CHP plant"	combined heat and power plant, or cogeneration plant
"economiser"	a key heat transfer pressure vessel typically installed in a boiler system for power plants, which recovers the waste heat from the boiler's hot exhaust gas and transfers the thermal energy contained in the exhaust gas to the boiler's system fluid, or feed water, before it enters into the boiler system
"FPSO"	floating production storage and offloading vessel
"finning machine"	a processing machine for welding metal fins onto pressure tubes to increase the total area of heat transfer surface
"gas turbine"	an internal combustion engine in which energy extracted from combusting gases drives the blades of a turbine to generate power
"GW"	gigawatt, a unit of power equals to one billion watts
"HRSG"	heat recovery steam generator, a type of waste heat recovery system specifically to utilize exhaust heat emitted from gas turbines
"HRSG modules"	large and transportable sections of an HRSG designed for handling and lifting into site position which may consist of, depending on technical design of the HRSG, certain HRSG components such as evaporators, superheaters, reheaters or economisers
"HRSG products"	products relating to HRSGs, such as, for purpose of this document, HRSG modules and spiral finned tubes, the key components for our HRSG modules
"kWh"	kilowatt hour, a unit of energy. One kilowatt hour is the amount of energy transferred if work is done at a rate of one thousand watts for one hour
"marine boiler"	boiler applied on ship tankers, cruise liners, bulk carriers, container ships, FPSO's or various other marine applications, which, depending on technical design of the marine application, typically consists of boiler shell, control panel, burner, mountings, and pumps

GLOSSARY

"MW"		megawatt, a unit of power equals to one million watts
"Steel-H economiser"		economiser products with H-shaped metal fins attached onto the metal tubes
"Terawatt-hours"		equivalent to one billion kWh
"waste heat power plant"		power plant including waste heat recovery system for generation of steam for power generation utilizing waste heat from various industrial applications such as cement plants, coking plants and oil refineries
"waste heat recovery products"		products relating to waste heat recovery systems, which for purpose of this document primarily consisted of HRSG products and other land waste heat recovery products
"waste heat recovery system"		system typically include HRSGs or other waste heat exchangers that extract thermal energy contained in the waste gases emitted from various industrial utilizations, and utilize the recovered thermal energy in another process of further utilizations
"watt"		the unit of power

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Decline in the level of capital spending by power plants may adversely affect our profitability.

We are primarily a supplier of key heat transfer products designed to enhance energy efficiency. Demand for a number of our products, such as economiser products and waste heat recovery products (which collectively represented 97.1%, 94.3%, 66.5% and 55.9% of our revenue in 2006, 2007, 2008 and the five months ended May 31, 2009, respectively) depends significantly on the number of boilers being installed or replaced at power plants, particularly coal-fired power plants. Capital spending levels at power plants are affected by their current and expected profitability, which in turn are affected by a combination of electricity prices and prices of commodity products such as coal and oil as well as other types of fuel used by power plants. Both electricity prices and commodity fuel prices have been subject to significant volatility in recent years, affected by factors such as changes in the supply and demand, market uncertainty and regulatory control. In addition, trends in adoption and utilization of alternative fuel types that do not generate power through traditional power plants, such as wind energy, nuclear energy and solar energy, also affect electricity prices and commodity fuel prices. To the extent that increases in fuel cost at power plants are not passed on to their customers in the form of electricity price increases, profitability and capital spending levels at power plants may be reduced. A decrease in the capital spending levels by power plants may result in lower demand for our products and adversely affect our results of operations and financial condition.

It is difficult to evaluate our results of operations and future prospects due to our limited operating history in China.

Our manufacturing facilities are primarily located in China, and revenue from the PRC market accounted for 93.0%, 71.2%, 67.0% and 69.1% of our revenue in 2006, 2007, 2008 and the five months ended May 31, 2009, respectively. On a Pro Forma basis, our revenue from the PRC market accounted for 59.4% of our revenue for 2008. We began manufacture and supply of our products in China in 2003. Accordingly, we have a limited operating history in China from which you can evaluate our business and future prospects. Our revenue from the PRC market experienced significant growth in a relatively short period of time, increasing from RMB 176.5 million in 2006 to RMB 288.9 million in 2008, and RMB 186.2 million in the five months ended May 31, 2009. We may not be able to continue our growth at similar rates, if at all, because, among other reasons, we may not be able to expand our production capacity in future periods and our business model at higher volumes is unproven. As a result, our historical operating results may not provide a meaningful basis for evaluating our business, results of operations and financial condition. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance.

We depend on a limited number of customers.

Our customers primarily consist of major PRC and international boiler makers and system designers, as well as, for our marine products, shipyards. Aggregate revenue attributable to our five largest customers (including the Mega Smart businesses) represented approximately 95%, 94%, 54% and 61% of our revenue for 2006, 2007, 2008 and the five months ended May 31, 2009, respectively. Revenue attributable to Harbin Boiler, our largest customer during the Relevant Period, represented 69%, 43%, 22% and 25% of our revenue for the same period respectively. We cannot assure you that we will be able to maintain or improve our relationships with these customers, or that we will be able to continue to supply products to these customers at current levels or at all. In addition, any decline in our major customers' businesses could lead to a decline in purchase orders from these customers. If any of our key customers were to substantially reduce the size or amount of the orders they place with us or were to terminate their business relationship with us entirely, we cannot assure you that we would be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so altered or terminated and we were unable to obtain sufficient replacement orders on comparable terms, our business, results of operations and financial condition would be materially and adversely affected.

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We do not have long-term purchase contracts from our customers.

We do not have long-term purchase contracts from our customers, and generally only enter into sales or supply contracts on a order-by-order basis with them. Accordingly, the volume of our customers' purchases and our product mix may vary significantly from period to period, and it is difficult for us to forecast future order quantities. We cannot assure you that any of our customers will continue to place orders with us in the future at the same level as in the current or prior periods, or at all. Furthermore, the actual volume of our customers' purchases may prove to be inconsistent with our expectations at the time we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

The global financial markets have experienced significant deterioration and volatility recently, which may adversely affect our business operations.

Certain recent adverse developments in the global financial markets have impacted the global economy. These developments include, among others, general slow-down of economic growth in China, the U.S. and elsewhere globally, substantial volatility and tightening of liquidity in financial and commodity markets. These developments have adversely affected our business and operating results in a number of respects. For example, the financial crisis has significantly affected the global shipping industry, which in turn affected the shipbuilding industry, which we depend on for our marine products business. Furthermore, the recent financial crisis has adversely affected a number of our and Mega Smart's operating results in 2008, including the average selling prices of our products, our gross margins, turnover days of trade receivables and turnover days of trade payables. See "Financial Information". It is difficult to predict how long the financial crisis will continue and which of our markets and businesses may be affected. However, if the crisis continues for an extended period of time, our business and operating results may be further adversely impacted. We may also experience an increase in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us.

Fluctuations in steel prices may adversely affect our business.

Steel and steel-based components are the principal raw material for our products. We currently purchase a significant portion of steel and steel-based components in the PRC. The price of steel in the PRC has historically fluctuated significantly and may continue to fluctuate based on a variety of factors. The year-end levels of the China Steel Price Index rose from 94.2 in 2005 to 105.5 in 2006, 125.4 in 2007, continued to rise at the beginning of 2008 but ended the year with a decline to 103.3, according to China Steel Industrial Association. Although we generally seek to pass price increases in our raw materials to our customers, we cannot be successful in all cases. To the extent prices increases are not passed on, our cost of sales and profit margins will be adversely affected. If we are unable to manage our purchases of steel and steel-based components at prices acceptable to us, or if the prices of steel and steel-based components increase significantly and we are not able to pass on all or part of any such price increases to our customers, our profit margins may decrease and our results of operations would be materially and adversely affected.

We depend on a limited number of suppliers to meet our requirements.

Our operations depend on our ability to obtain adequate and quality supplies of steel-based component, which is our principal raw material. Because our products are subject to a variety of qualification standards, the quality requirements of our steel and steel-based components are high. We have sourced raw materials from a limited number of suppliers which are primarily distributors sourcing from qualified steel manufacturers. In 2006, 2007, 2008 and for the five months ended May 31, 2009, purchases from our largest five suppliers accounted for 70%, 84%, 72% and 33%, respectively, of our total raw material purchases on an actual historical basis. During the same period, our largest supplier accounted for approximately 28%, 69% (which was GPEL), 20% and 13%, respectively, of our total raw material purchases. If any of these suppliers fails to meet our quality standards or our quantity demands, our production, sales volume and results of operations may be adversely affected. Furthermore, we do not have any long-term arrangement with these suppliers that could provide us with a reliable supply of steel we need at pre-determined prices. If there is any supply shortage, we may not be able to deliver our products in a timely manner to our customers in the required quantities or at commercially acceptable prices, which in turn could result in order cancellations, decreased revenue and loss of market share.

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Prolonged electricity shortages could adversely affect our business.

Substantially all of our manufacturing assets and operations are located in China. We have, from time to time, experienced power outages at our manufacturing facilities, some of which resulted in temporary disruptions of our operations. If we experience prolonged power outages or are required by the government to ration power for an extended period of time, our production volume may decrease and our results of operations may be adversely affected. If there is insufficient electricity supply to satisfy our requirements and accommodate our planned growth, we may be required to limit or delay our production or expansion plans. In addition, other than the business interruption insurance for our U.K. operations which covers increased costs of continuing operations, we do not have insurance coverage for business interruptions, including loss of profits from such interruptions. Any losses that may occur as a result of these types of events could adversely affect our financial condition and results of operations.

Our historical outstanding trade receivables and the turnover days of our trade receivables have been relatively high.

Historically, our outstanding trade receivables and the turnover days of our trade receivables have been relatively high. As of December 31, 2006, 2007, 2008 and May 31, 2009, our outstanding trade receivables less allowance for doubtful debts were RMB 100.6 million, RMB 93.3 million, RMB 282.7 million and RMB 269.2 million, respectively, and the turnover days of our trade receivables were 102 days, 105 days, 131 days and 132 days in 2006, 2007, 2008 and five months ended May 31, 2009, respectively. If calculated solely based on total revenue excluding revenue from related parties, which totaled RMB 176.5 million, RMB 162.9 million and RMB 390.8 million in 2006, 2007 and 2008, respectively, our turnover days of trade receivables would have been 110 days, 149 days and 145 days, for the respective period. Most of the sales or supply contracts with our customers require the customers to make payments to us in stages. For our sales to PRC customers, the last portion of generally 5% to 10% of the purchase price is generally withheld by the customers as retention money to be released after expiration of our warranty period, generally within one to three years after delivery and acceptance by our customers or one to three years after our products being installed by our customers. As of December 31, 2006, 2007, 2008 and May 31, 2009, retention money totaled RMB 28.7 million, RMB 32.4 million, RMB 34.4 million and RMB 48.0 million, respectively, or 28.5%, 34.7%, 12.2% and 17.8%, respectively, of the totaled outstanding trade receivables less allowance for doubtful debts as of those dates. Our allowance for doubtful debts provided amounted to nil, nil, RMB 1.7 million and RMB 3.7 million as of December 31, 2006, 2007, 2008 and May 31, 2009, respectively. See "Financial Information—Discussion of Our Statement of Financial Position Items—Trade and Other Receivables" for more information.

Delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, defaults in making payments to us on sales or supply contracts for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other purchase orders. We historically have had a relatively a high customer concentration. As a result, any extended delay in payment by any major customer would have a material and adverse effect on the aging schedule and turnover days of our trade receivables. Our major customers' ability to pay may be impaired by a number of factors including, but not limited to, unfavorable market conditions for power generation industry, delayed commencement of operation of power plants by the plant operators due to various reasons including unfavorable economic conditions, operational hazards or natural disasters, and budget constraints resulting in delayed payments by power plants to our customers. The occurrence of any of the foregoing could affect our customers' ability to make timely payments. Inability to collect our trade receivables on a timely basis could materially and adversely affect our financial condition, liquidity and results of operations. We cannot assure you that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in stages.

Our backlog may not be indicative of our future results of operations.

In this document, we have provided the contract backlog amounts, which represent that portion of the contract value as of a specified date whose associated revenue has not been recognized. However, these amounts are based on the assumption that the relevant contracts will be performed in full in accordance with their terms.

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Under some of our contracts, our customers have the right to terminate or cancel the contracts without cause, and to compensate us for value calculated based on our costs or in accordance with pre-defined schedule. In some cases, we are entitled to reasonable profit associated with the incurred costs, but not exceeding the value of the contracts. In addition, some of our customers have the right to modify, terminate or cancel the contracts for any default committed by us. In 2007 and 2008, some of our customers for marine products were affected by the recent financial crisis and the downturn in the shipbuilding and shipping industries. Some of our contracts with these customers were cancelled as a result. Other than the foregoing, we have not experienced material modifications, terminations or cancellations of our contracts by our customers. However, we cannot assure you that we will not be subject to any material modifications, terminations or cancellations of our contracts by our customers which would have a material and adverse effect on our businesses and results of operations. There also can be no assurance that our raw material procurement, products engineering and manufacture or delivery process will be completed without any delay or defect due to reasons beyond our control. Additionally, we cannot guarantee that the amount estimated in our backlog will be realized in a timely fashion, or at all, or that, even if they are realized, will result in profits. As a result, readers are cautioned not to rely on our backlog information presented in this document as an indicator of our future earnings.

Loss of or failure to renew our material manufacturing license and certificates could materially and adversely affect our business.

We have been granted various manufacturing licenses or certificates regarding our products by certain governmental authorities or accreditation agencies, which permit us to manufacture or supply certain products in certain jurisdictions, or certify the satisfaction of the relevant quality standard by our products. See "Business—Manufacturing and Quality Assurance—Quality Certifications". We consider these licenses and certificates critical to our operations. Many of these licenses and certificates must be renewed periodically. During the examination process for the application and renewal of such licenses or certificates, the examination or accreditation agencies may send their technical staff to audit our manufacturing facilities and our production management. In the event that we do not obtain or renew any such licenses or certificates, our ability to market our products may be adversely affected, and our sales or supply volume may be reduced. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that our products will pass the qualification process of potential customers.

Most of our major customers require us to first pass a qualification process before we can become a supplier of our products to that customer. We cannot assure you that we will be able to pass such qualification process for new products from our existing customers or necessary approvals for our products from any new customers. Even if we can ultimately pass such qualification process we cannot assure you that such approvals can be obtained in a timely manner. Furthermore, a number of our major customers perform audit periodically on our Company, during which they review our systems and procedures for the various stages of our manufacture process. We cannot assure you that we will be able to continue to pass such audits without incurrence of material expenses to implement corrective measures, or in a timely manner, or at all. In addition, even if we become an approved supplier of a company, it does not necessarily mean that we will receive purchase orders from that company. If we fail to become an approved supplier of our potential customers, or if we are unable to obtain or maintain such approval in a timely manner or without incurrence of material expenses to implement corrective measures, we may not be able to execute our expansion plans and our business prospects and results of operations may be materially and adversely affected.

Failure to maintain a safety performance standard that is acceptable to our customers could result in the loss of future business.

A number of our customers set safety performance standards for their suppliers that are more stringent than the minimum required by applicable laws. A number of our customers require us to maintain safety performance records for our manufacturing facilities, products and service offerings. Some of our customers have set safety performance criteria that potential suppliers must meet in order to become and remain one of their suppliers. If we fail to meet a customer's safety performance requirements, we may be required to incur additional expenses

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to implement corrective measures, or even be removed from that customer's supplier list and precluded from providing products or services to that customer.

We cannot assure you that we will be able to effectively manage our planned expansion in production capacity.

Further expansion of production capacity is a key aspect of our growth strategy. Our planned expansion requires us to identify suitable locations that are in close proximity to raw material sources or transportation networks. Even if we successfully identify suitable locations, we may be unable to expand our business if we cannot compete effectively in the market. In addition, we may not have the necessary management or financial resources to oversee the successful and timely construction of new production facilities or expansion of existing facilities. Our expansion plans could also be affected by construction delays, cost overruns, failures or delays in obtaining government approvals of necessary permits and our inability to secure the necessary production equipment. Furthermore, to effectively manage our planned expansion, we must improve our operational and financial systems and procedures and system of internal control.

We cannot assure you that we will be able to effectively manage our planned expansion or achieve our expansion plans in production capacity at all. If we are unable to do so, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures, any of which could materially and adversely affect our business, results of operations and financial condition.

We cannot assure you that we will be able to obtain adequate financing to fund our capital requirements.

We expect that over the next several years, a substantial portion of our cash flow will be used to finance the expansion of our production capacities, the construction of a number of waste heat power generation projects, and our wind turbine towers manufacturing businesses. We may need to incur additional financing in order to fund our capital expenditures. We cannot assure you that we will be successful in obtaining such financing at a reasonable cost or at all. Our inability to finance our planned capital expenditures could adversely affect our business, financial condition, results of operations or liquidity position.

We face certain risks associated with the geographical expansion of our sales.

As part of our strategy, we intend to enhance our international sales network, including in India, Singapore, the United States and Brazil. We face certain risks in our efforts to expand and maintain our business in international markets, including:

- cultural differences and other difficulties in staffing and managing international operations;
- inherent difficulties and delays in contract enforcement and collection of receivables through the use of foreign legal systems;
- volatility in currency exchange rates;
- the risk that foreign countries may impose withholding taxes (or otherwise tax our foreign income or place restrictions on repatriation of profit);
- the risk of barriers, such as anti-dumping and other tariffs or other restrictions being imposed on foreign trade;
- changes in the political, regulatory, or economic conditions in a foreign country or region; and
- the burden of complying with foreign laws and regulations.

If we are unable to manage these risks effectively, our ability to expand our international business would be impaired, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

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If we are unable to attract and retain members of our senior management team and other skilled personnel, our operations could be disrupted and the growth of our business could be delayed or restricted.

Our success depends on the continued service of our key executive officers, particularly Mr. Ellis, Mr. Xie and Ms. Chen. We do not carry key person insurance on any of our personnel. Although we have implemented succession plans in case we lose the services of some of our key executive officers, we cannot assure you that we will appoint or integrate adequate replacement personnel into our operations in a timely manner, the failure of which may in turn disrupt our operations and the growth of our business.

Our success also depends upon our ability to recruit and retain technical personnel with the ability to design, manufacture, sell and enhance our products. We have invested significant resources in training our technical personnel, and we expect to increase our outlays to expand our business. Currently, the demand for skilled workers in China is high, and supply is limited. As a result, there is significant upward pressure on labor wages in China. Significant increases in wages paid by competing employers could result in a reduction of our skilled labor force, and increases in the wage rates that we must pay. If any such events were to occur, our cost structure may increase and our growth potential may be impaired which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to prevent possible resale or transfer of our products to countries, governments, entities, or persons targeted by United States economic sanctions.

OFAC and the Bureau of Industry and Security, or BIS, of the U.S. Department of Commerce administer certain laws and regulations, or U.S. Economic Sanctions Laws, that impose restrictions upon U.S. persons and, in some instances, foreign entities owned or controlled by U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of U.S. Economic Sanctions Laws, or Sanctions Targets. U.S. persons are also generally prohibited from facilitating such activities or transactions.

Historically, we have sold products to Cuba, a Sanctions Target. As of June 9, 2009, our outstanding obligations on sales to Cuba consisted of RMB 3.9 million in accounts receivable and outstanding warranty obligations which we expect to terminate prior to March 2011. As of September 30, 2009, our accounts receivable on sales to Cuba was nil. See "Business—Sales and Marketing—Activities Subject to U.S. Economic Sanctions Laws". In the future, we will seek to prevent sales of our products, directly and indirectly through distributors, to Sanctions Targets, including Cuba. However, we cannot assure you that our measures will be effective in preventing all sales of our products to Sanctions Targets in the future.

Failure to protect our intellectual property rights may materially and adversely affect our competitive position and operations and we may be exposed to infringement or misappropriation claims by third parties.

Our success is in part attributable to the intellectual properties that we have developed or acquired. See "Business—Intellectual Properties". We rely on a combination of trademarks and contractual rights to protect our intellectual property rights. There can be no assurance that the steps we have taken to protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Any significant infringement of our proprietary technologies and processes could weaken our competitive position and have an adverse effect on our operations. To protect our intellectual property rights, we may have to commence legal proceedings against any misappropriation or infringement. However, there can be no assurance that we will prevail in such proceedings. In addition, certain intellectual properties used by us, including those acquired as a part of our Reorganization, cannot be registered. As such, while we have taken reasonable precautions to ensure that we have acquired valid title to intellectual property necessary for our business, we cannot assure you that such precautions are effective and we could be subject to third party challenges in relation to such intellectual properties as a result. We may be subject to litigation or other proceedings involving the violations of intellectual property rights of third parties. The defense of such litigation or other proceedings can be both costly and time-consuming. An adverse determination in any such litigation or

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proceedings to which we may become a party could materially and adversely affect our business, financial condition or results of operations.

We face certain risks relating to the real properties that we own, use or lease.

We have a number of title defects relating to the real properties that we own, use or lease. We have not obtained the approvals from relevant PRC governmental authorities to commence construction on a portion of the construction project at our GPEL Xieqiao plant and the construction project at our Xinjiang Project. We commenced operation at certain properties of our GPEL Xieqiao plant after construction was completed but prior to the relevant properties being inspected and accepted by relevant governmental authorities. In addition, we lease from a third party a parcel of land, and the lessor did not hold the title certificate for the granted land use right for the leased land. We also leased from third parties certain properties on which the lessors did not hold building ownership certificates. We also have not registered certain lease agreements with relevant PRC governmental authorities. See “Business—Manufacturing Facilities and Real Properties—Real Properties”.

As a result of these defects with respect to the properties we own, use or lease, we face number of title related risks. We cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties owned, used or leased by us with which we or relevant lessors do not hold valid titles certificates or construction commencement permits. If any of the properties we owned or leased were successfully challenged, or any lease is expired without renewal, we may be forced to relocate the affected operations. If we fail to find suitable replacement sites on terms acceptable to us for a significant number of the affected operations, or if we are subject to any material liability resulting from third parties’ challenges for our ownership usage or lease of properties with which we or our lessors do not hold valid titles or construction commencement permits, our business, financial condition and results of operations could be materially and adversely affected by any lawsuits or actions unfavorably decided or resolved against us.

Our products may contain undetected flaws or defects. Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products.

Our products may contain latent defects or flaws. Although we test our products prior to delivery, our products may contain flaws that are not detected prior to delivery to our customers. Some flaws in our products may only be discovered after a product has been installed and used by customers. Any flaws or defects discovered in our products could result in delay in payment collection, increase in service or warranty cost, loss of revenue or loss of customers, any of which could adversely affect our business, operating results and financial condition. If our products do not meet the specifications and requirements agreed with or requested by our customers, or if any of our products are defective, or result in our customer’s financial losses or personal injuries, we may be subject to product liability claims and other claims for compensation. Although we maintain product liability insurance that we consider customary for our industry and our operations, we may still be subject to losses resulted from the risks that are not covered by the insurance we currently carry on. We may be subject to product liability claims and litigation and may incur significant legal costs regardless of the outcome of any claim of alleged defect. Products failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales or supply of these or other products. As a result, if we face any product liability claims or litigations, our business, financial condition and results of operations may be materially and adversely affected.

The manufacturing processes for our products involve risks and occupational hazards.

Our business operations, particularly our manufacturing and power generation activities, involve risks and occupational hazards that are inherent to the industry and which may not be completely eliminated through the implementation of preventive measures. These risks could result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, legal liability, damage to our business reputation and corporate image, and fatalities. Although we maintain insurance coverage to the extent we believe is customary in our industry, our business, financial condition and results of operations may be materially and adversely affected if we incur any loss which is not covered by our insurance policies or if the amount of such loss exceeds the aggregate amount of our insurance coverage.

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If disruptions in our transportation network occur or our transportation costs substantially increase, we may be unable to deliver our products in a timely manner and our costs of revenues could increase.

We are highly dependent upon the transportation systems we use to ship our products, including train, truck and ocean shipping. The transportation network is potentially exposed to disruption from a variety of causes, including labor disputes or port strikes, acts of war or terrorism and natural disasters. If our delivery times increase unexpectedly for these or any other reasons, our ability to deliver products on time could be materially and adversely affected and result in delayed or lost revenue.

The industry in which we operate is highly competitive, and a further increase in competition or productivity by our competitors may affect our market share and profit margins.

Our industry is highly competitive, with a number of international and PRC competitors. See “Industry Overview”, “Business—Competition” and “Appendix V—Independent Industry Report on the Global Boiler Industry” for further information on our competitors. Some of our potential competitors have longer operating histories than ours, stronger relationships with their customers, greater brand recognition, or greater financial, technical, marketing and public relations resources than we have, and, as a result, they may be able to acquire some of our customers. Our market share could be reduced if our competitors develop any new technology or new products, or offer products that are comparable or superior to ours at a lower price. Increased competition in the future could result in price reductions, reduced margins, or other strains on our operations. If our competitors offer better quality products, services, or better pricing, then our revenue, market share, and results of operations could be materially and adversely affected.

The modification or elimination of government initiatives promoting environmental protection in China and elsewhere could cause demand for our products and services and our revenues to decline.

We primarily supply heat transfer products and solutions designed to enhance energy efficiency. Recently, we have begun efforts to diversify into other alternative energy areas, such as waste heat power generation and wind power equipment. Accordingly, we have benefited significantly from government policies and initiatives in China and around the world intended to promote environmental protection. If these government policies and initiatives are modified or eliminated in our key markets such as China, the demand for our products and services may decrease and our revenue may also decline as a result.

We are required to comply with various environmental, safety and health laws and regulations which are extensive and the compliance of which may be onerous or expensive.

As part of our business operation, we are required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the PRC and the U.K. governments and governments of other overseas jurisdictions in which we operate. If we fail to comply with these laws and regulations, we could be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. In light of the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC and the U.K. governments or the governments of other overseas jurisdictions in which we have operations will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers.

We may not maintain sufficient insurance coverage for the risks associated with our business operations.

Risks associated with our businesses and operations include but not limited to damage to production facilities, environmental pollution, transportation damages and delays, business interruption due to power shortage, industrial damages, product liabilities, losses of key personnel and risks posed by natural disasters, any or all of which may result in significant losses to us. Currently, we have maintained insurance coverage we consider necessary and sufficient for our operations and customary for the industry in which we operate. We

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cannot assure you that our insurance coverage is sufficient to cover any losses to be sustained by us, or that we can successfully claim our losses under our existing insurance policy on a timely basis or at all. If we incur any loss which is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our financial condition and results of operations could be materially and adversely affected.

We are subject to risks in our expansion efforts into waste heat power generation and wind turbine tower manufacturing businesses.

We have recently diversified into waste heat power generation and wind turbine towers manufacturing businesses. Our waste heat power plant, the Xinjiang Project, began generating power in July 2009, and our joint venture to manufacture wind turbine towers, Tongliao Greens, is expected to commence operation by the end of 2009. We intend to continue to explore strategic alliance with respect to the waste heat power generation business, and acquisition opportunities in these businesses. We have no prior experience in managing power plants, and as a result, our expansion into this area exposes us to a number of risks. In particular, we cannot assure you that our power plants will generate sufficient electricity for the power plants to be profitable, or that our power plants will receive sufficient waste heat from our partners to generate electricity. In addition, we cannot assure you that the current pricing policies on the electricity generated by our power plants will continue and that the electricity price will not decline. Our relative inexperience in manufacturing and selling wind turbine towers subjects us to the risk that we will not be profitable in this business due to, among other reasons, our inability to meet the product demands of our customers and our failure in managing our cost structure. Furthermore, our business model of entering into joint venture partnerships or using build-operate-transfer, or BOT model, is unproven. If the relationship with our partners deteriorates as a result of our disagreement with our partners or other reasons, our operations in these areas may be disrupted, which in turn would adversely affect our operating results.

The construction of waste heat power plants are subject to risks which could give rise to delays or cost overruns.

The construction of waste heat power plants requires significant capital expenditure. The schedule and cost of construction may be adversely affected by factors commonly associated with the construction of infrastructure projects, many of which are beyond our control, including:

- shortages of equipment, materials or labor;
- work stoppages and labor disputes;
- weather conditions, natural disasters and accidents;
- unforeseen engineering, design, environmental or geological problems;
- delays in receiving requisite approvals, licenses or permits; and
- unanticipated cost increases.

Any of the above factors could give rise to delays or cost overruns. We cannot assure you that the planned capital expenditures would be sufficient for the construction of the plants, or that we would be able to allocate sufficient further capital resources for any increase in construction costs to meet our requirements. Any failure to complete the construction or the occurrence of the construction delay for our power plants would result in loss or delayed receipt of revenues, increase in financing costs, or failure to meet profit and earnings projections, which would in turn materially and adversely affect our results of operation.

An occurrence of a widespread health epidemics and other outbreaks could have a material adverse effect on our results of operations.

Our business could be adversely affected by the effects of Influenza A virus subtype H1N1 (or A(H1N1)), Severe Acute Respiratory Syndrome, avian influenza or other epidemic or outbreak on the economic and business climate. Most recently, more than 15,000 cases of detected human cases of A(H1N1) were reported in China and 65 other countries in the world as of June 1, 2009. A prolonged outbreak of A(H1N1), or any

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recurrence of SARS, avian influenza or other adverse public health developments in China or else in the world could have a material adverse effect on our business operations. These could include our ability to travel or ship our products outside of China, as well as temporary closure of our operating facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations. Our business operations could be disrupted if one of our employees is suspected of having SARS, avian influenza or A(H1N1), since it could require us to quarantine some or all of our employees and/or disinfect our facilities. In addition, our results of operations could be adversely affected to the extent that SARS, avian influenza, A(H1N1) or other outbreak harms the global economy in general.

RISKS RELATING TO THE PRC

Adverse changes in China’s economic, political, and social conditions, as well as governmental policies could have a material adverse effect on China’s overall economic growth, which in turn, could materially and adversely affect our business, financial condition and results of operations.

The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of governmental involvement; (iii) level of development; (iv) growth rate; (v) control of foreign exchange and capital flows; and (vi) allocation of resources. The Chinese economy is in transition from a planned economy to a market economy. For the past three decades, the PRC government has implemented economic reform measures, emphasizing the utilization of market forces in the development of the Chinese economy. The PRC economy has grown significantly in recent years. However, we cannot assure you that such growth will continue. In response to the global economic slow-down and market volatility, as described in “Risks Relating to Our Business and Industry—The global financial markets have experienced significant deterioration and volatility recently, which have had negative impact on the global economy and, as a result, may adversely affect our business operations”, the PRC government has lowered interest rates and announced large fiscal stimulus packages to boost the domestic economy, which include RMB 4.0 trillion investments in, among other things, airports, highways, railways, power grids and other infrastructure developments, the effects of which cannot yet be fully determined. Any adverse change in China’s economic, political and social conditions, as well as governmental policies could have a material adverse effect on China’s overall economic growth, which in turn could materially and adversely affect our business, financial condition and results of operations.

Restrictions on foreign exchange may adversely affect our ability to remit dividends and our results of operations and financial condition.

Recent foreign exchange regulations have significantly reduced the PRC Government’s foreign exchange controls on routine transactions under the current account, including trade- and service-related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, each of our subsidiaries incorporated in the PRC is able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. There can be no assurance that these foreign exchange regulations regarding payment of dividends in foreign currencies will continue in the future. In addition, foreign exchange transactions by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if our PRC subsidiaries borrow foreign currency loans from us or other foreign lenders, these loans must be registered with the SAFE, and if we finance it by means of additional capital contributions, these capital contributions must be approved or registered by certain government authorities including the SAFE, the MOFCOM or their local counterparts. These limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange in China, and could affect our business and financial condition.

Fluctuations in exchange rate may have a material adverse effect on our business.

We manufacture our products primarily in the PRC and incur costs mainly in Renminbi. After our Reorganization, we also include significant costs denominated in GBP. Renminbi is the functional currency and presentation currency for our financial statements. However, a significant portion of our revenue is derived from overseas markets, which are denominated in foreign currencies, including U.S. dollars, GBP, and the Euro. In 2006, 2007 and 2008, and the five months ended May 31, 2009, revenue denominated in foreign currencies

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accounted for approximately 7.0%, 28.8%, 33.0% and 30.9% of our revenue, respectively. Our receivables and payables are also primarily denominated in these currencies. As a result, we are exposed to foreign exchange fluctuations between the Renminbi and these other currencies as well as among the non-Renminbi currencies. The conversion of Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under this policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 21.1% appreciation of the Renminbi against the U.S. dollar and 31.1% against the GBP from July 21, 2005 to May 31, 2009. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against these currencies. Further appreciation of the Renminbi may cause our exported products to be relatively more expensive than those of our competitors, which could have an adverse impact on our overseas sales and may cause imported products, which compete with our products, to be relatively less expensive for Chinese customers. This could have a material adverse effect on our business, financial condition, and results of operations. Conversely, any depreciation of the Renminbi would adversely affect the value of any dividends payable on the Shares by us in foreign currency terms.

There are only limited hedging transactions available in the PRC to reduce our exposure to exchange rate fluctuations. To reduce our foreign exchange risk exposure to the Renminbi, we recently entered into a series of forward transactions on, among other currencies, the Renminbi, U.S. dollar and Euro. The availability and effectiveness of these transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies because the regulations would limit our ability to hedge our exposure to foreign currency exchange losses.

Failure to comply with the SAFE regulations relating to registration of interests by our PRC resident beneficial owners may adversely affect our business operations.

On October 21, 2005, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-trip Investment via Special Purpose Offshore Companies" (Hui Fa [2005] No. 75) (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(匯發[2005]75號)), or Notice No.75, a public notice which became effective on November 1, 2005. The Notice No.75 requires PRC residents to register with the local SAFE branch before directly establishing or indirectly controlling any company, referred to in the notice as a "special purpose offshore company", outside of the PRC for the purpose of capital financing with assets or equity interest in an onshore enterprise in the PRC, and to go through the modification registration procedures after completing an investment in or acquisition of any operating subsidiaries in the PRC via the special purpose offshore company, which we refer to herein as a "round-trip investment". In addition, any change of shareholding or any other material capital alternation in such special purpose offshore company not involving a round-trip investment, such as a change in share capital or merger and acquisition, must be filed or registered within 30 days from the date of change. The relevant SAFE's regulations apply retrospectively to registration of direct or indirect investments made by PRC residents in special purpose offshore companies before the Notice No.75 came into effect.

On May 29, 2007, the SAFE promulgated the "Operational Rules for the State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-trip Investment via Special Purpose Offshore Companies" (Hui Zong Fa [2007] No. 106) (《國家外匯管理局綜合司關於印發〈國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知〉操作規程的通知》(匯綜發[2007]106號)), or the Notice No. 106, which further clarifies the implementation and application of the Notice No. 75 and specifies the procedures of the SAFE registrations as required. In accordance with the Notice No. 106, the provisions in the Notice No. 75 on the SAFE registration of direct establishment of the special purpose offshore companies also applies to the round-trip investment by the PRC residents who hold the minority equity interest without controlling the special purpose offshore companies.

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In the event that a PRC resident with a direct or indirect stake in a special purpose offshore company fails to make the required SAFE registration, the PRC subsidiaries of such special purpose offshore company may be prohibited from distributing their profits to their offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries, and the offshore parent's ability to contribute additional capital or provide loans, would be impaired. In addition, failure to comply with SAFE registration requirements as described above may also result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

These regulations apply to the beneficial owners of our Company who are PRC residents. We have notified our beneficial owners whom we know are PRC residents to register with the local SAFE branch and update their registrations from time to time as required under the SAFE regulations described above. We are aware that our beneficial owners whom we know as PRC residents have registered with the relevant local SAFE branch. We, however, cannot provide any assurances that any or all of our beneficial owners who are PRC residents will continue to comply with relevant SAFE regulations. Any failure or inability of our PRC resident beneficial owners to comply with the registration procedures may subject such PRC resident beneficial owners to certain fines and legal sanctions, may restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends or obtain foreign exchange-dominated loans to our company.

The payment of dividends by our operating subsidiaries in China is subject to restrictions under PRC law.

We are a holding company established in the Cayman Islands and we operate our core business through our subsidiaries in China and U.K. PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS and U.S. GAAP. PRC laws require foreign invested enterprises, including all of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries, any restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

Any change in the preferential tax treatment we currently enjoy in the PRC may have an adverse impact on our results of operations.

On March 16, 2007, the National People's Congress passed a new Enterprise Income Tax Law. The Enterprise Income Tax Law, or EIT Law, which became effective on January 1, 2008 replaced the previous two separate tax legal regimes for foreign-invested enterprises and Chinese domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including foreign-invested enterprises, unless they qualify under certain exceptions. Although the EIT Law revokes many of the previous tax exemption, reduction and preferential treatments which were applicable to foreign-invested enterprises, it contemplates various transition periods and measures for previous preferential tax policies. Enterprises which were established before the promulgation of the EIT Law and were previously entitled to a lower income tax rate will be entitled to a grace period of 5 years, and enterprises which were entitled to the fixed-term preferential tax exemption or reduction will continue to enjoy such preferential treatment until the expiration of the specified terms, except that the relevant exemption or reduction shall start from January 2008 if the first profitable year for the relevant enterprise is later than January 1, 2008. Some of our subsidiaries in China, SGME, GPEL and SGTE, are foreign-invested companies incorporated prior to March 16, 2007. SGME was exempted from the income tax from 2005 to 2006, was entitled to a preferential income tax rate of 16.5% in 2007, and is subject to a reduced income tax rate of 12.5% from 2008 to 2009. GPEL was exempted from the income tax from 2007 to 2008, and are entitled to a preferential income tax rate of 12.5% from 2009 to 2011. SGTE was exempted from the income tax from 2004 to 2005, was subject to a preferential income tax rate of 13.5% from 2006 to 2007, and was entitled to a preferential income tax rate of 12.5% for 2008. We expect that our tax payment will increase in 2009 and will further increase following the expiry of the above preferential tax treatment in 2012.

Moreover, the EIT Law provides a withholding tax rate of 20% which will be applicable to dividends payable by foreign-invested enterprise to its foreign investors that are "non-PRC resident enterprise" without any

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establishment or place within China or if the dividends payable have no connection with the establishment or place of the foreign investors in the PRC unless the jurisdiction of such foreign investors has a tax treaty with China that provides a different withholding arrangement. The Implementation Rules of the Enterprise Income Tax Law, which was promulgated on December 6, 2007, subsequently reduced this withholding income tax rate from 20% to 10%. The State Administration of Taxation and Minister of Finance jointly issued the Notice on Several EIT Preferential Treatments on February 22, 2008, which further clarifies that dividends distributed to foreign investors out of the profits of a foreign-invested company generated before January 1, 2008 are still exempt from withholding tax even if they are paid after January 1, 2008.

Under the EIT Law, if any enterprise incorporated outside the PRC has its "actual management organization" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on their global income. The Implementation Rules of the Enterprise Income Tax Law defined the "actual management organization" as an organization actually managing and controlling an enterprise's production, operation, personnel, finance and assets. If the PRC tax authorities determine that our overseas holding companies are "PRC resident enterprises" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. Firstly, we may be subject to enterprise income tax at a rate of 25% on our global taxable income as well as PRC enterprise income tax reporting obligations. Secondly, although under the EIT Law and its Implementing Rules, dividends income between qualified PRC resident enterprises is tax-exempted, it is not clear how the qualified PRC resident enterprise is defined under the EIT Law. Finally, if dividends we pay to our non-PRC shareholders and gains derived by our non-PRC shareholders from transferring our shares are treated by the PRC taxation authorities as income derived from sources within the PRC, such dividends and gains may be subject to a 10% withholding tax unless the jurisdiction of such non-PRC shareholders has a tax treaty with China that provides a different withholding arrangement, provided that the non-PRC shareholders are "non PRC resident enterprises" without any establishment or place within China or that such dividends or gains have no connection with the establishment or place of the non-PRC shareholders in the PRC.

A slow-down of the PRC economy could adversely affect our business, results of operations and growth prospects.

Our revenue from the PRC market accounted for 93.0%, 71.2%, 67.0% and 69.1% of our revenues in 2006, 2007, 2008 and five months ended May 31, 2009, respectively. The success of our business depends, in significant part, on the growth of the PRC economy and the resultant demand for our products. A slow-down of the PRC economy could adversely affect our businesses, results of operations and growth prospects. In recent periods, the growth of the PRC economy has slowed down significantly, affected by the ongoing global financial crisis. According to China's National Bureau of Statistics, China's GDP grew at an annual rate of 11.1%, 13.0%, 9.0% and 6.1% in 2006, 2007, 2008, and for the first quarter of 2009, respectively. The slow-down in China's economic growth may reduce demand for our products, which could have a material and adverse effect on our financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have a material adverse affect on our business, financial condition and results of operations.

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It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our Directors.

Most of our operating subsidiaries are incorporated in the PRC, two of our Executive Directors currently reside within the PRC, and a substantial portion of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was executed on July 14, 2006. However, there are many restrictions on such arrangement. As a result, it may not be possible to effect service of process upon our subsidiaries or our Directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

The implementation of the PRC Labor Contract Law and the Implementation Regulation for the PRC Labor Contract Law may increase our operating expenses and may adversely affect our business and results of operations.

On June 29, 2007, the PRC National People's Congress enacted the PRC Labor Contract Law, or the Labor Contract Law, which became effective on January 1, 2008. The Implementation Regulation for the PRC Labor Contract Law, or the Implementation Regulation, was promulgated by the State Council and took effect on September 18, 2008. The Labor Contract Law formalizes, among others, worker's rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labor contracts, the clauses of the labor contract and the role of trade unions herein. In particular, it provides for specific standard and procedures for entering into non-fixed-term labor contracts as some of our employees do. Either the employer or the employee is entitled to terminate the labor contract in circumstances as prescribed in the Labor Contract Law or if certain precondition is fulfilled, and in certain cases, the employer is required to pay a statutory severance upon the termination of the labor contract pursuant to the standards provided by the Labor Contract Law.

As the Labor Contract Law and its Implementation Regulation have been enforced for only a very short period by now, substantial uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labor Contract Law and the Implementation Regulation may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our employees or otherwise, the Labor Contract Law may also limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in the heat transfer product industry in the PRC;
- products under development or planning;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “forecast”, “plan”, “potential”, “will”, “may”, “should”, “going forward”, “expect” and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, factors disclosed under “Risk Factors” and elsewhere in this document.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

DIRECTORS AND PARTIES

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Frank Ellis	17 The Russets Sandal Wakefield West Yorkshire WF2 6JF UK	U.K.
Xie Zhiqing	No.10, Wei Ye Road Shanghai PRC	PRC
Chen Tianyi	No.320, Beijing Road West Huang Pu District Shanghai PRC	PRC
Non-executive Director		
Zhu Keming	5th Floor, South Tower Zhongtai Mansion No. 63 Wangfu Ave. Nanjing PRC	PRC
Independent Non-Executive Directors		
Jack Michael Biddison	501 Hungerford Drive No. 312 Rockville, Maryland USA	United States
Yim Kai Pung	5B Tower 2, The Arch Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Hong Kong
Ling Xiang	Room 502, 198 Qing Shi Village Nanjing PRC	PRC

DIRECTORS AND PARTIES

PARTIES INVOLVED

Legal Advisors to our Company

as to Hong Kong law:

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as to U.S. law:

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as to English law:

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Reporting Accountants

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88 Queensway
Hong Kong

Property Valuer

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Hong Kong

CORPORATE INFORMATION

Registered Office	ATC Trustees (Cayman) Limited George Town, Grand Cayman KY1-1203 Cayman Islands
Headquarter	17th Floor, Shanghai Overseas Chinese Mansion, No. 129 Yan An Road West, Shanghai PRC
Principal Place of Business in Hong Kong	Rooms 1003B-1009, 10th Floor, Hutchison House, 10 Harcourt Road Central Hong Kong
Company Secretary	Chan Wing Bun
Authorized Representatives	Frank Ellis Chan Wing Bun
Audit Committee	Yim Kai Pung (chairman) Ling Xiang Jack Michael Biddison
Remuneration Committee	Jack Michael Biddison (chairman) Yim Kai Pung Frank Ellis
Nomination Committee	Ling Xiang (chairman) Chen Tianyi Yim Kai Pung

INDUSTRY OVERVIEW

Certain information and statistics relating to our industry provided in this section and elsewhere in this document have been derived from official government sources. There can be no assurance that these sources have compiled such data and information on the same basis or with the same degree of accuracy or completeness as are found in other industries or other jurisdictions. Moreover, neither we nor any of our advisors, have independently verified this information or these statistics. For more information on the sources of information and statistics used in this section, see "—About This Section".

GLOBAL ENERGY AND POWER INDUSTRY

The year 2008 saw a slow-down in global primary energy consumption, thus breaking the above-average year-on-year growth witnessed from 2003 to 2007. World primary energy consumption grew by 1.7% from 2007 to 2008, the slowest rate since 2001. U.S. primary energy consumption decreased by 2.6% from 2007 to 2008, representing the country's largest decline since 1982.

For the first time, primary energy consumption from non-OECD countries surpassed that of OECD's. Chinese primary energy consumption grew by 7.5% in 2008, compared with 8.1% in the previous year. Nevertheless, the country accounted for nearly 75% of the growth in global primary energy consumption in 2008. The other two significant growth regions for 2007 to 2008 were the Middle East and Africa, which exhibited above-average growth at 6.2% and 4.4% respectively. It should be noted though, that these two regions combined still only account for about half the energy consumption of China. In the recent BP Statistical Review of World Energy 2009 Report, non-OECD regions, including India and China, are expected to contribute significantly to the long-term energy demand, due to their high projected economic and population growth. In the OECD region, where economies are relatively mature and the population growth rates are lower, growth in energy demand is expected to grow at a steadier pace.

The following table sets forth, for the periods indicated, the world's primary energy consumption by region.

	For the year ended December 31,							% of total	07-08	02-08
	2002	2003	2004	2005	2006	2007	2008	in 2008	Growth %	CAGR %
	(in millions of tonnes of oil equivalent, except for percentages)									
Europe & Eurasia	2,835	2,877	2,926	2,938	2,979	2,957	2,965	26.3%	0.3%	0.6%
North America	2,729	2,752	2,804	2,819	2,803	2,849	2,799	24.8%	-1.8%	0.4%
China	1,058	1,229	1,429	1,572	1,723	1,863	2,003	17.7%	7.5%	11.2%
Rest of Asia Pacific	1,681	1,716	1,799	1,858	1,895	1,953	1,979	17.5%	1.3%	2.8%
Middle East	444	463	493	533	555	578	614	5.4%	6.2%	4.7%
South and Central America	466	470	491	512	538	564	580	5.1%	2.9%	3.2%
Africa	289	302	318	324	327	341	356	3.2%	4.4%	3.0%
World Total	9,503	9,811	10,259	10,555	10,821	11,104	11,296	100%	1.7%	2.5%

Source: BP Statistical Review 2009

Numbers may not add up to total due to rounding

The following table sets forth the world's primary energy consumption by fuel type in 2008.

	For the year ended December 31, 2008	% of total in 2008	07-08 Growth %
	(in millions of tonnes of oil equivalent, except for percentages)		
Oil	3,928	34.8%	-0.3%
Coal	3,304	29.2%	3.4%
Natural gas	2,726	24.1%	2.8%
Hydro electric	718	6.4%	3.1%
Nuclear energy	620	5.5%	-0.5%
Total	11,296	100.0%	1.7%

Source: BP Statistical Review 2009

Numbers may not add up to total due to rounding

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According to BP Statistical Review of World Energy 2009, in 2008, global oil consumption saw its largest decline since 1983, and declined by 0.5% or approximately 420,000 b/d. Oil consumption in the OECD region declined by 3.1%, or approximately 1.5 million b/d, while non-OECD economies' consumption also declined to 1.1 million b/d. On the other hand, global demand for natural gas grew by 2.5% in 2008, driven primarily by the Middle East's robust domestic consumption as well as intra-regional trade. In 2008, natural gas reached 24% of global primary energy demand. Coal remains the fastest growing fuel, despite its demand slow-down in 2008, and China continues to be the largest consumer in the world. It should be noted that these statistics do not just include power generation, but also transportation.

World electricity generation rose by 1.6% from 2007 to 2008. The Asia-Pacific region as well as Europe & Eurasia are the two largest regions in terms of electricity generation, accounting for 35.9% and 26.5% respectively of the global total in 2008. In terms of countries, the US and China continue to lead in the global electricity generation, having generated 4,316 and 3,433 Terawatt-hours respectively in 2008.

According to EIA World Energy Outlook 2009, the shares of natural gas and coal for electricity generation worldwide are expected to increase further. By 2030, the share of natural gas is forecast to rise to 21.4%, from 20% in 2006, while the share of coal is expected to increase to 43% from a share of 41% in 2006. The relative environmental benefits and higher efficiency that can be achieved from gas-fired plants make natural gas an attractive fuel choice. However, volatile prices and concern over the security of supply act as restraints in some regions.

The following table sets forth, for the periods indicated, the world's electricity generation by region.

	For the year ended December 31,						% of total in 2008	07-08 Growth %	02-08 CAGR %
	2002	2003	2004	2005	2006	2007			
	(in terawatt-hours, except for percentages)								
Europe & Eurasia . . .	4,808	4,927	5,036	5,116	5,229	5,301	5,354	26.5%	1.0%
North America	4,845	4,861	4,967	5,088	5,103	5,222	5,172	25.6%	-1.0%
Rest of Asia									
Pacific	3,036	3,162	3,302	3,437	3,565	3,710	3,778	18.9%	1.9%
China	1,654	1,911	2,203	2,500	2,866	3,282	3,433	17.0%	4.6%
South and Central									
America	812	855	901	938	988	1,024	1,050	5.2%	2.5%
Middle East	521	546	579	625	664	699	739	3.7%	5.7%
Africa	481	507	539	560	584	613	638	3.2%	4.2%
World total . . .	16,191	16,804	17,564	18,303	19,037	19,890	20,202	100.0%	1.6%

Source: BP Statistical Review 2009

Numbers may not add up to total due to rounding

Global total installed capacity grew from 3,519 GW in 2002 to 4,013 GW in 2006, representing a four-year CAGR of 3.3%. This information is the latest available from the Energy Information Agency. The fastest growth has come from China, with an 15.0% four-year CAGR from 2002 to 2006.

The following table sets forth, for the periods indicated, the world's installed capacity by region.

	For the year ended December 31,					% of total in 2006	05-06 Growth %	02-06 CAGR %
	2002	2003	2004	2005	2006			
	(in GW, except for percentages)							
Europe & Eurasia	1,085	1,112	1,132	1,139	1,155	28.8%	1.3%	1.6%
North America	1,040	1,089	1,110	1,128	1,139	28.4%	0.9%	2.3%
China	357	391	442	517	624	15.6%	20.7%	15.0%
Rest of Asia & Oceania (ex. China) . . .	625	630	633	635	620	15.4%	-2.4%	-0.2%
South and Central America	197	204	210	215	220	5.5%	2.5%	2.8%
Middle East	112	117	126	135	145	3.6%	6.8%	6.7%
Africa	103	104	105	108	110	2.7%	2.0%	1.6%
World total	3,519	3,646	3,758	3,878	4,013	100.0%	3.5%	3.3%

Source: China Electrical Power Year Book 2008 for China data; EIA for the rest of the data

Numbers may not add up to total due to rounding

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The following table sets forth, for the periods indicated, power equipment investment, as determined by new orders, in the world's largest markets by region. The region is determined by the location at which the power equipment is planned to be used.

	For the year ended December 31,														% of total in 2008		02-08 CAGR %	
	2002		2003		2004		2005		2006		2007		2008					
	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn	GW	\$Bn
China	29.0	29.0	149.0	153.0	69.0	71.0	46.0	53.0	41.0	52.0	113.0	183.0	119.0	222.0	46.9%	52.7%	26.5%	40.4%
Rest of																		
Asia	11.0	10.0	30.0	30.0	22.0	21.0	25.0	22.0	28.0	34.0	95.0	134.0	60.0	92.0	23.6%	21.9%	32.7%	44.8%
Europe	15.0	11.0	14.0	13.0	12.0	11.0	16.0	14.0	28.0	38.0	46.0	75.0	38.0	64.0	15.0%	15.2%	16.8%	34.1%
North																		
America . .	15.0	11.0	8.0	7.0	13.0	12.0	7.0	10.0	16.0	22.0	21.0	37.0	20.0	27.0	7.9%	6.4%	4.9%	16.1%
Middle																		
East	7.0	6.0	12.0	9.0	18.0	15.0	16.0	14.0	13.0	15.0	36.0	36.0	17.0	16.0	6.7%	3.8%	15.9%	17.8%
Total⁽¹⁾	77.0	67.0	213.0	212.0	134.0	130.0	110.0	113.0	126.0	161.0	311.0	465.0	254.0	421.0	100.0%	100.0%	22.0%	35.8%

Source: McCoy Power Report 2008

(1) Exclude amounts for certain regions, including Africa and South America, which amounts Frost & Sullivan Limited considered to be insignificant.

Numbers may not add up to total due to rounding

Demand for power equipment is forecast to continue to increase. This is driven by rising GDP levels and increasing access to electricity. Demand is also expected to come from climate change and the need for greater energy efficiency. This is forecast to mean greater demand for renewable technologies such as wind and solar, low carbon technologies such as nuclear and solutions to reduce the emissions and maximize the efficiencies of both gas and coal-fired plants.

CHINA POWER GENERATION INDUSTRY

In reports released by the Chinese National Bureau of Statistics, the Chinese economy expanded at its slowest pace and grew by only 9.0% year-on-year in 2008 after expanding by 13.0% in the previous year, as the global recession adversely impacted demand for exports. The country's industrial output growth for 2008 was 12.9%. Moreover, Chinese electricity generation growth declined to an eight-year low, increasing by 4.6% in 2008, as the manufacturing sector scaled back production and shut down operations due to declining orders.

According to the China Electricity Council, or CEC, China's total investment in its power infrastructure, including power plants and power grids, stood at RMB 576.3 billion (US\$84 billion) in 2008, representing a 1.5% increase from 2007. Nearly half of these investments were channeled towards power grid construction. The country's commitment to the development of clean energy is underscored by higher investment in nuclear and wind power, which increased by 72% and 88% respectively in 2008. In the same period, investment in coal-fired power plants dropped by 22%, although it should be pointed out that investment in coal-fired plants was exceptionally high in 2007. China has also set a goal to reduce energy consumption per unit of gross domestic product by 20% and pollution by 10% by 2010 from its levels in 2005 as outlined in the country's 11th Five-Year Plan for National Economic and Social Development.

The following table sets forth, for the periods indicated, China's total installed capacity.

	For the year ended December 31,							02-08
	2002	2003	2004	2005	2006	2007	2008	CAGR %
	(in GW, except for percentages)							
Total installed capacity	357	391	442	517	624	713	793	14.2%
Incremental installed capacity	18	35	51	75	107	90	80	
Increase (%)	5.5%	9.5%	13.0%	17.0%	20.7%	14.3%	11.2%	

Source: China Electric Power Yearbook 2008

Numbers may not add up to total due to rounding

INDUSTRY OVERVIEW

Owing to the country's abundant indigenous coal resources, China is forecast to continue to use coal as a major source of fuel in the near-term. In 2008, 75.9% of the country's installed capacity came from thermal sources. However, the share of nuclear and wind is forecast to grow in the future. In May 2009, the Chinese government launched a RMB 3 trillion (\$440 billion) stimulus package to expand the country's use of renewable energy sources (excluding hydropower), from the current 1.5% to 6.0% of its overall energy use by 2020.

The following table sets forth China's installed capacity in 2008 by fuel type.

	GW in 2008	% of total
Thermal	601.3	75.9%
Hydro	171.5	21.6%
Wind	8.9	1.1%
Nuclear	8.9	1.1%
Other	1.9	0.2%
Total	<u>792.5</u>	<u>100.0%</u>

Source: China Electricity Council
Numbers may not add up to total due to rounding

GLOBAL BOILER MARKET

The focus of this section is principally on utility boilers. For smaller industrial boilers, the market is much more fragmented and is not covered in this section.

Although the economic slow-down is expected to reduce boiler demand in the short-term, the medium-to-long-term trend is for a consistently high demand for boilers, according to Frost & Sullivan. This is caused by a number of different factors. As GDP levels resume their continuing trend upwards, global power demand is forecast to rise as there is a close relationship between the two and this inevitably means more power plants required according to Frost & Sullivan Limited. Increasing living standards, leading to increasing ownership of durable household goods continues to increase according to Frost & Sullivan Limited and boosts the demand for power. Rural electrification is also an important factor, with more global citizens each year receiving access to electricity, and new capacity is needed to meet this demand. The revenue generated and volume sold rose from US\$2.3 billion and 195 units respectively in 2002, to US\$22.9 billion and 311 units in 2008 according to Frost & Sullivan Limited and McCoy Power Reports. Frost & Sullivan Limited has calculated that this equates to a CAGR increase of 46.8% in revenue terms. The increase in market value is faster than market volumes, as the average price per MW has substantially increased since 2002, according to Frost & Sullivan Limited.

China has been the largest boiler market in the world since 2002, according to McCoy Power Reports. In 2008, it accounted for more than 50% of both global revenues and number of units ordered. As a result of the major power shortage crisis that occurred from 2002 to 2004, the government and independent power producers made considerable investments in power plants, particularly coal-fired plants. As all coal-fired plants need a boiler, this led to a significant increase in orders in 2003. Orders were lower from 2004 to 2006, although they remained significantly above pre-2003 order volumes. 2007 saw another surge in demand, when China ordered 95,000MW of coal-fired boilers, according to Frost & Sullivan Limited. The Chinese government understands that a strong power infrastructure is required to sustain economic growth and ensure a stable supply of electricity. As a result, the demand for boilers is expected to remain at relatively high levels for the foreseeable future.

In 2008, the Rest of Asia accounted for 31.2% of units ordered and 23.5% of the global market revenues. India is the main driver of demand, with investments being made to comply with the latest five-year plan according to Frost & Sullivan Limited. Europe is the third largest with 10.3% of units ordered. This level lengthened waiting times in Europe, as the suppliers' capacity could only meet approximately 50% of the level of demand, according to Frost & Sullivan Limited.

INDUSTRY OVERVIEW

In terms of demand for new boilers as compared to retrofitting, each region has a different trend according to Frost & Sullivan Limited. In North America, the demand is likely to be focused on retrofitting existing boiler units (which is forecast to account for approximately 80% of component sales), as large-scale new orders are unlikely until the carbon trading system issues have been resolved and this is forecast to take some time. In China, new build is expected to be the preferred option according to Frost & Sullivan Limited (approximately 70% of sales). In many cases, the Chinese government prefers to decommission existing plants and rebuild them, often installing large turbines to increase overall capacity. Despite this, there is still a substantial demand for equipment for retrofit, with a large number of inefficient plants constructed pre-2002. In Europe, new build dominates according to Frost & Sullivan Limited; as many of the generating assets are aging and need to be replaced (approximately 80% new build). Finally in the Rest of Asia, new build is the preferred option according to Frost & Sullivan Limited (approximately 80%), as the average age of existing units is much lower than North America or Europe. India, a dominant country, is mostly new build.

Retrofitting will become an increasingly important market over the forecast period and this is expected to continue post-2012. In this report, the market for retrofitting is shown in tonnes and revenues for the economisers, but retrofitting projects are expected to contribute an even greater value in overall project terms because of their greater complexity. This gives those economiser manufacturers who have strong project management skills an extra potential revenue stream. Retrofits can vary in complexity from a relatively straight forward component parts replacement to a complete and total overhaul of the whole boiler.

There is also the potential in the future for greater revenues for boiler makers and component manufacturers as they look for ways to reduce carbon dioxide emissions and other greenhouse gases. This focuses on three particular areas, pre-combustion technology, oxy-combustion and post-combustion technology, which are all linked to the development of carbon capture and storage (CCS). CCS is still at a trial stage in a number of plants globally, but the initial results have been good, and the potential for the technology to revolutionize the boiler market is exceptional. If CCS can be proved to be commercially viable, it is expected to provide the largest incentive for using coal for power generation, according to Frost & Sullivan Limited.

In terms of market shares, the market is dominated by Chinese manufacturers, according to data from McCoy Power Reports. Based on tonnage in 2008, Shanghai Xinjun, Dongfang Boiler and Harbin Boiler held 32.8%, 20.3% and 19.0% of the market respectively. Between them, the three leading players held 72.1% market share. BHEL was the next largest player, with a 10.3% share, followed by Babcock & Wilcox with 6.1%. Other notable players include Alstom, Foster Wheeler and Hitachi Power.

The following table sets forth, for the periods indicated, the power generation boiler market size of the world's largest markets by region.

	For the year ended December 31,														% of total in 2008		02-08 CAGR %	
	2002		2003		2004		2005		2006		2007		2008					
	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn	Units	\$Bn
China	114	1.8	350	8.9	135	4.4	100	3.7	119	4.6	205	13.3	168	13.4	54.0%	58.5%	6.7%	39.7%
Rest of Asia	23	0.2	46	1	49	1.1	40	1	57	1.3	138	9.8	97	5.4	31.2%	23.5%	27.1%	73.3%
Europe	28	0.2	27	0.1	31	0.5	27	0.7	41	2.6	50	3.4	32	3.4	10.3%	14.9%	2.3%	60.7%
North America	30	0.1	11	0.2	50	0.7	35	0.7	49	1.7	55	2.9	14	0.7	4.5%	3.1%	-11.9%	39.4%
Total⁽¹⁾	195	2.3	434	10.2	265	6.7	202	6.1	266	10.2	448	29.4	311	22.9	100%	100%	8.1%	46.8%

Source: Frost & Sullivan Limited

(1) Exclude amounts for certain regions, including Africa and South America, which amounts Frost & Sullivan Limited considered to be insignificant.

Numbers may not add up to total due to rounding

GLOBAL ECONOMISER MARKET

The economiser is a key piece of heat transfer equipment, typically installed in boiler systems for power plants. The economiser recovers the waste heat from the boiler's hot exhaust gas and transfers the thermal energy contained in the exhaust gas to the boiler's system fluid, or feedwater, before it enters into the boiler system. Frost & Sullivan Limited estimates that the market size for economisers in tonnage is expected to increase at a

INDUSTRY OVERVIEW

CAGR of 6.6% from 2008 to 2012. The economic downturn will have an impact in the short-term, as falling boiler orders will hit economiser sales for new build boilers. However, the retrofit market is expected to cushion the impact to a large extent, and the market is expected to rebound substantially in 2010. The need to refurbish aging capacity, the continual tightening of environmental regulations and the need to improve efficiency due to high fuel costs will all keep driving the market forward.

The economiser products can be broadly categorized into extended surface economisers and plain steel economisers. An extended surface economiser has metal fins indexed onto the plain metal tubes, which significantly extend the metal surface exposed to the heat sources. A plain steel economiser is designed and manufactured using plain steel tubes without the attachment of metal fins. The economiser market share is divided between the boiler manufacturers and specialist suppliers of economisers. Based on tonnage in 2008, the boiler manufacturers dominated the plain steel market while Greens dominated the extended surface market, with 37.5% of the global market and 66% of the market in China, the largest regional market. Greens also held 26% of the European market and 10% of the Rest of Asia market in 2008. Historically, plain steel economisers accounted for a larger share of the total market. Extended surface economisers were introduced to the market later than plain steel economisers, and there remains a sizable number of customers who do not fully appreciate the technical and cost differences between the two. While the price per tonne of an extended surface economiser is higher, boiler systems installed with extended surface economisers generally enjoy higher heat exchange per tonne or per square meter of heat exchange, and accordingly, are more efficient heat exchangers than plain steel economisers. According to Frost & Sullivan Limited, in 2008, 69% of economisers sold by tonnage were plain steel, but that percentage is expected to fall to 62% by 2012. In revenue terms, the percentage for plain steel will fall from 61% to 53%. More users will begin to focus on overall costs as compared to simple per ton capital cost when making purchasing decisions for economisers.

China continues to lead the market for both extended surface and plain steel economisers, with 41.8% and 41.7% of the total market share in terms of revenue generated in 2008. Frost & Sullivan Limited expects demand for economisers in China to decline slightly in 2009, but rebound significantly in 2010. Growth in the short-term will come from manufacturers seeking to meet the sustained demand for power generation equipment, according to Frost & Sullivan Limited. In the longer term, Frost & Sullivan Limited believes that retrofit sales will become an increasingly important factor, which will foster economiser sales after 2012. The market size of extended surface economisers in China is expected to grow at a CAGR of 19.3% from 2008 to 2012, in revenue terms. The Rest of Asia, which is the second largest market for extended surface economisers, is expected to grow by 11.8% from 2008 to 2012. The long-term prospects are also good, with India's 12th five year plan expected to result in significant orders from 2012 onwards. Prospects for the European market in the short-term have worsened, largely because of the financial crisis, but the market will recover strongly post-2012.

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The following table sets forth, for the periods indicated, historical and forecasted market size of the worlds largest extended surface and plain steel economiser markets by region.

For the year ended December 31, 2008																						
2004		2005		2006		2007		2008		2009		2010		2011		2012		08-12 CAGR %		% of total in 2008		
Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	Tonnes	\$Mn	
Extended Surface																						
China	11,379	28	14,941	39	18,676	51	22,000	66	22,440	71	22,440	64	28,050	86	33,099	110	39,719	145	15.3%	19.3%	46.8%	42.0%
Rest of Asia	5,547	13	7,212	17	9,375	24	15,000	42	16,200	48	15,390	40	16,929	47	18,960	56	23,701	75	10.0%	11.8%	33.8%	28.3%
Europe and the CIS	3,146	14	3,367	17	3,670	19	4,000	24	4,200	27	3,906	22	4,101	24	4,716	29	5,660	37	7.7%	8.7%	8.8%	15.7%
North America	3,933	12	4,247	15	4,587	18	5,000	23	5,100	24	4,335	18	4,552	20	5,235	24	6,281	31	5.3%	7.1%	10.6%	14.0%
Sub Total	24,006	67	29,766	88	36,308	112	46,000	155	47,940	170	46,071	144	53,632	176	62,010	218	75,361	288	12.0%	14.1%	100%	100%
Plain Steel																						
China	34,990	59	38,664	68	47,170	87	50,000	100	53,000	111	50,880	94	55,968	108	58,766	121	63,468	142	4.6%	6.4%	49.4%	41.7%
Rest of Asia	25,432	47	27,721	54	30,493	62	34,000	75	35,700	82	33,915	71	35,611	77	38,460	89	43,075	109	4.8%	7.1%	33.3%	30.8%
Europe and the CIS	7,866	24	8,417	28	9,174	32	10,000	40	10,400	44	8,840	32	9,017	33	9,468	36	10,130	42	-0.7%	-1.2%	9.7%	16.5%
North America	6,178	15	6,796	18	7,407	22	8,000	28	8,160	29	6,773	21	6,908	22	7,392	25	8,131	30	-0.1%	0.7%	7.6%	10.9%
Sub Total	74,466	145	81,598	168	94,244	203	102,000	243	107,260	266	100,408	217	107,504	239	114,805	271	124,804	323	3.9%	5.0%	100%	100%
Total	98,471	212	111,364	256	130,552	315	148,000	398	155,200	436	146,479	361	161,136	415	176,815	489	200,165	611	6.6%	8.8%		

Source: Frost & Sullivan Limited.

(1) Exclude amounts for certain regions, including Africa and South America, which amounts Frost & Sullivan Limited considered to be insignificant. Numbers may not add up to total due to rounding

INDUSTRY OVERVIEW

GLOBAL WASTE HEAT BOILER MARKET—HRSG SEGMENT

Waste heat boilers extract thermal energy contained in the waste gases emitted from various industrial utilizations, and utilize the recovered thermal energy in another process of further utilizations. An HRSG is a type of waste heat recovery system designed to utilize exhaust heat emitted from gas turbines through steam conversion. Frost & Sullivan Limited categorizes the HRSGs market, based on power output, into large HRSGs, i.e. 50MW or greater, and small to medium HRSGs, i.e. 3MW to 50MW.

The global demand for HRSGs is driven by the demand for new gas-fired power generation plants, which is in turn driven by the generally lower capital cost and shorter construction time for gas-fired plants as compared to coal-fired power plants, according to Frost & Sullivan Limited. In addition, the fuel cost efficiency benefits generally associated with the use of HRSG with gas turbines is also one of the factors that have contributed to the growth of the HRSG market. Large HRSGs are flexible and can be used as both base load and peak load generating capacity, while small gas-fired plants play a critical role in providing peak load generating capacity and provide back-up support to intermittent fuel sources, particularly wind turbines.

The global market size for large sized HRSGs was estimated to be US\$5,890 million in 2008, and is expected to grow at 4.9% CAGR from 2008 to 2012, according to Frost & Sullivan Limited. Europe's heavy reliance on gas-fired generation is the primary reason why it was the largest market in 2008, accounting for 31.8% of global revenues.

In 2008, the total market size for small-to-medium sized HRSGs was US\$642 million, and is expected to grow by a CAGR of 5.8% from 2008 to 2012, reaching US\$806 million in 2012. In terms of revenue generated, Europe and North America shared the position of being the largest markets in 2008, with a global market share of 33.4% each.

The main driver for Europe's dominant share in both large and small to medium sized HRSGs is the need to replace aging installed capacity. The Large Combustion Plant Directive passed in 2001 by the European Union required heavily polluting coal-fired plants to either fit pollution control equipment or cease operation. Plants were allowed to run for no more than 20,000 operating hours from 2008, or alternatively, to close by 2016, whichever comes first. The peak of plant closures is expected in 2011 to 2012, according to Frost & Sullivan Limited, and as a result, new capacity will be required to replace the majority of these plants, with a mix of coal and gas plants to be constructed. Although Russia is not covered by European Union legislation, the Russian government has implemented a large investment program in power generation equipment that will initially focus on gas, but will later include substantial funds for new coal-fired plants. Despite the financial crisis, Frost & Sullivan Limited is aware that the Russian government is maintaining pressure on utilities that have committed to invest to fulfill their obligations.

China is expected to be the fastest growing market in revenues generated for large HRSGs, with an estimated CAGR of 14.3%, from 2008 to 2012. The Chinese government is promoting the usage of natural gas because it is a cleaner fuel relative to coal. Under the 11th Five Year Plan, gas-fired installed capacity is expected to account for 8.3% of the incremental installed capacity in China, according to the 'Power Industry 11th Five Year Plan and 2020 Development Plan'. In order to encourage natural gas usage, the PRC government and key Chinese oil and gas upstream participants have made significant investments in the construction of gas pipelines that bring natural gas from the gas-rich provinces to the regions of the country where natural gas consumption is high. An example of such a gas transportation infrastructure is the West-to-East gas pipeline, which was completed in 2004, and transports 12 billion cubic meters of natural gas from Xinjiang to Shanghai annually. Since CCGT plants use HRSGs, demand for HRSGs is expected to increase as a result. A growing preference from industrial users to have their own power plants will drive the demand for HRSGs from industries such as refineries, petrochemical units and the fertilizer industry.

Based on tonnage in 2008, Doosan Heavy Industries was the market leader with 23.1% of the market, ahead of Nooter Eriksen with 17.8% market share. This is followed by manufacturers such as Vogt, BHEL and Bumwoo, with 8.2%, 7.6% and 4.0% of the market respectively. These players tend to be strong in particular regions. NEM and Alstom held 8% 7.6% of the market, and both compete in most markets. Other notable players include Hangzhou, STF, Zio Podolsk and CMI.

INDUSTRY OVERVIEW

The following table sets forth, for the periods indicated, historical and forecasted market size of the world's largest and small to medium sized HRSGs by region.

For the year ended December 31, 2008																							
	2004		2005		2006		2007		2008		2009		2010		2011		2012		08-12 CAGR %		% of total in 2008		
	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	Unit	\$Mn	
50MW+																							
Europe & the CIS	20	580	32	966	37	1,263	48	1,824	44	1,873	22	796	26	941	35	1,355	50	2,110		3.2%	3.0%	29.9%	31.8%
Middle East	25	760	34	1,077	20	720	50	2,000	35	1,568	25	952	35	1,333	30	1,222	45	1,999		6.5%	6.3%	23.8%	26.6%
North America	23	518	24	612	25	714	27	891	30	1,109	20	650	22	716	28	965	33	1,229		2.4%	2.6%	20.4%	18.8%
Rest of Asia	11	321	23	707	16	524	29	1,015	28	1,068	18	604	22	761	23	835	34	1,321		5.0%	5.5%	19.0%	18.1%
China	38	731	13	275	11	254	13	325	10	273	7	168	12	296	14	370	16	465		12.5%	14.3%	6.8%	4.6%
Total	117	2,911	126	3,639	109	3,476	167	6,055	147	5,890	92	3,171	117	4,046	130	4,748	178	7,123		4.9%	4.9%	100%	100%
3MW-50MW																							
North America	38	166	39	196	42	231	45	293	30	215	15	88	18	103	24	150	32	225		1.6%	1.1%	34.5%	33.4%
Europe & the CIS	22	125	20	117	26	173	32	240	26	215	14	95	15	99	20	145	30	243		3.6%	3.1%	29.9%	33.4%
Rest of Asia	16	91	21	126	12	72	11	72	12	86	8	50	11	69	15	104	18	135		10.7%	11.9%	13.8%	13.4%
Middle East	15	91	25	158	8	58	10	80	10	88	5	37	6	45	12	96	14	123		8.8%	8.8%	11.5%	13.7%
China	9	28	10	33	12	41	13	52	9	40	6	23	10	40	14	62	17	81		17.2%	19.7%	10.3%	6.2%
Total	100	501	115	631	100	575	111	736	87	642	48	294	60	357	85	557	111	806		6.3%	5.8%	100%	100%

Source: Frost & Sullivan Limited.

(1) Exclude amounts for certain regions, including Africa and South America, which amounts Frost & Sullivan Limited considered to be insignificant. Numbers may not add up to total due to rounding

The following table sets forth, for the periods indicated, historical and forecasted market size of the world's largest markets for marine boilers by region.

For the year ended December 31,																		08-12 CAGR %		% of total in 2008		
	2004		2005		2006		2007		2008		2009		2010		2011		2012		Units	\$'000		
	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000	Units	\$'000				
Rest of Asia	309	130,769	337	150,150	279	148,143	305	155,647	169	104,647	92	34,777	126	49,182	158	69,683	176	81,788	1.0%	-6.0%	60.3%	62.8%
China	42	11,417	56	18,878	75	23,930	90	32,807	80	37,634	32	10,176	39	12,620	54	20,518	60	23,785	-6.9%	-10.8%	28.5%	22.6%
Europe & the CIS	36	21,931	41	23,062	45	31,440	47	38,800	31	24,440	8	4,975	15	8,101	25	15,914	33	25,092	1.6%	0.7%	11.2%	14.7%
Total ⁽¹⁾	387	164,117	434	192,090	399	203,512	442	227,254	280	166,720	132	49,927	180	69,903	237	106,115	269	130,666	-1.0%	-5.9%	100%	100%

Source: Frost & Sullivan Limited.

(1) Exclude amounts for certain regions, including North America, Africa, the Middle East and South America, which amounts Frost & Sullivan Limited considered to be insignificant. Numbers may not add up to total due to rounding

INDUSTRY OVERVIEW

GLOBAL MARINE BOILER MARKET

According to Frost & Sullivan Limited, the global demand for marine boilers was 280 units or \$167 million in 2008. Markets revenues are forecast to contract at a CAGR of 5.9% from 2008 to 2012. This decline is caused by a combination of factors, including declining demand for oil and chemical tankers, cruise ships and bulk carriers, the stagnation in the shipbuilding industry, as well as the slow-down in offshore oil and gas activity, and gas turbine propulsion for LNG and cruise ships. However, a recovery is forecast to start in 2010 and gain pace in 2011 and 2012.

The Rest of Asia is the largest market for marine boilers and is expected to continue to grow over the whole forecast period, with unit sales increasing at a CAGR of 1% from 2008 to 2012, although revenues will fall 6% in the same period. The market was badly affected between 2007 and 2008, with orders falling by 45% in that one year. China saw less of a slow-down in 2008, but will be much more affected in 2009, with unit orders falling 60% in one year. Overall unit orders are expected to decline at a CAGR of 6.9% and revenues are expected to fall at a CAGR of 10.8%, but the market will recover post-2012 as it is highly likely that China will become a challenger to Koreans dominance in shipbuilding. The European market is expected to grow at a CAGR of 0.9% in units and a CAGR of 0.7% in revenues between 2008 and 2012, but will remain a relatively niche player, accounting only 12% of global sales. The only other region where shipbuilding could realistically have been expected is North America, but in the course of the research Frost & Sullivan Limited found that production of tankers, cruise liners and bulk carriers there had ceased, so no forecasts can be made.

According to Frost & Sullivan Limited and based on units on 2008, the global market was dominated by Aalborg with 41.7% of the market, followed by Mitsubishi Heavy Industries with 19.1% of the market and Kangrim Heavy Industries with 9.2% market share. Other notable players include Osaka, Saacke, and Kawasaki. Greens is also one of the main tier 2 manufacturers, with a particular strength in China.

ENVIRONMENTAL POLICIES AND REGULATIONS

Although there is currently no global legislation that would require utility operators to fit economisers, HRSGs and other energy-saving heat transfer technologies, action is taken at a regional level, for example the European Union, or at a state level, for example the Chinese government. For example, The European Union's Large Combustion Plant Directive, which has required environmental pollution control equipment to be fitted, has also increased demand for economisers and other boiler components, which can be fitted while the plant is offline. According to Frost & Sullivan Limited, planning legislation has been used in a number of countries and regions to require utilities to fit efficient CCGT plants, rather than simply cycle gas turbines. The Chinese government included CCGT plant (and in effect HRSGs) as one of the encouraged industries for development. Japan introduced stringent emissions control regulations in the mid 1990s, according to Frost & Sullivan Limited and this curbed emissions from power plants and increased demand for efficiency upgrades. All of these examples, combined with the energy efficiency factor and fuels costs, have contributed to strong demand for the energy-saving heat transfer technologies.

In China, the PRC government has adopted a number of policies to promote the development of energy conservation and emission reduction, which significantly benefits the waste heat power generation industry and the boiler and relevant component manufacturing industries. The 11th Five-Year Planning Outline on National Economic and Social Development of the PRC, or the Planning Outline, sets a significant improvement in efficiency of resource utilization as one of the primary goals of the economic and social development, aiming at reducing the energy consumption per unit of GDP by approximately 20% during this period. In particular, according to the Planning Outline, which highlights the adoption of energy conservation and environmental protection as the fundamental national policy, the advancement of inefficient coal-fueled industrial boilers and the use of waste heat and pressure are classified as two of the ten key projects for energy conservation. In addition, the PRC government has promulgated a series of laws and regulations to support the manufacturing of energy conservation equipment and the comprehensive utilization of resources: the Law of the PRC on Promoting Clean Production, the Law of the PRC on Energy Conservation, the Law of the PRC on Promoting Circular Economy, Guiding Opinions on Comprehensive Utilization of Resources in the 11th Five-Year Period and the Comprehensive Working Plan on Energy Conservation and Emission Reduction. These laws and

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regulations provide a variety of incentive measures, such as specific funds provided by the central and provincial financial authorities, tax preferential treatments, banking and financing support, capital investment and favorable pricing policies, to encourage energy conservation equipment production and utilization as well as the waste heat power generation. See "Regulation".

In May 2009, planning has already begun for the development of a new 12th Fifth Year Environmental Protection Plan. China's Ministry of Environmental Protection (MEP) is already soliciting participation in research projects covering new topics that will be at the core of China's environmental policy in 2011-2015. Some important topics include:

- Research on nitrogen-oxide pollution prevention, treatment approaches and total control methods; and
- Research on joint prevention and treatment programmes for regional air pollution and air quality management mechanisms

ABOUT THIS SECTION

General

This "Industry Overview" section quotes and otherwise includes information from a commissioned report, or the F&S Report, prepared by Frost & Sullivan Limited for purposes of this document. For the full report, see Appendix V to this document, "Independent Industry Report on the Global Boiler Industry". We have not commissioned any report for purposes of this document other than the F&S Report. We believe that the sources of the information included in this "Industry Overview" section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us.

The following sets forth certain information about Frost & Sullivan Limited, the F&S Report and our other key sources used to prepare this "Industry Overview" section.

- *Frost & Sullivan Limited and the F&S Report.* Frost & Sullivan Limited is an independent industry consultant founded in 1961 which has over 35 global offices and employs over 1,800 analysts and experts worldwide. The firm covers a number of industries, including aerospace, defense, automotive, transportation, chemicals, energy and power systems, environmental technologies, electronics, information and communication technologies and healthcare. The Growth Consulting division of Frost & Sullivan Limited is focused on providing clients with customized consulting solutions to support their business needs, such as market analysis and acquisition target analysis.

We commissioned Frost & Sullivan Limited's Growth Consulting division to provide an independent assessment of the opportunities, dynamics and competitive landscape of the boiler equipment and power generation markets. We paid a total of €367,400 to Frost & Sullivan Limited for an initial final report, and an additional €50,000 for a second final report updated to contain full-year 2008 statistics.

- *BP Statistical Review of World Energy.* BP Statistical Review of World Energy is an annual industry report that provides objective quantitative data on world energy markets. The report has been published for over 50 years and is based on statistics taken from the government, primary sources as well as published data. BP plc, one of the world's largest oil and gas companies, issues the report annually. The source data is based on contributions from a number of independent organizations including OECD, Platts, World Energy Council, EIA and the Oil and Gas journal.
- *EIA.* The Energy Information Administration, or EIA, is an independent statistical agency within the United States Department of Energy.
- *China Electric Power Yearbook.* China Electric Power Yearbook is an annual publication produced under the guidance of the PRC State Electricity Regulatory Commission and the China Enterprise Confederation. In addition, this book is edited jointly by the State Grid Corporation of China, the China

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Southern Power Grid Co., Ltd., China Huaneng Group, the China Datang Corp., the China Huadian Group Corp., the China Guodian Group Corp. and the China Power Investment Corp.

Research Background of the F&S Report

Consistent with Frost & Sullivan Limited's methodology in preparing other research reports similar to the F&S Report, in preparing the F&S Report, Frost & Sullivan Limited initially formulated a research hypothesis, then conducted surveys and obtained relevant data from its network of industry contacts. The information was then analyzed and consolidated for its final report.

Frost & Sullivan Limited is a research consultancy with over 45 years experience in the power generation sector. Frost & Sullivan Limited's research methodology is based on interviews with key industry participants—knowledgeable industry figures such as marketing managers, product managers, sales managers and other company executives. Over the course of its research, Frost & Sullivan Limited interviewed over 150 people globally to determine the size of the market and how they see the market developing in the future. Frost & Sullivan Limited also relied on its internal knowledge built up through working with a number of the world's leading power supply and equipment manufacturers. The focus of Frost & Sullivan Limited's research and interviews was principally toward the utility boiler market. The research covers both the new build and retrofit markets for economisers, but Frost & Sullivan Limited accept that the retrofit market potential for industrial boilers may be greater than forecast in this research. For that market to be fully determined, a specific piece of research would need to be commissioned with the interviews focused toward developers, repair companies and site maintenance companies, in order to get a comprehensive picture.

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Our operations are primarily located in the PRC. We also maintain operations in the United Kingdom, Singapore and a representative office in India. The following sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate. Except as otherwise disclosed in this document, our Directors are not aware of any material non-compliance by the Group with the laws and regulations of the PRC and other jurisdictions in which we operate or sell our products. Except as otherwise disclosed in this document, we have been advised by Jingtian & Gongcheng, our PRC legal advisers, that we have complied in all material respects with all material PRC laws and regulations.

FOREIGN INVESTMENT

On October 31, 2007, NDRC and MOFCOM jointly promulgated the Catalogue of Industries for Guiding Foreign Investment (as amended in 2007) (《外商投資產業指導目錄 (2007年修訂)》), or the Catalogue, which came into effect on December 1, 2007. The Catalogue listed those industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited. Pursuant to the Catalogue, the manufacture of desulphurization and denitration equipment for thermal power plants, and the development of energy conservation technology, and development and application of technology for recycling and comprehensive utilization of resources and reutilization of emission in the production of enterprises fall into the encouraged category.

ENERGY CONSERVATION AND EMISSION REDUCTION

With the rapid growth of the economy in the PRC and in light of the rising consumption of energy and the importance of environmental protection, the PRC government, which increasingly encourages the development of energy conservation and emission reduction, has adopted regulations and policies relevant to energy conservation and comprehensive utilization of resources, which significantly benefits the boiler and its component manufacturing industry and the waste heat power generation industry.

Law of the PRC on Promoting Clean Production

On June 29, 2002, the Standing Committee of the National People's Congress promulgated the Law of the PRC on Promoting Clean Production (《中華人民共和國清潔生產促進法》), or the Law on Promoting Clean Production, which came into effect on January 1, 2003. In accordance with the Law on Promoting Clean Production, the development of clean production technology is encouraged and will be popularized. In the process of technical advancement, enterprises shall adopt various measures of clean production, including the comprehensive utilization and recycling of waste heat. Any enterprise that produces products out of the waste may be entitled to value added tax reduction or exemption under relevant regulations.

Law of the PRC on Energy Conservation

As amended in 2007, the Law of the PRC on Energy Conservation (《中華人民共和國節約能源法》), or the Law on Energy Conservation, took effect on April 1, 2008. It stipulates that the PRC government shall carry out industrial policies in favor of energy conservation and environmental protection, and the research, development and promotion of science and technology of energy conservation shall be supported to improve the technical innovation and advancement. In particular, industrial enterprises are encouraged to use highly-efficient and energy-conserving boilers and to employ the technology of waste heat utilization. Incentive measures may be adopted to promote energy conservation activities.

Law of the PRC on Promoting Circular Economy

The Law of the PRC on Promoting Circular Economy (《中華人民共和國循環經濟促進法》), or the Law on Promoting Circular Economy, issued on August 29, 2008 and effective from January 1, 2009, defines the term of circular economy, which means the reduction, reutilization and recycling of the waste. As per the Law on Promoting Circular Economy, enterprises shall adopt advanced or applicable recycling technology, process and

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equipment and shall make comprehensive utilization of the waste heat and pressure generated in the production. A variety of incentive measures will be taken in favor of the development of circular economy.

The Eleventh Five-Year Planning Outline of National Economic and Social Development of the PRC

On March 14, 2006, the 4th Session of the 10th National People's Congress approved the Eleventh Five-Year Planning Outline of National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十一個五年規劃綱要》), or the Planning Outline, which is the key programmatic policy for the national development for 2006–2010. The Planning Outline sets the remarkable improvement of efficiency of resource utilization as one of the primary goals of the economic and social development, aiming at reducing the energy consumption per unit of GDP by approximately 20% during the Eleventh Five-Year period. It also stipulates that the energy conservation technology shall be promoted and the utilization of highly-efficient energy conservation products shall be encouraged. Particularly, according to the Planning Outline, which highlights the adoption of energy conservation and environmental protection as the fundamental national policy, the revamping or upgrading of inefficient coal-fueled industrial boilers (kilns) and the promotion of waste heat and pressure utilization are classified as two of the ten key projects for energy conservation.

Opinions on Implementing the Ten Key Energy Conservation Projects in the Eleventh Five-Year Period

Eight national governmental authorities, including NDRC, jointly promulgated on July 25, 2006 the Opinions on Implementing the Ten Key Energy Conservation Projects in the Eleventh Five-Year Period (《“十一五”十大重點節能工程實施意見》), or the Implementing Opinions. With respect to the ten key energy conservation projects as defined in the Planning Outline, including the revamping and upgrading of inefficient coal-fueled industrial boilers (kilns) and the utilization of waste heat and pressure, the Implementing Opinions analyze the existing backgrounds and the problems in the relevant industries, set forth the details in carrying out those key projects and respective supporting measures, clarify all the parties involved, and provide the guaranteed measures, including establishing strict energy conservation system, promoting the structural adjustment and technical advancement, strengthening project management and other measures.

Guidelines on Comprehensive Utilization of Resources in the Eleventh Five-Year Period

On December 24, 2006, NDRC enacted the Guidelines on Comprehensive Utilization of Resources in the Eleventh Five-Year Period (《“十一五”資源綜合利用指導意見》), or the Guidelines. Pursuant to the Guidelines, recycling and reclamation of waste gas, heat and pressure, including the waste heat power generation of the industrial kilns, is identified as one of the major areas for comprehensive utilization of resources.

Comprehensive Working Plan on Energy Conservation and Emission Reduction

On June 3, 2007, the State Council promulgated the Comprehensive Working Plan on Energy Conservation and Emission Reduction (《節能減排綜合性工作方案》), or the Working Plan, in accordance with which the energy consumption per RMB 10,000 GDP is to be reduced from 1.22 tons of the standard coal in 2005 by approximately 20% and to less than 1 ton by the year of 2010. In order to achieve the goal, certain tasks shall be accomplished in the Eleventh Five-Year period, including speeding up to eliminate backward productivities, striving for the ten key energy conservation projects, intensifying the administration over the emission reduction by major enterprises, and strengthening the dispatching of power produced by environmental protective generators and comprehensive utilization of resources. Policies will be perfected to form an effective incentive and restrictive mechanism regarding energy conservation and emission reduction.

MANUFACTURING QUALIFICATIONS

Under the PRC laws, the manufacturing of special equipment such as boilers, pressure vessels and the relevant safety accessories and safety protection fittings is subject to administrative licenses. Pursuant to the Regulation on Safety Supervision over Special Equipments (《特種設備安全監察條例》) promulgated on March 11, 2003 and as amended on January 24, 2009 by the State Council and the Catalogue of the Special Equipments

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(《特種設備目錄》), promulgated on January 19, 2004 by GAQSIQ, which is the state authority responsible for the supervision and administration of special equipments industries in the PRC, any enterprise designing pressure vessels shall be licensed and the design documents of boilers may not be used in manufacturing unless being appraised by approved inspection and testing institutions; and enterprises manufacturing special equipments such as boilers, pressure vessels and the relevant safety accessories and safety protection fittings shall apply for a Manufacture License for Special Equipment to conduct their manufacturing operation. Otherwise, these enterprises will be prohibited from conducting their operations, the special equipments illegally manufactured will be confiscated, the illegal income derived therefrom will be forfeited and the directly responsible persons in charge and other responsible persons of these enterprises may be subject to criminal liabilities.

POWER

The Electric Power Law of the PRC (《中華人民共和國電力法》), which came into effect on April 1, 1996, the Regulation on the Administration of Electric Power Dispatch to Networks and Grids (《電網調度管理條例》), which came into effect on November 1, 1993 and the Regulation on Electric Power Supervision and Administration (《電力監管條例》), which came into effect on May 1, 2005, set out the regulatory framework of the power industry of the PRC.

The Electric Power Law of the PRC

The Electric Power Law of the PRC, or the Electric Law, came into effect on April 1, 1996, which can be regarded as the fundamental law for the electric power industry. The Electric Law, which generally applies to the construction, generation, supply and consumption of electric power in the PRC, provides that environmental protective technology shall be adopted to decrease the discharge of noxious waste, and power generation with renewable and clean energy is encouraged and supported.

Provisions on Administration of Electric Power Business Permits

On October 13, 2005, the State Electricity Regulatory Commission ("SERC") promulgated the Provisions on the Administration of Electric Power Business Permits (《電力業務許可證管理規定》), or the Administration Provisions, which came into effect on December 1, 2005. Pursuant to the Administration Provisions, public power plants, self-provided power plants connected to grids and other plants as prescribed by SERC shall apply for and procure power generation permits. The enterprises failing to obtain power generation permits and illegally conducting power business shall be ordered to obtain the permits and any illegal income shall be forfeited, with fines up to five times the illegal income being imposed, and may be subject to criminal liabilities.

Regulation on Power Dispatch

The Regulation on the Administration of the Electric Power Dispatch to Networks and Grids, which came into effect on November 1, 1993, stipulates that the mechanism of centralized dispatching and level-by-level administration shall be exercised in the operation of power networks and grids. Any grid-connected power plants or grids must be subject to the uniform dispatch by dispatching entities, and prior to the grid connection, grid connection and coordination agreements shall be entered into by and between power plants to be grid-connected and the grids as well as by and between grids.

On August 2, 2007, the Measures on Dispatch of Energy Saving Power Generation (For Trial Implementation) (《節能發電調度辦法(試行)》), or the Trial Dispatch Measures, was promulgated to reduce energy consumption and pollutant emission. According to the Trial Dispatch Measures, the dispatch priority of power generators is determined in the following sequence: (a) non-adjustable power generation units utilizing renewable energy; (b) adjustable power generation units utilizing renewable energy and garbage generator units which meet the requirements of environmental protection; (c) nuclear power generation units; (d) coal-fired heat-load based CHP units and multiple resource power generation units; (e) gas-fired power generation units; (f) coal-fired power generation units, including cogeneration units without heat-load; and (g) oil-fired power generation units.

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ENVIRONMENTAL PROTECTION

We are subject to a variety of PRC environmental protection laws and regulations. The major environmental regulations applicable to us include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Water Pollution Prevention Law (《中華人民共和國水污染防治法》), the PRC Atmospheric Pollution Prevention Law (《中華人民共和國大氣污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), the PRC Environmental Noise Pollution Prevention Regulations (《中華人民共和國環境噪聲污染防治法》) and the regulations governing environmental protection in construction projects. In addition, general environmental regulations relating to the treatment of industrial waste are also applicable to us.

In accordance with the abovementioned laws and regulations, manufacturing enterprise shall adopt measures to control environmental pollution and harm resulting from dust, waste gas, waste water, solid waste materials, noise and vibration at the manufacturing site. The Ministry of Environmental Protection of the PRC (formerly known as State Environmental Protection Administration) and its local counterparty are responsible for the supervision and administration of environmental protection during the course of manufacturing. A breach of any of such regulations may result in the imposition of fines and penalties and even curtailment or suspension of business operations of enterprises.

TAXATION

Regulations on Enterprise Income Tax

The PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles and PRC tax laws and regulations. Prior to January 1, 2008, foreign invested enterprises established in the PRC were generally subject to an income tax rate of 30% and a local income tax rate of 3%, while PRC domestic companies were generally subject to an enterprise income tax rate of 33%. And the PRC government has provided various incentives to foreign-invested enterprises to encourage foreign investments. Such incentive include reduced tax rates and other measures. In addition, in accordance with the Notice on Tax Preferential Policies for Development of the West Region promulgated in 2001, domestic and foreign-invested enterprises in encouraged industries established in the western region are entitled to a preferential enterprise income tax rate of 15% from the year of 2001 to 2010.

On March 16, 2007 and December 6, 2007, respectively, the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the New EIT Law, and the Implementation Regulation for Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation Regulation, were promulgated by the National People's Congress and the State Council, both of which came into effect on January 1, 2008. Pursuant to the New EIT Law and the Implementation Regulation, the enterprise income tax rate for both domestic and foreign invested enterprises is unified at 25% effective from January 1, 2008. However, according to the New EIT Law and its relevant implementation rules, there is a transition period for previous preferential tax policies : enterprises which were established prior to March 16, 2007 and were eligible for preferential tax rates according to then effective tax laws and regulations will continue to enjoy low tax rate and will gradually transit to the new tax rate of 25% within 5 years from the effective date of the New EIT Law, and enterprises which were established prior to March 16, 2007 and were eligible for preferential tax reduction or exemption within a fixed time will continue to enjoy such treatment until such fixed term expires except that the relevant exemption or reduction shall start from January 1, 2008 if the first profitable year for the relevant enterprise is later than January 1, 2008. Besides, the tax preferential treatments for the development of the western region will continue to be effective.

Under the New EIT Law, the enterprise income tax shall be generally levied at the rate of 25%. A non-resident enterprise without agency or establishment within the PRC, or with its income irrelevant to any of its agency or establishment in the PRC, shall be subject to an enterprise income tax rate of 20% for the income generated in China, which, according to the Implementation Regulation, is reduced to 10%. Pursuant to the New EIT Law, preferential tax treatments will be granted to specially supported and encouraged industries and projects, the details of which are provided in the Implementation Regulations.

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On January 9, 2009, the SAT promulgated the Interim Measures for the Administration of Withholding at Source of Enterprise Income Tax for Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》), or the Interim Measures, which took effect retroactively on January 1, 2009. In accordance with the Interim Measures, if a non-resident enterprise receives the income originating from China, or the taxable income, including equity investment income such as dividend and bonus, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income shall be withheld at the source by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise under relevant laws or contracts.

On April 30, 2009, the MOF and the SAT jointly promulgated the Circular on Issues concerning the Enterprise Income Tax Settlement on the Restructuring of Enterprises (《關於企業重組業務企業所得稅處理若干問題的通知》), or the Restructuring Circular, which took effect retroactively on January 1, 2008. The Restructuring Circular applies to the handling of income tax issues of any enterprise in its restructuring, that is, any transaction out of the ordinary business operations resulting in material changes of the legal or economic structure of the enterprises, including without limitation to the change of the legal form of the enterprise, debt reorganization, equity and asset acquisition, merger and division.

Pursuant to the Administration Rules of Tax on Business Transactions Between Affiliated Enterprises (《關聯企業間業務往來稅務管理規程》), or the Administration Rules, which was promulgated by the SAT on April 23, 1998, as amended on October 22, 2004, foreign-owned or foreign-invested enterprises in the PRC which has transactions with their affiliated enterprise shall submit to the competent tax authorities the Annual Declaration on Business Transactions with Affiliated Enterprises for Foreign-owned and Foreign-invested Enterprises (《外商投資企業和外國企業與其關聯企業往來情況年度申報表》), or Annual Declarations. The tax authorities, based on the submissions of Annual Declarations and other relevant documents, shall make appropriate adjustments on such enterprises' taxable profits and order the enterprises to pay an adjusted tax.

However, the SAT promulgated the Implementation Measures for Special Taxation Adjustments (For Trial Implementation) (《特別納稅調整實施辦法(試行)》), or the Implementation Measures, on January 8, 2009, which came into effect retroactively on January 1, 2008 and replaces the Administration Rules. The Implementation Measures shall apply to the administration by competent tax authorities over special tax adjustments including the transfer pricing. Any resident enterprise subject to the audit taxation (查賬徵收) and any non-resident enterprise with establishments or offices in the PRC that file and pay the enterprise income tax shall, when filing its annual enterprise income tax return with the competent tax authorities, attach thereto a Statement Form of Enterprises on Annual Affiliated Transactions (《企業年度關聯業務往來報告表》). Meanwhile, it is required for an enterprise to prepare, retain and submit at the request of tax authorities the contemporaneous documents based on its taxable years, unless otherwise provided in the Implementation Measures. Tax authorities shall have the right to identify enterprises to be investigated and make investigations and adjustments for the transfer pricing. For transactions between domestic affiliated enterprises being actually subject to identical tax burdens, as long as such transactions do not directly or indirectly result in any decline in the national total tax revenue, no transfer pricing investigation and adjustment shall be made in principle. If the tax authorities deliver the notice of investigation and adjustment for special taxation to an enterprise, the enterprise shall pay its tax and interest thereon within the specified period.

On July 6, 2009, the SAT promulgated the Circular on Strengthening the Supervision and Investigation over Cross-border Affiliated Transactions (《關於強化跨境關聯交易監控和調查的通知》), pursuant to which, if an enterprise incorporated by a multinational enterprise in the PRC, which bears limited functions and risks such as mono-production, distribution or contractual research and development, incurs any loss, no matter whether such enterprise meets the standards to prepare the contemporaneous documents, such enterprise shall prepare and submit the contemporaneous documents and other relevant materials.

According to the New EIT Law and the Implementation Regulation, for enterprises engaged in projects of environmental protection and energy and water conservation, including the project of technical advancement of energy conservation and emission reduction, when complying with relevant requirements as prescribed in the Catalogue of Enterprise Income Tax Preference for Energy and Water Conservation Equipment (《節能節水專用設備企業所得稅優惠目錄》) and the Catalogue of Enterprise Income Tax Preference for

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Environmental Protection Specialized Equipment (《環境保護專用設備企業所得稅優惠目錄》), their income obtained therefrom will be exempt from enterprise income tax for the first three years starting from the tax year in which they obtain the first sum of business income from the projects, and then subject to a half deduction rate for the following three years.

According to the New EIT Law and the Implementation Regulation, for high-tech enterprises that the state needs to support with priority, the enterprise income tax shall be levied at a reduced rate of 15%. Such high-tech enterprises shall be engaged in the industries as listed in the High-tech Areas Supported by the State with Priority (《國家重點支持的高新技術領域》) such as power generation with low-temperature waste heat and waste gas as well as the recycling of waste pressure, heat and energy and shall be determined in accordance with the Administrative Measures for Determination of High-tech Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, MOF and SAT on April 14, 2008.

Pursuant to the Implementation Regulation, any income derived from manufacturing products that are not restricted or prohibited and in compliance with the national and industrial standards, by using resources listed in the Catalogue of Enterprise Income Tax Preference for Comprehensive Utilization of Resources (《資源綜合利用企業所得稅優惠目錄》), will be deducted by 10% when calculating the amount of the taxable income, such as the income out of power generation with waste heat and pressure produced in industrial manufacturing.

Regulations on Value-added Tax

According to the amended Interim Regulation of Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) and the amended Detailed Rules for the Implementation of the Interim Regulation of Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), both of which became effective since January 1, 2009, all entities and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the import of goods within the territory of the PRC are taxpayers of value-added tax. Ordinary tax payers shall pay the value-added tax at the rate of 13% or 17%, while small-scale tax payers shall pay the value-added tax at the rate of 3%.

FOREIGN EXCHANGE

Pursuant to the Regulation of Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated on January 19, 1996, as amended on January 14, 1997 and on August 1, 2008 by the State Council, Renminbi are freely convertible for current account items, such as trade-related receipts and payments, interest and dividends. However, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to prior approval from SAFE or its local counterpart.

PRC Regulation on Foreign Exchange Administration Registration for Special Purpose Companies and Round-trip Investments

Pursuant to Notice on Relevant Issues concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and in Round-trip Investment via Special Purpose Offshore Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), issued by SAFE on October 21, 2005 (Notice No. 75), a PRC resident legal person or a PRC resident natural person (the "PRC Resident") shall (a) carry out foreign exchange registration for overseas investment with the local branch of SAFE before he/it establishes or controls a special purpose offshore company (the "SPC"), which, for the purpose of the Notice No. 75, means an overseas enterprise directly established or indirectly controlled by a PRC Resident for the purpose of engaging in overseas equity financing (including convertible bond financing) with the assets or interests in an onshore enterprise in the PRC, and (b) carry out the foreign exchange modification registration for the net asset interest and its change in case of the injection of interests or assets of an onshore enterprise in the SPC or overseas funds raised by such SPC. Notice No. 75 also requires a PRC resident to go through a modification registration or filing procedure when certain major capital events occur, such as increase or decrease of capital, equity transfer or share swap, merger or split, etc. On May 29, 2007, the SAFE promulgated

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the Operational Rules for the Notice No. 75, which specifies the procedures of the registrations or filings as required in Notice No. 75.

DIVIDEND DISTRIBUTION

According to Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and the Implementation Rules for Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》), wholly foreign-owned enterprises in the PRC may pay dividends out of their accumulated profits after certain taxes are properly paid in accordance with relevant PRC tax laws and certain funds, including general reserve fund and staff welfare and bonus fund, are properly retained.

Under the previous effective PRC tax law, dividends payable to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. Pursuant to the New EIT Law and its Implementation Regulation which have become effective since January 1, 2008, dividend income between qualified PRC resident enterprises is exempt from enterprise income tax, while dividends payable by a foreign invested enterprise to non-PRC investors that are "non-PRC resident enterprises" shall be subject to the enterprise income tax at the rate of 10%, to the extent such dividends are derived from sources within the PRC, unless such non-PRC investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

However, on February 20, 2009, the SAT promulgated the Notice on Relevant Issues concerning Implementation of Dividend Clauses under Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), or the 2009 Notice. Pursuant to the 2009 Notice, the transaction or the arrangement, with the major purpose of obtaining any preferential tax treatment, shall not justify the application of preferential treatment stipulated in dividend clauses under tax treaties. If the tax payer improperly enjoys the preferential treatment under tax treaties as a result of the abovementioned transaction or arrangement, the tax authority in charge shall be entitled to make adjustment. As the 2009 Notice is newly issued, it remains unclear how the PRC tax authorities will implement it in practice.

LABOR AND SOCIAL INSURANCE

We are subject to various labor and safety laws and regulations in the PRC, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Implementation Regulation for the PRC Labor Contract Law (《中華人民共和國勞動合同法實施條例》), the Regulation of Insurance for Labor Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Regulations for the Housing Provident Fund Contributions (《住房公積金管理條例》). Under these PRC laws and regulations, enterprises are required to provide their employees with welfare schemes including, among other things, pension premium, work-related injury insurance, medical insurance and training in relation to occupational safety.

Compared to the PRC Labor Law promulgated on July 5, 1994, the new PRC Labor Contract Law, or the Labor Contract Law, promulgated on June 29, 2007 provides additional protections to the legitimate rights of employees by requiring execution of employment contracts in written form, lessening the scope of circumstances under which employees may be exposed to indemnity for breach of employment contracts and imposing stricter penalties on employers who fail to pay remuneration or social security premiums for their employees. The Labor Contract Law has provided for, among others, employees' rights concerning overtime working hours, pensions and layoffs, the execution, performance, modification and termination of labor contracts, and the role of trade unions in certain circumstances. In particular, it provides for specific standards and procedures for entering into non-fixed-termed labor contracts. Pursuant to the Labor Contract Law, either the employer or the employee is entitled to terminate the labor contract in circumstances as prescribed in the Labor Contract Law or if certain precondition provided in the Labor Contract Law is fulfilled, and in certain cases, the employer is required to pay economic compensation upon the termination of the labor contract pursuant to the standard provided by the Labor Contract Law. The aforementioned provisions purport to establish a stable and harmonious labor relationship between employers and employees. Based on the provisions in the Labor Contract Law, the

REGULATION

Implementation Regulation for the PRC Labor Contract Law further sets forth more detailed rules with respect to the execution of labor contracts, the cancellation and termination of labor contracts and labor dispatching.

WORK SAFETY

We are subject to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), or the Production Safety Law, and other relevant laws, administrative regulations, national standards and industrial standards which stipulate requirements to maintain safe production conditions. The Production Safety Law provides that any entity that is not sufficiently facilitated or equipped to ensure safe production may not engage in production and business operation activities, and that entities must provide production safety education and training programs to employees. The design, manufacture, installation, use, checking and maintenance of our safety facilities and equipments are required to conform to applicable national or industrial standards. In addition, it is required that the labor protection facilities and equipments must meet the national or industrial standards and that entities must supervise and educate their employees to use such facilities and equipments according to the prescribed rules.

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OVERVIEW

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

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

We focus on supplying Steel-H economisers, a type of extended surface economisers which compared to typical plain steel economisers, are generally more compact and more cost-effective, but also require higher technical sophistication in the production process. Our Steel-H economisers use finned tubes with H-shaped metal fins attached onto metal tubes, and are particularly well-suited for dusty environments such as coal-fired power plants. Since we were founded in 2003, we have established our manufacturing facilities in China to focus on sales in the PRC market, which is the largest market for economiser products in the world, according to Frost & Sullivan Limited. We are currently the clear market leader in supplying extended surface economisers in China, with a 66% market share, based on the number of tonnes supplied in 2008, according to Frost & Sullivan Limited. Our economiser products are supplied to various boiler-makers and designers such as IHI, Vogt, Foster Wheeler, Harbin Boiler, Shanghai Boiler and Dongfang Boiler, and have been installed at power plants around the world.

We supply a variety of waste heat recovery products, including HRSG products and waste heat boilers, for process applications, many of which capitalize on our experience and capabilities in manufacturing of heat transfer extended surface tubes known as finned tubes, which are among the most critical components of a heat transfer system. In recent years, we have increasingly focused on supplying HRSG products for CCGT plants to well-recognized HRSG system designers such as Vogt and Austrian Energy & Environment. We are the largest China-based supplier of HRSG modules to HRSG system designers worldwide, according to Frost & Sullivan. We also supply waste heat boilers, which generate steam for heat or process use, or for power generation in conjunction with steam engines. Waste heat boilers are designed to reduce pollution by lowering excess high temperature emissions exhausted to the atmosphere.

Since we commenced operation in 2003, we have supplied more than 150 units of economisers operating on a wide range of fuels across various applications. Our knowledge and experience gained help us in providing superior designs for our customers. We also distinguish ourselves from our competitors in our finning quality, which is particularly important for larger-size projects with higher power output. Our engineers provide full customer support from the initial enquiry through the conceptual and detailed design stages by working closely with our customers' engineers. We seek to develop products and solutions that enhance performance and efficiency, reduce downtime and increase working life, as well as meet environmental regulations.

We have established our manufacturing facilities in Shanghai and Jiangsu Province of the Yangtze River Delta in China to capitalize on China's competitive cost and productivity advantages. Our location in the Yangtze River Delta region provides us with access to a significant pool of engineering talent, and places us in close proximity to major ports, which in turn facilitates the transportation and delivery of our products to our international customers. We also maintain operations in Wakefield, U.K., which primarily engages in the

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engineering and supply of products to our international markets, and provides manufacturing and engineering support and training to China operations in order to meet customer specifications and international standards. Our U.K. operation also engages in services and repairs as well as the design and manufacture of finning machines used in our China operations.

HISTORY AND REORGANIZATION

Our History

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

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

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

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

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

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

History of GTE

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

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

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

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

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

Directorship of GTE and SGTE

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

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

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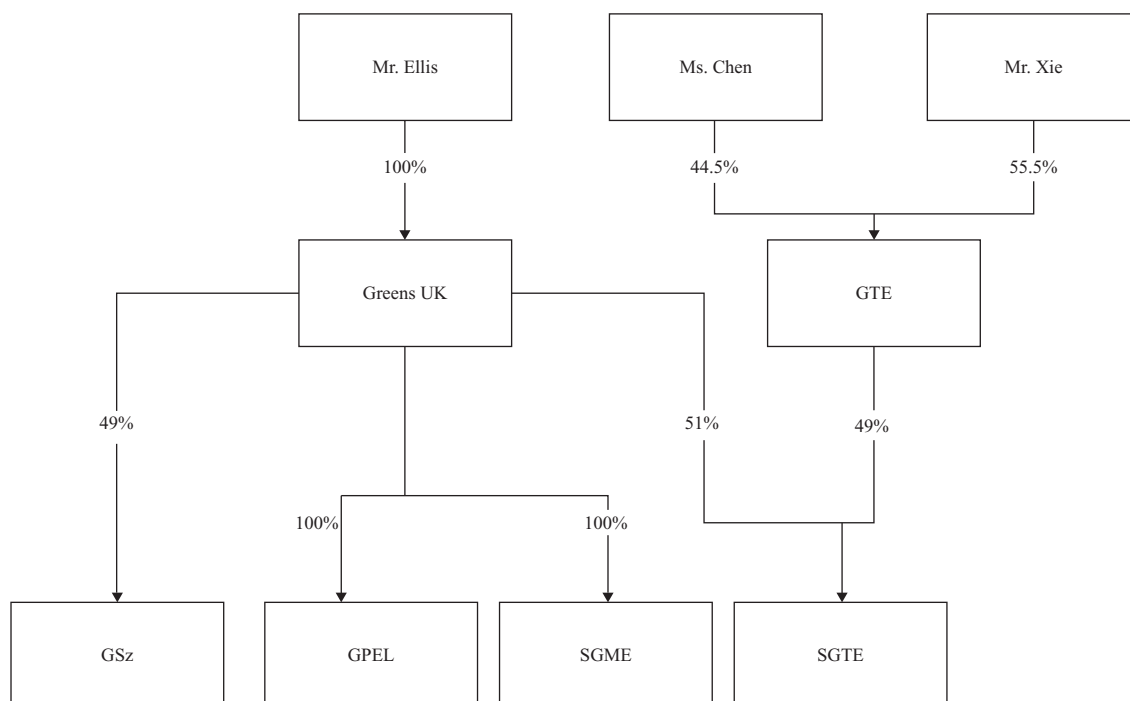
accordance with the instructions of Mr. Xie and Ms. Chen. Ms. Cheng has also been a part-time administrative staff at SGTE since July 2003. From June 2008, the directors of SGTE are Mr. Ellis, Mr. Lyon, Mr. Xie, Ms. Chen and Ms. Li Qi.

Confirmation Letters

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

Our Reorganization

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



In 2008, we underwent a Reorganization which reorganized and streamlined our corporate and shareholding structures, and resulted in our acquisition of equity interests in Greens UK, GPEL and SGME previously owned by Mr. Ellis. As a result of the Reorganization, these entities became wholly owned subsidiaries held under Mega Smart. We completed the acquisition of Mega Smart on July 22, 2008. The following is a summary of the Reorganization steps we undertook:

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

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

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

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

Private Placement

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

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

Pursuant to the agreement among China Fund Limited, Mr. Ellis, Union Rise, Crown Max, and us, (i) on May 11, 2009, we paid a special dividend of RMB 20.8 million to Mr. Ellis, Mr. Xie and Ms. Chen; and (ii) on October 10, 2009, we declared a special dividend of RMB 135 million to Mr. Ellis, Union Rise, Crown Max and China Fund Limited, from our working capital. We expect such special dividend to be fully paid on October 21, 2009.

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

Our Corporate and Shareholding Structure

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

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

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

SUMMARY OPERATING RESULTS

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

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

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

OUR COMPETITIVE STRENGTHS

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

Market leadership in core products

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

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

We believe that our relationship with the key international boiler makers and system designers in Europe and China will help us expand into other regional markets in the world. In addition, our experience and capabilities in these core product categories facilitate our efforts to broaden our product and service offerings into other alternative energy areas. For instance, we have also begun efforts to diversify into other alternative energy areas, such as waste heat power generation and wind power equipment. Our waste heat power plant, the Xinjiang Project, began generating power in July 2009, and our joint venture to manufacture wind turbine towers, Tongliao Greens, is expected to commence operation by the end of 2009.

Superior product quality and performance

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

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

Commitment to design, engineering and technical excellence

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

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

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

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

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

Successful China strategy combined with international experience

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

Experienced and dedicated management team

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

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OUR STRATEGY

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

Increase production capacity

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

Expand global sales network

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

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

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

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

Develop new applications and diversify into other alternative energy related businesses

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

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

HEAT TRANSFER PROCESS

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

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

OUR PRODUCTS AND SERVICES

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

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focused on the manufacture and supply of heat transfer products and solutions, including economisers, HRSGs products and other types of waste heat recovery products, as well as marine products. In 2008, we adjusted our business strategy to diversify our product portfolio and started to focus more on and allocate more resources to the marketing and manufacturing of our waste heat recovery products, boiler components and marine products, which contributed to the significant change of the revenue contributions from these business segments. In 2008, we have also begun to diversify into other alternative energy areas, such as waste heat power generation and wind power equipment. Our waste heat power plant, the Xinjiang Project, began generating power in July 2009, and our joint venture to manufacture wind turbine towers, Tongliao Greens, is expected to commence operation by the end of 2009.

The following table sets forth our actual historical revenue by business segment for the period indicated.

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

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

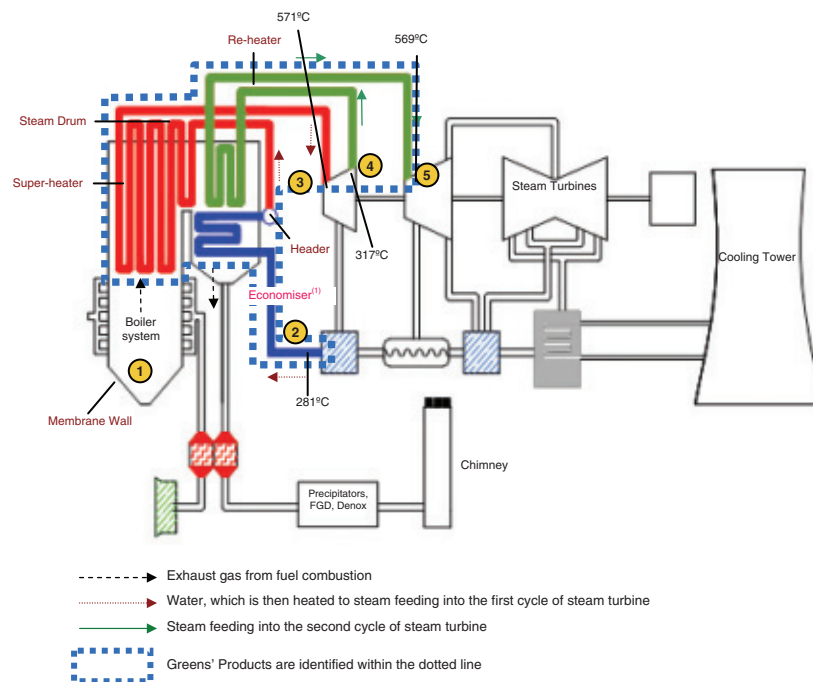
	For the year ended December 31,		For the year-to-date period to July 22,	
	2006	2007	2007	2008
	(in thousands of RMB)			
Economisers	19,416	184,169	68,327	52,270
Waste heat recovery products	34,879	37,654	16,542	15,650
Boiler components	—	4,399	—	63,563
Marine products	18,200	54,068	23,559	19,743
Power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

Economisers

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

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



As indicated in the above diagram:

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

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

Products

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

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

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



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

Applications and Project Profiles

We supply both newly-built economisers and retrofit units. Our retrofit units are supplied to replace the existing systems of our customers either due to malfunctioning or environmental regulatory requirements. We have capabilities across a wide range of fuels, including fuels such as coals with low calorific content and high ash content, and in a variety of applications, such as cement plants, coking plants and oil refineries. A substantial majority of our economisers have been applied to coal-fired power plants, with a wide range of power output ranging from 100 MW up to more than 1,000 MW.

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

Our recent projects include⁽¹⁾:

- *Tanjung Bin project.* Tanjung Bin project is a 700 MW coal-fired power plant project in Johor, Malaysia. We supplied two economiser units, weighing 315 tonnes, to our customer, IHI of Japan, for the project in May 2006. The Steel-H economisers were manufactured by SGTE in accordance with ASME standards. Greens UK provided the design, technical support, warranty and the overall project management.
- *Tornion Voima Oy project.* Tornion Voima Oy project is a 131 MW biomass-fired boiler project in Tornio, Finland. We supplied one economiser, weighing 279 tonnes, to our customer, a Foster Wheeler

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

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

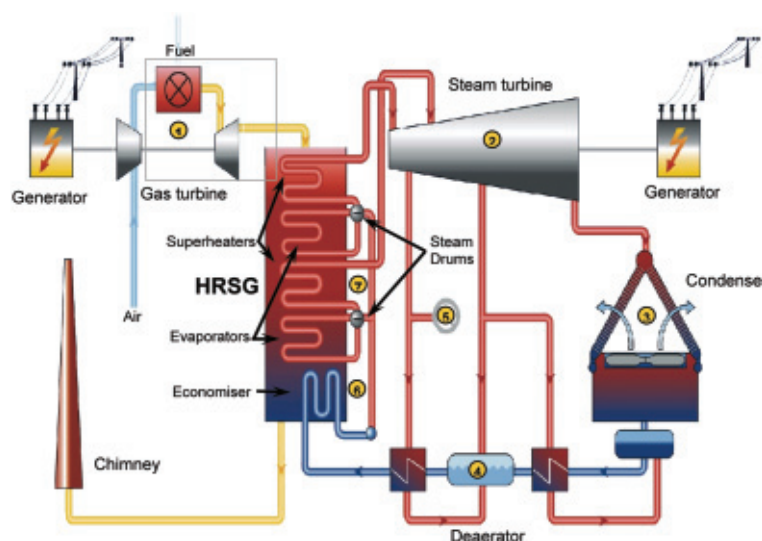
- *Vattenfall Nordic project.* Vattenfall Nordic project is a waste-to-energy project in Fynsværket, Denmark. We supplied to our customer, Bioener ApS of Denmark, four economiser modules weighing 33 tonnes, one flue gas cooler, one district heating cooler and one air pre-heater. We were selected by our customer in part because of our ability to custom design two towers to incorporate economiser and flue gas cooler sections using Steel H tubes that are reliable and self-cleaning. Another factor in the selection process was our ability to optimize the overall space and weight by designing an air heater using our spiral fin tubes. These design solutions helped reduce the risk of fouling and clogging.
- *Changshu project.* Changshu project is the first 600MW coal-fired power station in Changshu, China. We supplied three units of Steel-H economisers, with a total weight of 1,320 tonnes to Harbin Boiler, in December 2003. The economisers were manufactured in accordance with the relevant PRC engineering standards.

HRSGs and Other Waste Heat Recovery Products

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

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

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



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As indicated in the above diagram:

1. A CCGT plant involves using gas as the fuel that is burnt in combination with air at high temperature. This is then used to drive a gas turbine and electrical generator in the first cycle.
2. Hot exhaust gases at approximately 500°C from the gas turbines are recycled by the HRSG and are used to drive the steam turbine and electrical generator in the second cycle.
3. Steam eventually loses heat in the steam turbine. The condenser converts this cool steam into water, which is collected in a condensate collecting tank.
4. The deaerator removes oxygen from the water to avoid corrosion problems.
5. Additional processes requiring steam can be fed from the extraction lines from the steam turbine.
6. The economiser heats the water close to boiling point using the hot gases passing through the HRSG.
7. Hot water is collected in steam drums, circulated through evaporators to generate steam, then further heated using superheaters.

Products and applications

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

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

The most typical applications of the HRSGs are in CCGT plants and in combined heat and power, or CHP plants. A CCGT plant is a system where gas turbine generator generates electricity and hot exhaust from the gas turbine is directed to the HRSG for additional electricity generation. The power output range of the CCGT plant is generally above 50MW and CHP plant below 50MW. Historically, we have manufactured HRSG products for both CCGT plants and CHP plants applications. However, in recent years, we have focused on designing and manufacturing HRSG products for CCGT plants applications in order to meet market demand for these products. During the Relevant Period, all of our HRSG products were designed and manufactured for CCGT plants applications. Since beginning production in China, we received our first purchase order of HRSGs in 2005 from Harbin Boiler, which remains as one of our major customers. Since then, we have diversified our HRSG customer base significantly, delivering units for Vogt and Austrian Energy & Environment.

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

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



Project Profiles

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

- *Zhujiang project.* The Zhujiang project is a 335 MW CCGT plant in Guangdong province in China. We supplied HRSG modules weighing 1,450 tonnes to our customer, Harbin Boiler, the system designer for the project in May 2006. We successfully met the delivery schedule of our customers, which was six months from the contract date. The Zhujiang project was our first large-scale HRSG project. Our capability in manufacturing using specialist steel materials distinguished us from our competitors.
- *Wharton project.* The Wharton project is a 275 MW CCGT plant in Wharton, Texas in the United States. We supplied HRSG modules weighing 2,400 tonnes to our customer, Vogt, the system designer for the project in September 2007. We made delivery eight months from the contract date in order to meet the construction schedule of the project. All main HRSG materials were sourced from the PRC. We carried out detail engineering, manufacturing and delivery of the HRSG modules in support of Vogt, who designed, engineered and supplied the overall HRSG system.

Boiler components

We offer a variety of boiler components in the pressure and containment sections of a boiler system, including air pre-heaters, superheaters, and other components such as power station steel structures. We also offer other boiler components such as membrane walls, steam drums reheaters, headers and finned tubes. We supply finned tube products to potentially large customers who are attracted to the quality of these products because of our finning technology. Our boiler components are designed for industrial and power generation applications, as well as large boilers in general.

Marine products

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

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

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

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

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



Services and Repairs

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

Waste Heat Power Generation

We continue to seek new sources of revenue by capitalizing on our core strengths in heat transfer solutions. To that end, we have entered into a cooperation agreement on our Xinjiang Project, which is a waste heat power generation project. We intend to continue to diversify ourselves into the waste heat power generation market and seek opportunities to establish cooperation relationships with other waste or exhaust heat resource owners. However, see “Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks in our expansion efforts into waste heat power generation and wind turbine towers manufacturing businesses.” and “Risk Factors—Risks Relating to Our Business and Industry—The construction of waste heat power plants are subject to risks which could give rise to delays or cost overruns.”

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In May 2008, we entered into a cooperation agreement with Xinjiang International Coking Company Limited (“新疆國際煤化工有限責任公司”), or Xinjiang Coke, in Xinjiang Autonomous Region. Under our agreements with Xinjiang Coke, Greens Baicheng, the project company we established for this project, will sell electricity generated from the waste heat produced by Xinjiang Coke to State Grid Corporation of China for public utilities when the construction of the project is completed until July 2015. Xinjiang Coke was an independent third party prior to its entry into cooperation agreement with us in relation to Xinjiang Project. The installed capacity of the Xinjiang Project is 30MW. Xinjiang Coke is expected to provide the waste heat exclusively to Greens Baicheng. On May 20, 2009, Xinjiang Project was approved by Xinjiang Provincial Development and Reform Commission. The Xinjiang Project has passed the commissioning acceptance of its power generation units. We plan to apply for power generation permit for Xinjiang Project by the governmental authority in October 2009. We expect Xinjiang Project to receive relevant approvals and to commence commercial operation by the end of 2009. However, because of the recent events that occurred in July 2009 in Xinjiang, we understand that certain local government functions have experienced a slow-down. As a result, we cannot assure you that we can submit the application for power generation permit or receive relevant approvals for commencement of commercial operation on a timely basis. We have been advised by Jingtian & Gongcheng, our PRC Legal counsel, that (i) there is no material legal impediment under the PRC Laws for us to receive the power generation permit; and (ii) the dispatch at electricity in Xinjiang Project prior to the obtaining of the power generation permit will not lead to any material administrative penalty, or result in an order to cease operation. Xinjiang Project is also subject to the construction completion acceptance after the construction of the project is completed.

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

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



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

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

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

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- RMB 0.05 per kWh of electricity generated, if the price of electricity sale is set below or at RMB 0.30 per kWh, but exceeds or at RMB 0.20 per kWh; or
- RMB 0.04 per kWh of electricity generated, if the price of electricity sale is set below RMB 0.20 per kWh.

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

Wind Turbine Towers Manufacturing

As part of our efforts to diversify into other alternative energy areas, in June 2009, we entered into a joint venture contract with Tongliao Boiler Factory Limited, or Tongliao Boiler, an independent third party prior to its entry into joint venture contract with us in relation to Tongliao Greens, to engage in the wind turbine towers manufacturing and sale business. Tongliao Boiler is a private enterprise incorporated in the PRC experienced in manufacturing operations in Inner Mongolia and northeastern China, which has recently become favorable locations for wind power projects. We understand that Tongliao Boiler has strong relationships with potential customers in wind turbine products in the region and we expect to benefit from these relationships. Wind turbine towers is the tubular steel structure which holds the nacelle that includes the generator. The typical height of the wind turbine towers is approximately 60 to 100 meters. The processing technique for wind turbine towers is similar to that for large-scale boiler vessels. In entering this market, we are seeking to capitalize on our capability to manufacture large-scale products more efficiently than many of our competitors.

Pursuant to the joint venture agreement, we, through Greens New Energy Limited, our wholly owned subsidiary, own 60% of the equity interest in Tongliao Greens, the joint venture entity, with the remaining 40% held by Tongliao Boiler. The registered capital of Tongliao Greens is RMB 60 million, of which we have agreed to contribute RMB 36 million and Tongliao Boiler has agreed to contribute the remaining RMB 24 million. Tongliao Greens is expected to manufacture and supply wind turbine towers to regions such as Inner Mongolia, Heilongjiang, Jilin and Liaoning in China. Tongliao Boiler agreed that it and its affiliate would not enter into or engage in any businesses relating to design, manufacture, installation, sale or repair of boiler and pressure vessels or any businesses relating to wind turbine towers businesses. Under our agreement, the profit after provision for income taxes and statutory and discretionary reserve will be shared by the parties in proportion to their respective contribution to the registered capital of Tongliao Greens, subject to the authorization and approval by the board of directors of Tongliao Greens. The term for the joint venture is 20 years, extendible upon mutual agreements reached within one year prior to the expiration of the joint venture term. Tongliao Boiler has agreed to assist Tongliao Greens in obtaining the preferential treatments and any essential approval for its construction and operation. Both Tongliao Boiler and we have agreed to help Tongliao Greens obtain any necessary financing. We have the right to appoint three directors to the board of directors of Tongliao Greens, and Tongliao Boiler has the right to appoint the other two directors. We currently plan to invest RMB 42 million into Tongliao Greens, which we plan to finance through bank loans.

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

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

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

ORDER BACKLOG

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

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

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

SALES AND MARKETING

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

Sales cycle

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

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

- *Identifying potential purchase order.* Our sales cycle generally begins with a request for proposal from a potential customer. Generally within one to two weeks, we will respond with a proposal that includes our proposed solution and the key pricing terms. It is common from our experience for our PRC boilermaker customers to have secured their contracts with their power plant customers before they solicit proposals for their contracts with subcontractors such as us. In contrast, our international boilermaker customers often bid for their contracts with their power plant customers at the same time as they solicit proposals from subcontractors.
- *Entering into non-binding technical agreement.* Because our PRC boilermaker customers’ contracts with their customers are often secured at the time they solicit our proposal, our proposed designs for our PRC customers are often predetermined as well. As a result, in the PRC market, we generally enter into a non-binding technical agreement with the customer before the commercial terms are finalized in the supply agreement. The non-binding technical agreement provides for technical specifications of the product that the customer expects to order. However, such agreement is not legally binding and the customer is under no obligation to award us any supply contract.
- *Signing of supply contract.* Typically, for our supply of economiser products in the PRC market, we sign the supply contract with the customer after entering into the technical agreement. Execution of the technical agreement may precede the supply contract by a period that varies from one to two weeks to two months. For our supply of economiser products to our international market, we generally enter into a joint commercial and technical contract with our customers. Substantially all of our supply contracts are awarded and carried out on a fixed price basis. However, in some instances, we have successfully negotiated with our customers for increases in contract prices to offset the increases in steel based raw material prices that we have experienced.
- *Designing, manufacturing and delivery.* The final stage of our sales process is to design, manufacture and deliver the product to the customer. See “—Manufacturing and Quality Assurance”.

Major contractual terms

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

- *Payment terms.* Our customers generally make payments in a number of installments depending on our arrangement with individual customers. Under our contracts, customers paying in two installments generally agree to pay 90% upon delivery and the balance as retention money; customers paying in three installments generally agree to pay 5% to 30% upon signing of the sales or supply contract, 60% to 80% upon delivery, and the remaining 5% to 10% as warranty retention money. Our payment terms are affected by factors such as (i) whether raw materials are supplied by customers on a free-issue basis, in which case the sales cycle will be shortened; (ii) whether our sale is to an international or PRC customer, as sales to PRC customers generally have shorter sales cycles; and (iii) local commercial practices on progress payments, with PRC customers often less willing to make progress payments, but more willing to pay a higher percentage of initial down payment, compared to our international customers.
- *Delivery.* In the PRC market, we generally require one to three months after the date of supply contract to make delivery of our economiser products; five to six months for HRSG products; and eight to twelve months for our marine boiler products. For international market, longer period of time is generally required before delivery. Delivery and insurance costs arrangements vary depending on our practice with individual customers.
- *Warranty.* We generally enter into a warranty arrangement with the customer in the supply contract. The warranty arrangement provides that the customer may withhold a portion of the purchase price,

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

Activities Subject to U.S. Economic Sanctions Laws

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

CUSTOMERS

During the Relevant Period, SGTE has entered into significant business transactions with the Mega Smart businesses, i.e. GPPEL, SGME and Greens UK, which currently form a part of our Group as a result of the Reorganization. See "Financial Information—Financial Impact of Our Reorganization". Accordingly, some of these related parties historically have been our largest customers. Our independent third party customers primarily consist of major PRC and international boiler makers and system designers, as well as, for our marine products, shipbuilders. In 2006, 2007, 2008 and for the five months ended May 31, 2009, our five largest customers accounted for approximately 95%, 94%, 54% and 61% of our revenue, respectively. All of our five largest customers, other than the Mega Smart businesses, during the Relevant Period were independent third parties. In 2006, 2007 and the year-to-date period ended July 22, 2008, Mega Smart accounted for approximately 7%, 30% and 30% of our revenue, respectively. None of our Directors, senior management members, associates or shareholders holding more than 5% of our issued share capital had any interest in any of our five largest end customers for the Relevant Period.

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The following table sets forth our revenue and percentage to our revenue by geographical location of our customer for the periods indicated.

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

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

	For the year ended December 31,				For the year-to-date period ended July 22,			
	2006		2007		2007		2008	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)							
China	27,014	24.1	159,676	48.1	55,729	43.9	90,846	44.9
Europe	29,844	26.6	87,472	26.4	23,875	18.8	64,277	31.8
North and South America	38,726	34.6	48,331	14.6	18,849	14.9	27,041	13.4
Japan	13,444	12.0	34,491	10.3	27,013	21.3	12,642	6.2
Rest of Asia	2,284	2.0	1,372	0.4	958	0.8	7,414	3.7
Others	820	0.7	557	0.2	423	0.3	78	0.0
Total	<u>112,132</u>	<u>100.0</u>	<u>331,899</u>	<u>100.0</u>	<u>126,847</u>	<u>100.0</u>	<u>202,298</u>	<u>100.0</u>

RAW MATERIALS AND SUPPLIERS

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

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

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MANUFACTURING AND QUALITY ASSURANCE

Overview

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

- *Design.* The overall objectives of each of our designs are to meet our customers’ design requirements, maximize thermal efficiency and compactness of our products, as well as to reduce maintenance and repair costs and increase plant availability. To this end, our engineers work closely with our customers from the initial design stages with a view to developing optimal solutions. Our design process is aided by our extensive database comprised of more than 500 references of the Steel-H economiser since Steel-H economisers were introduced in 1959. In addition, our design team is experienced in thermal and mechanical designs that meet international standards. We have developed in-house design capabilities for a range of products, including HRSGs, waste heat boilers and large-scale marine boilers.
- *Procurement.* The principal raw materials used in our manufacturing process are steel-based components such as steel tubes, steel plates and finning strips. We seek to procure our raw materials primarily from suppliers in the PRC who are approved by our customers as well as PRC and international qualification requirements.
- *Manufacturing and assembly.* We believe that a key characteristic that distinguishes our products from those of our competitors is our finning quality. See “—Finning Technology” below. In addition, our skills and experience in the fabrication, transport and handling of large boiler components such as pressure vessels, steam drums and boiler modules have placed us in a favorable position in our efforts to compete in the wind turbine towers manufacturing business and to expand into other product areas.
- *Quality control.* We place great emphasis on the quality of our products. Accordingly, we carry out quality control procedures at various stages of the manufacturing and assembly processes. As a reflection of our efforts, we have received a number of quality certifications in China and around the world. See “—Quality Certifications”.

Finning Technology

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

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

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

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

Quality Certifications

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

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

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

MANUFACTURING FACILITIES AND REAL PROPERTIES

Manufacturing Facilities

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

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

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

For more information, see “—Our Products and Services”.

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

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

(1) We own the land use right to use the land for 50 years.

(2) We own the land use right to use the land for 50 years.

(3) The current lease expires on March 2011, with an option to renew for an additional period as mutually agreed by the parties.

(4) The current lease expires in June 2011, with an option to renew for an additional period as mutually agreed by the parties.

Real Properties

Land and Properties at GPEL, Jingjiang

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

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

Land and Properties at Puwei Road, Fengxian, Shanghai

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

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

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

Land and Properties at Baicheng, Xinjiang

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

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Other Leased Office Spaces and other properties

Except as disclosed above, as of the Latest Practicable Date, we leased various office spaces with a total gross floor area of 3,864 square meters in China and the U.K. We also leased a workshop for SGME in Shanghai with a gross floor area of 500 square meters. We have duly registered lease agreements for various office spaces representing an aggregate gross floor area of 2,615 square meters, and have complied with registration requirements under the English Law in respect of our leases in the U.K., which has an aggregate gross floor area of 1,101 square meters. The lessor for the office space leased by GPEL, with a gross floor area of 100 square meters, does not have the building ownership certificate. We plan to terminate the lease after the completion of construction at GPEL Xieqiao plant. We have not registered our lease agreement for the workshop leased in Shanghai and a lease agreement for an office space with a gross floor area of 48 square meters with relevant governmental authorities. We leased an office space with a gross floor area of 600 m² from Tongliao Boiler, but the lease has not been registered with relevant governmental authorities. We have been advised by Jingtian & Gongcheng, our PRC legal counsel, that (i) failure to register the lease agreements does not affect the legality, validity and enforceability of the lease agreements; and (ii) the absence of the registration of relevant lease agreements will not have a material adverse effect on our business and operations.

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

COMPETITION

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

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

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

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INTELLECTUAL PROPERTIES

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

EMPLOYEES

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

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

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

OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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ENVIRONMENTAL MATTERS

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

- (i) Environmental Protection Law of the PRC;
- (ii) Water Pollution Prevention Law of the PRC;
- (iii) PRC Law on Prevention and Control of Environmental Pollution by Solid Waste;
- (iv) PRC Law on Prevention and Control of Environmental Noise Pollution;
- (v) Air Pollution Control Act of the PRC;
- (vi) Environment Impact Assessment Act of the PRC;
- (vii) Cleaner Production Promotion Law of the PRC.

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

INSURANCE

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

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

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

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

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

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

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

LEGAL PROCEEDINGS

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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

None of our executive Directors, our Controlling Shareholder or their respective associates are engaged in any business that, directly or indirectly, competes or may compete with the business of our Group.

Non-compete undertaking

Mr. Ellis has entered into the deed of non-competition in favour of our Company, pursuant to which Mr. Ellis has undertaken, subject to the exceptions mentioned below, that he would not, and would procure that neither he nor his associate and/or companies controlled by him (other than the Group) would not directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this document, in the PRC and any other area in which the Group carries on business ("Restricted Activity").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognised stock exchange and:

- (a) the total number of the shares held by Mr. Ellis and/or his associates does not amount to more than 5% of the issued shares of the company; and
- (b) Mr. Ellis and/or his associates are not entitled to appoint a majority of the directors or management of that company.

Mr. Ellis undertakes to our Company that he would, during the term of the deed of non-competition indemnify and keep indemnified our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/its undertaking under the deed of non-competition.

In order to properly manage any potential or actual conflict of interests between us and Mr. Ellis in relation to the compliance and enforcement of the non-compete undertaking, we have adopted the following corporate governance measures:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by Mr. Ellis;
- (b) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;
- (c) we will disclose in the corporate governance report of our annual report on how the terms of the non-compete undertaking have been complied with and enforced; and
- (d) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the non-compete undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in our Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Mr. Ellis and his associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Independence of management, financing and operation

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from Mr. Ellis and his associates:

Non-competition: none of Mr. Ellis or our Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group’s business. In addition, Mr. Ellis has given a non-competition undertaking in favour of us. For details, please refer to the paragraph “Non-competition undertakings” of this section above.

Management independence—Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board will function independently from Mr. Ellis because:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and
- (c) our board comprises seven Directors and three of them are independent non-executive Directors, which represents more than one-thirds of the members of the Board. This is better than current governance best practice in Hong Kong.

Financial independence—Our Group has an independent financial system and makes financial decisions according to its own business needs. As of the Latest Practicable Date, no borrowing was made by Mr. Ellis and/or his associates to the Group. In addition, as of the Latest Practicable Date, none of our connected persons provided guarantee and security for our bank borrowings. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on Mr. Ellis.

Operational independence—Our Group has an independent work force. Although during the Relevant Period, there have been certain transactions between us and our related parties, details of which are set out in note 37 and 35 in the Accountants’ Report in Appendices IA and IB to this document respectively, none of the historical related party transactions are expected to continue after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of seven directors, including three executive directors, one non-executive directors, and three independent non-executive directors. The table below sets forth information regarding our Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Management Position</u>
<i>Executive Directors</i>		
Mr. Frank Ellis	62	Chief executive officer
Mr. Xie Zhiqing	53	Chief technology officer
Ms. Chen Tianyi	46	Chief operating officer
<i>Non-executive Director</i>		
Mr. Zhu Keming	29	None
<i>Independent Non-executive Directors</i>		
Mr. Jack Michael Biddison	55	None
Mr. Yim Kai Pung	44	None
Mr. Ling Xiang	42	None

Executive Directors

Mr. Frank ELLIS, aged 62, is an executive director appointed on April 9, 2008. Mr. Ellis is our Chairman of the Board of Directors and chief executive officer. Mr. Ellis has 40 years experience in heat transfer and boiler industry and is primarily responsible for overall business strategy and overall management of the operational activities of our Group. Mr. Ellis acquired a significant portion of heat transfer products business of TEiL in 2004 and 2005. TEiL entered into liquidation proceedings in July 2005. See “Business—History and Reorganization—Our History”. He worked with TEiL and served as director from 1998 to 2004, and general manager from 2002 to 2004. From 1995 to 1998, Mr. Ellis worked with Nooter/Eriksen Ltd and served as general manager responsible for development of European business for large steam generators for cogeneration. Mr. Ellis joined Senior Thermal Engineering Ltd in 1989 and served as managing director of industrial boiler division in charge of sales and marketing and business development. From 1979 to 1988, Mr. Ellis worked with Gibson Wells Ltd & Foster Wheeler Power Products and served as engineering manager, engineering director and then general manager and director of industrial boiler division. Mr. Ellis joined E Green & Son Ltd in 1964 and served as design engineer and then chief proposals design engineer. Mr. Ellis held a national certificate in mechanical engineering issued by Association of Mechanical Engineering and City & Guilds National Certificate in advanced fuel technology and heat transfer in the United Kingdom.

Mr. XIE Zhiqing, aged 53, is an executive director of our Company appointed on April 9, 2008 and our chief technology officer. Mr. Xie has 34 years of experience in heat transfer and boiler industry, and is primarily responsible for overseeing our manufacturing operations in China. Mr. Xie has served as the general manager of GPEL since 2007, and the general manager of SGTE since 2003. From 1998 to 2003, he joined Shanghai Kaiyuan Boiler Engineering Co., Ltd. (上海開源鍋爐工程有限公司) as an engineer. From 1975 to 1998, he worked with Shanghai Boiler Works, Ltd. (上海鍋爐廠有限公司) as a designing engineer. Mr. Xie graduated from Shanghai Boiler Works Professional College (上海鍋爐廠工人大學) with a diploma in boiler design in 1982.

Ms. CHEN Tianyi, aged 46, is an executive director of our Company appointed on April 9, 2008 and our chief operating officer. With over 15 years of experience in the sales and marketing industry, Ms. Chen is primarily responsible for business strategy and management of the operational activities of our Group in China. Ms. Chen has served as the executive director of GPEL since 2007 and the deputy general manager of SGTE and general manager of SGME since 2003. From 2002, she worked as the chief representative of the Shanghai Representative Office of TEiL. From 2000 to 2001, Ms. Chen worked as a director in charge of sales and marketing for Pacific International Logistic (China) Co., Ltd. (太平洋國際物流(中國)有限公司). From 1996 to 1998, she worked as senior manager in charge of sales and marketing of Shanghai Pan Ocean Intermodal Transportation Consulting Services Co., Ltd. (上海泛洋多式聯運諮詢服務有限公司). She graduated from department of electrical engineering (applied computer science) from Shanghai Workers’ University of Mechanical and Electrical Industry (上海機電工業職工大學) in 1988 and attended a master’s of business administration program at the University of Buckingham in 1999.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. ZHU Keming, aged 29, is a non-executive Director nominated by China Fund Limited and appointed on August 1, 2008. Mr. Zhu has worked with Shanghai Xingyuan Investment and Management Co., Ltd. (上海興元投資管理有限公司) as chairman and general manager since 2007. From 2007 to 2008, he also served as director of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司) (Stock Code: 658). Mr. Zhu has also worked with Jiangsu Zhongtai Group Co., Ltd. (江蘇中泰集團有限公司) and served as the secretary of the board of directors since 2002. Mr. Zhu graduated from Nanjing University (南京大學) with a bachelor's degree in finance in 2002.

Independent Non-executive Directors

Mr. Jack Michael BIDDISON, aged 55, is our independent non-executive director appointed on October 19, 2009. Mr. Biddison has served as vice president for energy & environment of The Pragma Corporation since 2008. From 2007 to 2008, he was director of advisory services of PricewaterhouseCoopers, Tax & Advisory, LLP. From 2006 to 2007, Mr. Biddison served as an independent consultant and principal associate of Segura / IP3 Partners, LLC. From 2000 to 2006, he was managing consultant of PA Government Services, Inc. From 1995 to 2000, he was principal of Hagler Bailly Consulting, Inc. From 1990 to 1995, he served as commissioner and member of the Public Utilities Commission of Ohio. From 1987 to 1990, Mr. Biddison served as chief of the division of oil and gas of the Ohio Department of Natural Resources. From 1982 to 1987, he was manager of petroleum engineering and geological services of General Electric Company, Lighting Business Group. From 1981 to 1982, he worked with CER Corporation. After he graduated from The Ohio State University, he was employed by the consortium of Buckeye Petroleum Company Inc./Inland Field Services Inc./Gasearch, Inc. Mr. Biddison obtained his bachelor's degree in geology and mineralogy from The Ohio State University in 1977, and his master's degree in management and international business from Kent State University in 1985. He is a member of the American Association of Petroleum Geologists, American Institute of Professional Geologists, and International Association of Energy Economists.

Mr. YIM Kai Pung, aged 44, is our independent non-executive director appointed on October 19, 2009. Mr. Yim has over 16 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the PRC. He has been a sole proprietor of David Yim & Co., Certified Public Accountants since 1993. He served as an executive director of Sanyuan Group Limited (三元集團有限公司) (Stock Code: 140) since 2009, and an independent non-executive director of Success Universe Group Limited (實德環球有限公司) (formerly known as Macau Success Limited) (Stock Code: 487) since 2004. From 2006 to 2007, Mr. Yim served as an executive director of Heng Xin China Holdings Limited (恒芯中國控股有限公司) (formerly known as Tiger Tech Holdings Limited) (Stock Code: 8046). From 2005 to 2006, Mr. Yim served as an independent non-executive director of Magician Industries (Holdings) Limited (通達工業(集團)有限公司) (Stock Code: 526). Mr. Yim graduated from the City Polytechnic of Hong Kong with a bachelor's degree of accountancy. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom.

Mr. LING Xiang, aged 42, is our independent non-executive director appointed on October 19, 2009. He joined Nanjing University of Technology in 1991 and currently is the dean of the School of Mechanical and Power Engineering. Mr. Ling served as the deputy dean of the School of Mechanical and Power Engineering since 2006, and was appointed as a doctor supervisor since 2004. Mr. Ling became a professor in 2003 and was appointed as an associate professor in 1998. Mr. Ling obtained a bachelor's degree and a master's degree in chemical machinery from Nanjing Institute of Chemical Technology in 1988 and 1991, respectively, and a doctor's degree in chemical machinery from Nanjing University of Technology in 2002. Mr. Ling is a member of the American Society of Mechanical Engineers.

SENIOR MANAGEMENT

Mr. Frank ELLIS.

Mr. XIE Zhiqing.

Ms. CHEN Tianyi.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gifford BROWN, aged 39, is our senior vice president. With 16 years experience in the boiler industry, Mr. Brown is responsible for the management of Green UK. Mr. Brown has served as director and general manager of Greens UK since 2008. From 1995 to 2008, he worked with Nooter/Eriksen Ltd and served in various positions including design engineer, project engineer, project manager, sales engineer, sales manager, and managing director. From 1993 to 1995, he worked with Senior Thermal Engineering Ltd. Mr. Brown graduated from Nottingham Trent University (formerly known as Nottingham Polytechnic) with a bachelor's degree in mechanical engineering.

Mr. Andrew Michael LYON, aged 45, is our chief financial officer and senior vice president in charge of non-PRC financial and accounting matters. Mr. Lyon has served as Greens UK's company secretary since 2006 and finance controller since 2005. From 2004 to 2005, he worked with SLW Architectural Aluminium Ltd and serve as the finance director. He joined TEiL and served as the financial controller from 1998 to 2001 and the corporate secretary from 2001 to 2004. From 1994 to 1997, Mr. Lyon served as the chief accountant of Lambson Fine Chemicals Limited. From 1993 to 1994, he served as the financial controller of Transform Medical Group Limited. From 1990 to 1992, he worked as a financial accountant of Caird Environmental Limited. From 1985 to 1990, he joined PriceWaterhouse, Liverpool and worked as an auditor. Mr. Lyon is a member of the Institute of Chartered Accountants in England and Wales. Mr. Lyon graduated from the University of Cambridge with a master of arts degree in mathematics in 1985.

Mr. HE Zhendong, aged 45, is our senior vice president. Mr. He has served as the general manager of the Department of Power Station Business of GPEL since 2008. From 1983 to 2008, he joined Harbin Boiler Co., Ltd. (哈爾濱鍋爐廠有限公司) and served as a deputy general engineer. Mr. He graduated from Shanghai Mechanical Engineering Institute(上海機械學院) with a master's degree in thermal engineering in 1990.

COMPANY SECRETARY

Mr. CHAN Wing Bun, aged 44, is our Company Secretary. Mr. Chan has served as an executive director and the chief financial officer of LED International Holdings Limited and a director of Derby Consulting Ltd since 2009. He has also served as a director of LehmanBrown CPA Co., Ltd (formerly known as Stephen W.B. Chan Company Limited) since 2000. Mr. Chan received an honors diploma in accounting and a bachelor's degree in business administration from Hong Kong Baptist College in 1988 and 1992, respectively. He received his master's degree in business administration from the University of South Australia in 1995 and an LLM degree from Renmin University of China in 2009. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. He is also a fellow of the Association of Chartered Certified Accountants.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on October 19, 2009. The primary duty of the audit committee of the Company is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Yim Kai Pung, Jack Michael Biddison and Mr. Ling Xiang. The audit committee of the Company is chaired by Mr. Yim Kai Pung.

Remuneration Committee

The Company established a remuneration committee on October 19, 2009. The primary duties of the remuneration committee of the Company include making recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option

DIRECTORS AND SENIOR MANAGEMENT

Scheme. The remuneration committee of the Company consists of one executive Director, namely Mr. Ellis and two independent non-executive Directors, namely Mr. Yim Kai Pung and Jack Michael Biddison. The remuneration committee of the Company is chaired by Jack Michael Biddison.

Nomination Committee

The Company established a nomination committee on October 19, 2009. The primary duties of the nomination committee of the Company include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of independent non-executive Directors and making recommendation to the Board on matters relating to the appointment of Directors. The nomination committee of the Company consists of one executive Director, namely Ms. Chen and two independent non-executive Director, namely Mr. Ling Xiang and Mr. Yim Kai Pung. The nomination committee of the Company is chaired by Mr. Ling Xiang.

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in Share Option Scheme of Appendix VII to this document.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

All Directors receive reimbursements from our Company for expenses which are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company. Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors. We determine our Directors' (including independent non-executive Directors) salaries based on each Director's qualification, position and seniority. In addition to salaries, our Directors may receive year-end bonuses or options under the Share Option Scheme.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended December 31, 2006, 2007 and 2008 were approximately RMB 0.2 million, RMB 0.5 million and RMB 1.8 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our five highest paid individuals for the years ended December 31, 2006, 2007 and 2008 were approximately RMB 0.7 million, RMB 1.0 million and RMB 2.8 million, respectively.

It is estimated that remuneration equivalent to approximately RMB 3.5 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2009 under arrangements in force at the date of this document.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Relevant Period. Further information about the service contracts and letters of appointment entered into between the Company and the Directors is set out in the paragraph headed "Further Information about Directors and Substantial Shareholders" in Appendix VII to this document.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue.

	(Nominal value)
	US\$
Authorized Share capital:	
2,400,000,000 Shares	24,000,000
Issued Share capital:	
2,000,000 Shares in issue as of the date of this document	20,000

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” in Appendix VII to this document.

FINANCIAL INFORMATION

In 2008, we undertook a Reorganization as a result of which we completed the acquisition of Mega Smart on July 22, 2008. See “—Financial Impact of Our Reorganization”. The following discussion and analysis of our financial condition and results of operations is based on and should be read in conjunction with our financial statements, including any notes thereto, as set forth in the Accountants’ Report in Appendices IA and IB, consisting of (i) our financial statements on an actual historical basis as of and for each of the years ended December 31, 2006, 2007 and 2008 and as of and for the five months ended May 31, 2008 and 2009; and (ii) Mega Smart’s financial statements on an actual historical basis as of and for each of the years ended December 31, 2006 and 2007 and as of and for the year-to-date period ended July 22, 2007 and 2008; and certain financial information of our Group on a Pro Forma basis as set forth in Appendix II, as if the Reorganization had been completed as of January 1, 2008. Our financial statements have been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States. This discussion contains forward-looking statements. There may be future events that we are unable to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

OVERVIEW

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

We focus on supplying Steel-H economisers, our extended surface economisers which compared to typical plain steel economisers, are generally more compact and more cost-effective, but also require higher technical sophistication in the production process. Our Steel-H economisers use H-shaped finned tubes, and are particularly well-suited for dusty environments such as coal-fired power plants. We supply a variety of waste heat recovery products, including HRSG products and waste heat boilers, for process applications, many of which capitalize on our experience and capabilities in manufacturing of heat transfer extended surface tubes known as finned tubes, finned tubes, which are among the most critical components of a heat transfer system. In recent years, we have focused on supplying HRSG products for CCGT plants by working closely with our HRSGs customers, many of whom are well-recognized HRSG system designers.

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

In 2006, 2007 and 2008, our revenue totaled RMB 189.8 million, RMB 231.8 million and RMB 431.1 million, respectively, and our net profit totaled RMB 35.6 million, RMB 31.6 million and RMB 60.1 million, respectively. In the five-month periods ended May 31, 2008 and 2009, our revenue totaled RMB 102.1 million and RMB 269.4 million, respectively, and our net profit totaled RMB 18.1 million and RMB 37.1 million, respectively. Our financial results in 2008 and 2009 were affected by our Reorganization. See “—Financial Impact of Our Reorganization”.

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FINANCIAL IMPACT OF OUR REORGANIZATION

Our financial results during the Relevant Period primarily reflect the financial results of SGTE. In 2008, we underwent a Reorganization which resulted in our acquisition from Mr. Ellis, our controlling shareholder, a number of businesses which were previously wholly owned by him. These businesses consisted of Greens UK, SGME and GPEL, and, as a result of the Reorganization, became our wholly owned subsidiaries held under Mega Smart. We completed the acquisition of these businesses on July 22, 2008. Accordingly, our financial statements consolidate the financial results of Mega Smart beginning on July 23, 2008.

During the Relevant Period, SGTE has entered into significant related party transactions with the Mega Smart businesses:

- *Greens UK.* As part of SGTE’s arrangement with Greens UK, Greens UK entered into sales contracts with customers located outside China. Greens UK then entered into manufacturing contracts with SGTE to purchase products manufactured by SGTE at a discount to the price under the international contracts. The discount rate may vary significantly from customer to customer. For 2006, 2007 and the year-to-date period ended July 22, 2008, related party sales to Greens UK by SGTE amounted to RMB 13.3 million, RMB 66.7 million and RMB 24.5 million, respectively. SGTE also purchased finning machines and raw materials from Greens UK during the Relevant Period, which amounted to RMB 4.9 million and RMB 5.9 million for the years ended December 31, 2006 and 2007, respectively. In addition, during the Relevant Period, Greens UK has permitted the use of the “Greens” trademark by SGTE free of charge.
- *SGME.* SGME, which primarily engages in marine boiler repairs and services, entered into sales contracts with SGTE to purchase marine boiler components used for SGME’s repairs and services. In 2006, SGTE supplied its products to SGME free of charge as the value of the products was not significant. In 2007, in anticipation of increased transaction volume, SGTE began to supply its products to SGME on a cost plus markup basis. The related party sales to SGME by SGTE amounted to RMB 2.2 million and RMB 1.6 million in 2007 and the year-to-date period ended July 22, 2008, respectively.
- *GPEL.* GPEL, which ramped up its operations in the first half of 2007, has entered into an economisers subcontracting arrangement with SGTE since March 2007. GPEL sold semi-finished economiser products to SGTE at cost plus a markup determined with reference to the markup rate SGTE generally paid to its third party suppliers. Revenue recognized by GPEL under such related party subcontracting arrangement amounted to RMB 108.7 million and RMB 28.5 million in 2007 and the year-to-date period ended July 22, 2008, respectively. In addition, prior to the completion of our Reorganization in 2008, SGTE sold certain steel components to GPEL at cost, and revenue generated from such arrangement amounted to RMB 14.2 million for the year-to-date period ended July 22, 2008. Upon our Reorganization, as part of our strategy to realign our manufacturing resources, and in an effort to reduce the effect of the unfavorable market conditions during the financial crisis, we increased focus on the manufacturing of waste heat recovery products, boiler components and marine products at GPEL, with SGTE focusing on economiser products.

The foregoing transactions, which we expect to continue in the future, are treated as intra-group transactions on our consolidated financial statements from July 23, 2008, and our operating results are reflected accordingly. We generally recognize our revenue on a stage-of-completion basis. Our related party transactions, including amounts shown above, are presented on a delivery basis. See “—Discussion of Our Statement of Financial Position Items—Related Party Transactions and Amounts Due from and Due to Related Companies”.

As a result of the significant related party transactions between SGTE and the Mega Smart businesses as well as our Reorganization in 2008, our financial results during the Relevant Period may not be comparable from period to period, and our historical financial results may not be comparable to our financial results in the future. To assist readers in evaluating the various businesses that formed our Group since the Reorganization, we are presenting a discussion of the historical financial results of the various businesses of Mega Smart on a stand-alone basis. See

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“—Results of Operations of Mega Smart”. We also present certain financial information of our Group on a Pro Forma basis, as if the Reorganization had been completed as of January 1, 2008. See “—Pro Forma Financial Information”.

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

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Reorganization has had significant impact on our results of operations and will likely continue to affect our future results. See “—Financial Impact of Our Reorganization”. In addition, we believe the most significant factors that affect our business and results of operations include:

- Level of capital spending by power plants.* Demand for our products, particularly our economiser products and waste heat recovery products, depends significantly on the number of boilers being installed or replaced at power plants. The level of such installing or replacement activities depends on the level of capital spending by such power plants. Capital spending levels at power plants are affected by their current and expected profitability, which in turn are affected by a combination of electricity prices and prices of coal, oil and other types of fuel used by power plants. Fuel prices and electricity prices have fluctuated significantly in recent years. It is difficult to predict the effect of changes in fuel prices on our business. To the extent that increases in fuel cost at power plants are not passed on to their customers in the form of electricity price increases, profitability and capital spending levels at power plants may be reduced. However, a general increase in the cost of coal, oil or other types of fuel may also contribute to a more intensified government focus on the energy efficiency of power plants, which in turn may increase the demand for our products.
- Product mix.* During our Relevant Period, our revenue has been generated primarily through the supply of products such as economisers and waste heat recovery products. Our business segments have historically experienced different gross margins. As a result, changes in revenue derived from our business segments as a percentage of our overall revenue will affect our overall business performance. In addition, as we further diversify into other businesses, such as waste heat power generation and wind turbine towers manufacturing, the basis on which our overall business is to be evaluated may change accordingly.
- Market dynamics.* We began supply of our principal products, the Steel-H economisers, in China in 2003. As a reflection of our relatively early entry into the PRC market, which until then has been dominated by plain steel economisers, we were able to enjoy relatively high gross margins on our economiser products prior to 2006. As part of our efforts to expand our customer base, we offered favorable pricing terms to potential customers to encourage them to replace their existing plain steel economisers with our Steel-H economisers. The average selling prices to our end customers in China also declined as a result. These factors contributed to a decline in our gross margin from 2006 to 2007.

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Although the level of competition in China continues to intensify, our gross margin for economiser products has become more stable in subsequent periods.

- *Production capacity and efficiency.* The volume of products we supplied has increased in recent years. Our future growth depends on our ability to continue to expand our production capacity and to enhance production efficiency.
- *Regulatory environment.* Many of our products and services, such as the economisers, waste heat recovery products, waste heat power generation and wind turbine towers, are designed to improve energy efficiency or utilize waste heat or alternative energy. As a result, the demand for our products and services is significantly affected by governments’ continuing adoption of environmental laws and regulations designed to reduce energy consumption and enhance energy efficiency.
- *Raw material prices.* Steel and other raw material cost has been one of the largest components of our cost of sales. The principal raw material used in our products is steel and steel-based components. Accordingly, changes in the availability and price of steel and steel-based components have a significant impact on our cost of sales and financial results. We primarily purchase our steel and steel-based components in China, where the price of steel has historically fluctuated significantly.
- *New and growth businesses.* We have recently entered the waste heat power generation business and wind turbine towers manufacturing business. For instance, our waste heat power generation business in Xinjiang Project is structured based on the build-operate-transfer, or BOT model, and is affected by factors such as timing for our projects construction, electricity tariff, actual power output and actual operating period. Our wind turbine towers manufacturing business is affected by factors such as government policies on renewable energy and demand for wind power. These and other new businesses that we enter may require us to allocate significant capital expenditure and may ultimately prove unsuccessful due to lack of experience and other reasons, which in turn will adversely affect our operating results. See “Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks in our expansion efforts into waste heat power generation and wind turbine towers manufacturing businesses.”
- *Procurement arrangement.* We generally purchase the steel and steel-based components (primarily consisting steel tubes, steel plates and fin strips) and other raw materials used in the manufacturing and supply of our products. However, a significant portion of the products we supplied have been made on a free-issue basis, where a portion of raw materials (generally high-grade steel tubes) are supplied by our customers for our manufacturing. Accordingly, we do not recognize any cost for the raw materials supplied by our customers. The procurement arrangement for our products supplied affects a number of our income statement items, including our revenue, average selling price, cost of sales and gross margin.

In addition to the foregoing, our results of operations are also affected by general factors, including exchange rate fluctuations, changes in the preferential tax treatments, and competition. For more information on these and other factors and developments that may affect us, see “Risk Factors” and “Industry Overview”.

BASIS OF PRESENTATION

As part of our Reorganization, we completed the acquisition of Mega Smart on July 22, 2008. On the same date, Greens Holdings Ltd became the holding company of our Group. See “Business—History and Reorganization”. For accounting purposes, the group resulting from our Reorganization is regarded as a continuing entity. Other than the acquisition of Mega Smart and its subsidiaries, which has been accounted for using the purchase method, our financial information has been prepared as if Greens Holdings Ltd had been the holding company of SGTE throughout the Relevant Period. Accordingly, other than the acquisition of Mega Smart and its subsidiaries, (i) the consolidated income statements, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for

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the Relevant Period have been prepared as if the current group structure had been in existence throughout the Relevant Period, or, in the case of a current Group company incorporated after January 1, 2006, the beginning of our Relevant Period, since its date of incorporation; and (ii) the consolidated statement of financial position of the Group as of December 31, 2006, 2007 and 2008 and May 31, 2009 has been prepared to present the assets and liabilities of the companies currently comprising the Group which were in existence at those dates.

DESCRIPTION OF OUR INCOME STATEMENT LINE ITEMS

The following tables set forth the revenue, cost of sales and gross margin of our business segments for the periods indicated.

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

Revenue

We generally recognize our revenue on a stage-of-completion basis. The stage of completion of a contract as of a balance sheet date is generally measured by the proportion that contract costs incurred for work performed to date vis-à-vis the estimated total contract costs. Historically, we have had a portion of our contracts for which the total costs to complete the contracts and the stage of completion of these contracts cannot be estimated reliably. We recognize revenue on these contracts based on contract costs incurred as of the reporting date.

Revenue by Business Segment

The following table sets forth our revenue by business segment for the periods indicated.

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

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Key characteristics of the revenue in our business segments include the following:

- *Economisers.* The economiser segment has been historically, and we expect continue to be, among our largest segments in terms of revenue, representing 84.1%, 79.4%, 41.8% and 27.8% of the revenue from this segment in 2006, 2007, 2008 and for the five-month period ended May 31, 2009.
- *Waste heat recovery products.* During the Relevant Period, revenue from waste heat recovery product segment primarily consisted of revenue from HRSG modules, waste heat boilers and related products. Contract values of HRSG products and waste heat boilers are generally large, and our revenue from these products has historically been generated through manufacturing and supply of a small number of units per year. Accordingly, the financial results of our waste heat recovery product segment may fluctuate significantly from period to period.
- *Boiler components.* We sell air pre-heaters, superheaters, and steel structure for power stations as boiler components to potentially large customers and expand our customer base. We also sell finned tubes as components to expand our customer base, though we generally sell our economiser and HRSG modules in complete units. The volume of boiler components we supplied may vary significantly based on customer demand.
- *Marine products.* This segment primarily consisted of revenue from (i) supply of marine boiler shells manufactured by GSz, and GPEL after it commenced operation in 2007; and (ii) other marine boiler components we sourced from third parties.
- *Services and repairs.* As a result of our Reorganization and the acquisition of Mega Smart businesses, we also engage in services and repairs through SGME in China and Greens UK for customers in the international market.
- *Power generation.* Our Xinjiang Project is a waste heat power generation project structured based on the build-operate-transfer, or BOT, model. As with other segments, we recognize construction revenue for this segment on a stage-of-completion basis. After the project commences commercial operation, we will recognize revenue based on any amount of electricity dispatched and sold. See “—Critical Accounting Policies—Revenue Recognition on Construction Contracts”.

Our revenue from construction contracts, which is recognized on a stage-of-completion basis, consists of revenue from our economisers segment, waste heat recovery products segment, boiler components segment and marine products segment. Revenue from construction under service concession arrangements represents revenue from the construction of our waste heat power generation projects under a BOT arrangement within our power generation segment. Revenue from our service and repairs segment is recognized when services were provided. Revenue from construction contracts, construction under service concession arrangements and provision of services represented 79.3%, 18.7% and 2.0% of our total revenue in 2008, and 79.5%, 14.2% and 6.3% of our total revenue in the five-month period ended May 31, 2009, respectively. See notes 4 and 8 to the Accountants’ Report in Appendices IA and IB to this document for more information. For more information on our Reorganization, see “Business—History and Reorganization” and “—Financial Impact of Our Reorganization”.

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Revenue by Geographical Market

The following table sets forth our revenue by geographical location of our customer for the periods indicated.

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

Prior to July 22, 2008, the date our Reorganization was completed, the products we supplied to our international markets primarily represented those supplied to Greens UK, which became a part of our Group as a result of the Reorganization. See “—Financial Impact of Our Reorganization”. We began supply of our products internationally through Greens UK in 2006, and international revenue as a percentage of our total revenue increased significantly in 2007. For more information on our major international customers, see “Business—Customers”.

Cost of Sales/Services

Our cost of sales primarily consists of (i) steel and other raw materials (primarily consisting of steel plate, steel tubes and fin strips); (ii) cost relating to the purchase of semi-finished goods from GPEL; (iii) outsourced processing fees paid to third parties; (iv) direct labor costs; (v) depreciation of fixed assets; (vi) manufacturing overhead such as lease payment, utilities charges and construction costs; and (vii) cost of construction of our waste heat power plant for our Xinjiang Project.

Historically, costs for steel components and other raw materials have been one of the largest components of our cost of sales. In 2007, cost relating to the purchase of semi-finished goods from GPEL amounted to RMB 108.7 million, which contributed to the significant decrease in all other cost of sales items as percentages of our total cost of sales. We recognized RMB 75.1 million as costs relating to the construction of our Xinjiang Project in 2008, which was the first fiscal year in which we recognized such costs. In the five-month period ended May 31, 2009, costs recognized for this segment amounted to RMB 34.6 million.

Selling and distribution expenses

Our selling and distribution expenses generally consist of (i) transportation and other distribution costs, and (ii) salary and wages of our sales and marketing employees. In 2006, 2007, 2008 and for the five months ended May 31, 2009, our selling and distribution expenses represented 1.2%, 2.5%, 1.6% and 1.9% of our total revenue, respectively.

Administrative expenses

Our administrative expenses primarily consist of the employee salary and benefits, travel and promotion expenses, office lease payments, professional service fees and bad debt charges. In 2006, 2007, 2008 and for the five months ended May 31, 2009, our administrative expenses represented 3.2%, 2.4%, 7.7% and 12.7% of our total revenue, respectively.

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Other Income and other Gains and Losses

Our other income and other gains and losses from operation primarily consist of imputed interest income on retention money receivables, net foreign exchange losses, subsidy income and others.

Finance Costs

Our finance costs primarily consist of interest expenses on borrowings.

Income Tax Expense

The following table sets forth the income tax rates applicable to our operating subsidiaries incorporated in China and the U.K. during the period indicated.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
SGTE	13.5%	13.5%	12.5%	25%
SGME	0	16.5%	12.5%	12.5%
GPEL	N/A	0	0	12.5%
Greens UK	30%	30%	28.5%	28%

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following critical accounting policies are the most sensitive and are those that require the more significant estimates and assumptions used in the preparation of our consolidated financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures in this document.

Revenue Recognition on Construction Contracts

We generally recognize our revenue on a stage-of-completion basis. We use this method to account for our contract revenue from construction contracts where it is probable that contract costs are recoverable. 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. We make our judgment by relying on past experience and the work of the project management team. 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 recognized in the income statement in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

Impairment of Intangible Assets

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

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generating unit and a suitable discount rate in order to calculate the present value. As of December 31, 2006, 2007 and 2008, we believe that there was no indication that the intangible assets had suffered an impairment loss. As of December 31, 2006, 2007, 2008 and May 31, 2009, the carrying amounts of the intangible assets of the Group were RMB 9.0 million, RMB 7.0 million, RMB 145.2 million and RMB 181.7 million, respectively.

Impairment of Trade Receivables

When there is objective evidence of impairment of trade receivables, we take 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 of December 31, 2006, 2007, 2008 and May 31, 2009, the carrying amounts of trade receivables were RMB 100.6 million, RMB 93.3 million, RMB 282.7 million and RMB 269.2 million, respectively.

OUR RESULTS OF OPERATIONS

The following tables set forth a summary of our consolidated statements of operations for the periods by amount and as a percentage of our total revenue. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this document. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

As part of our Reorganization, we completed the acquisition of the Mega Smart businesses on July 22, 2008, and the operating results of Mega Smart have been consolidated beginning on July 23, 2008. See “—Financial Impact of Our Reorganization”. As a result, the following period-to-period discussion may not be comparable, and should be read in conjunction with the discussion of Mega Smart’s stand-alone operating results as well as the Group’s Pro Forma financial information. See “—Results of Operations of Mega Smart” and “—Pro Forma Financial Information”.

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

	For the year ended December 31,						For the five months ended May 31,			
	2006		2007		2008		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Segment gross profit										
Economisers	55,102	111.1	43,809	88.3	48,071	43.8	23,623	91.5	22,864	29.4
Waste heat recovery products	(5,435)	(10.9)	3,211	6.5	39,478	36.0	2,626	10.1	30,878	39.7
Boiler components	1,156	2.3	2,192	4.4	6,815	6.2	(321)	(1.2)	17,358	22.3
Marine products	(1,235)	(2.5)	380	0.8	4,563	4.2	(107)	(0.4)	1,486	1.9
Power generation	—	—	—	—	5,606	5.1	—	—	3,595	4.6
Services and repairs	—	—	—	—	5,143	4.7	—	—	1,614	2.1
Total	49,588	100.0	49,592	100.0	109,676	100.0	25,821	100.0	77,795	100.0

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	For the year ended December 31,			For the five months ended May 31,	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Segment gross margin					
Economisers	34.5	23.8	26.7	30.4	30.5
Waste heat recovery products	(21.9)	9.3	37.1	24.9	40.7
Boiler components	23.9	20.6	17.4	(2.4)	31.8
Marine products	(206.2)	15.5	28.8	(44.2)	16.7
Power generation	—	—	6.9	—	9.4
Services and repairs	—	—	58.9	—	9.6
Overall gross margin	<u>26.1</u>	<u>21.4</u>	<u>25.4</u>	<u>25.3</u>	<u>28.9</u>

Five Months Ended May 31, 2009 Compared to Five Months Ended May 31, 2008

Revenue

Our revenue increased from RMB 102.1 million for the five-month period ended May 31, 2008 to RMB 269.4 million for the five-month period ended May 31, 2009. The increase primarily reflected a combination of the increases in revenue from our waste heat recovery product segment and our boiler component segment and the revenue recognized for our Xinjiang Project in 2009.

Economisers. Revenue from our economiser segment decreased by 3.5% from RMB 77.7 million in the five-month period ended May 31, 2008 to RMB 75.0 million in the five-month period ended May 31, 2009, primarily reflecting a decrease in revenue from our PRC market, partially offset by an increase in revenue from our international market.

Revenue from supply of economisers in the PRC market decreased from RMB 65.1 million in the five-month period ended May 31, 2008 to RMB 61.5 million in the five-month period ended May 31, 2009, or a decrease of 5.5%, which primarily reflected a decrease in the average selling price of the products supplied to our end customers in the PRC market. We believe the decrease in the average selling price of our products to the PRC market primarily reflected a general decline in the prices of steel and steel components, coupled with an increase in pricing pressure from competitors as a result of the financial crisis.

Revenue from supply of economisers in our international market increased from RMB 12.6 million in the five-month period ended May 31, 2008 to RMB 13.5 million the five-month period ended May 31, 2009, or an increase of 7.1%. The increase primarily reflected the acquisition of the Mega Smart businesses, particularly Greens UK, as part of our Reorganization, which contributed to a higher sales volume of our products. The average selling price of our products supplied to the international market decreased, primarily reflecting an increase in revenue recognized from free issue contracts as a proportion of our total revenue recognized in the five-month period ended May 31, 2009 compared to the same period in 2008.

Waste heat recovery products. Revenue from our waste heat recovery product segment increased from RMB 10.6 million in the five-month period ended May 31, 2008 to RMB 75.8 million in the five-month period ended May 31, 2009. As part of our efforts to diversify our product portfolio, we have allocated more resources on the marketing and manufacturing of our waste heat recovery products, boiler components and marine products prior to our Reorganization in 2008. After GPEL obtained manufacturing licenses and certificates, it became the production center for these business segments. We completed the acquisition of Mega Smart businesses, particularly GPEL and Greens UK, as part of our Reorganization, on July 22, 2008. As a result, the revenue recognized in the five-month period ended May 31, 2008 primarily represented the products supplied by SGTE, whereas the revenue recognized in the five-month period ended May 31, 2009 primarily represented the products supplied by GPEL.

In the five-month period ended May 31, 2009, revenue from this segment consisted of: (i) RMB 33.9 million in HRSG modules supplied to a PRC based customer; (ii) RMB 10.3 million in HRSG modules supplied to a European based customer under two contracts; (iii) RMB 6.5 million in waste heat boilers supplied to a

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European based customer; and (iv) various other supply contracts. In the five-month period ended May 31, 2008, revenue from this segment consisted of RMB 6.8 million in HRSG modules supplied to a PRC based customer and various other supply contracts.

Boiler components. Revenue from our boiler component increased from RMB 13.6 million in the five-month period ended May 31, 2008 to RMB 54.6 million in the five-month period ended May 31, 2009. The significant increase primarily reflected our efforts to diversify our product portfolio and our acquisition of Mega Smart in 2008. As a result, the revenue recognized in the five-month period ended May 31, 2008 primarily represented the products supplied by SGTE, whereas the revenue recognized in the five-month period ended May 31, 2009 primarily represented the products supplied by GPEL and Greens UK. The revenue from this segment in the five-month period ended May 31, 2009 primarily consisted of: (i) RMB 28.7 million in waste heat boiler components supplied to a PRC customer; and (ii) RMB 10.7 million in various boiler related components supplied to a PRC customer; and (iii) RMB 10.6 million in re-heaters and other components to a U.S. based customer under various contracts. The revenue from this segment in the five-month period ended May 31, 2008 primarily consisted of RMB 13.5 million in plain steel tubes to GPEL.

Marine products. Revenue from our marine products segment increased from RMB 0.2 million in the five-month period ended May 31, 2008 to RMB 8.9 million in the five-month period ended May 31, 2009. The significant increase primarily reflected our efforts to diversify our product portfolio and our acquisition of Mega Smart in 2008. The revenue from this segment in the five-month period ended May 31, 2009 primarily consisted of revenue under contracts with shipbuilders and other customers based in China. The revenue from this segment in the five-month period ended May 31, 2008 represented parts and components supplied by SGTE.

Services and repairs. Revenue from this segment amounted to RMB 16.9 million in the five-month period ended May 31, 2009, which represented (i) RMB 4.8 million in revenue recognized under a contract to repair economisers and re-heaters for a European based customer; (ii) RMB 4.6 million in revenue recognized under a contract to refurbish three HRSG units for a U.K. based customer; and (iii) various other services and repairs contracts.

Power generation. We recognized a construction revenue of RMB 38.2 million for our Xinjiang Project in the five-month period ended May 31, 2009.

Cost of Sales/Services

Our cost of sales increased from RMB 76.3 million in the five-month period ended May 31, 2008 to RMB 191.6 million in the five-month period ended May 31, 2009, primarily reflecting an increase in our revenue. In particular, in the five months ended May 31, 2009, we recognized RMB 34.6 million in cost relating to our Xinjiang Project.

Gross Profit

As a result of the foregoing, gross profit increased from RMB 25.8 million in the five-month period ended May 31, 2008 to RMB 77.8 million in the five-month period ended May 31, 2009. Our gross margin increased from 25.3% in the five-month period ended May 31, 2008 to 28.9% in the five-month period ended May 31, 2009, primarily reflecting the increases in gross margin in our waste heat recovery product segment and our boiler component segment, partially offset by the lower gross margin yielded for our waste heat power generation segment and services and repairs segment.

Gross margin for our economiser segment increased from 30.4% in the five-month period ended May 31, 2008 to 30.5% in the five-month period ended May 31, 2009. Such increase primarily reflected our acquisition of Mega Smart, particularly Greens UK and GPEL, offset by the decrease in gross margin for our economiser sales to our PRC market in 2009. After the completion of our Reorganization on July 22, 2008, the transactions between Mega Smart and us, which primarily included our subcontracting arrangement with GPEL and our supply of economiser products to Greens UK, were treated as intra-group transactions. As a result, the

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gross profit of Greens UK and GPEL in the economiser segment has been reflected as part of our results of operations, contributing to an increase in our gross margin for this segment in the five-month period ended May 31, 2009 compared to the five-month period ended May 31, 2008. Gross margin for our economisers supplied to the PRC market decreased, primarily reflecting an increase in pricing pressure from competitors as a result of the financial crisis.

Gross margin for our waste heat recovery product segment increased from 24.9% in the five-month period ended May 31, 2008 to 40.7% in the five-month period ended May 31, 2009. We believe the increase in gross margin for waste heat recovery products primarily reflected the consolidation effect resulting from the acquisition of Mega Smart, coupled with an increase in the economy of scale at our GPEL manufacturing plant since it ramped up production in 2008.

Gross margin for our boiler component segment increased from negative 2.4% in the five-month period ended May 31, 2008 to 31.8% in the five-month period ended May 31, 2009. Our gross margin for the five-month period ended May 31, 2008 was significantly affected by the resales of steel components purchased by SGTE to GPEL. Our gross margin for the five-month period ended May 31, 2009 was affected by the consolidation effect resulting from the acquisition of Mega Smart.

Gross margin for our services and repairs segment in the five-month period ended May 31, 2009 was 9.6%. Gross margin for the segment during this period was affected by relatively low margins we experienced on our two largest contracts, based on revenue recognized, in the period.

Gross margin for our waste heat power generation segment in the five-month period ended May 31, 2009 was 9.4%.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB 0.7 million in the five-month period ended May 31, 2008 to RMB 5.0 million in the five-month period ended May 31, 2009, reflecting our acquisition of Mega Smart. In particular, salary and wages as well as transportation and shipping cost increased significantly in the five months ended May 31, 2009 compared to the same period in 2008.

Administrative Expenses

Our administrative expenses increased from RMB 2.9 million in the five-month period ended May 31, 2008 to RMB 34.3 million in the five-month period ended May 31, 2009. The increase primarily reflected the acquisition of Mega Smart businesses, particularly Greens UK, as part of our Reorganization. In particular, salary and wages, travel, depreciation and amortization as well as office lease payments increased significantly. In addition, we incurred RMB 6.2 million in professional fees in the five months ended May 31, 2009, compared to RMB 0.3 million in the same period in 2008.

Other Income and Other Gains and Losses

We had a loss of RMB 0.3 million in the five-month period ended May 31, 2008, compared to a gain of RMB 7.6 million in the five-month period ended May 31, 2009. In the five-month period in 2009, we recognized RMB 7.3 million in income (representing contract cancellation fee net of any cost of sales incurred) from cancellation of contracts for marine products. In the five-month period ended May 31, 2008, we recognized RMB 1.1 million of loss, primarily reflecting the depreciation of the U.S. dollar against the Renminbi, our reporting currency. The loss due to such foreign exchange rate fluctuation amounted to RMB 0.6 million in the five-month period in 2009.

Finance Costs

Our finance costs decreased from RMB 891 thousand in the five-month period ended May 31, 2008 to RMB 773 thousand in the five-month period ended May 31, 2009, or a decrease of 13.2%. This was primarily due to

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the increase in our borrowings in 2009 to fund our business expansion. Our finance costs in the five months ended May 31, 2009 was affected by RMB 3.4 million in capitalized interest, calculated based on a capitalization rate of 5.79% per annum on our loans relating to GPEL's Xieqiao plant and the Xinjiang Project.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB 21.2 million in the five-month period ended May 31, 2008 to RMB 45.3 million in the five-month period ended May 31, 2009.

Income Tax Expense

Our income tax expenses were RMB 3.1 million in the five-month period ended May 31, 2008, compared to RMB 8.3 million in the five-month period ended May 31, 2009. Our effective tax rate was approximately 14.5% and 18.2% in the five-month period ended May 31, 2008 and May 31, 2009, respectively.

Profit for the Year

As a result of the foregoing, our net profit increased from RMB 18.1 million in the five-month period ended May 31, 2008 to RMB 37.1 million in the five-month period ended May 31, 2009.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue

Our revenue increased by 86.0% from RMB 231.8 million in 2007 to RMB 431.1 million in 2008. The increase primarily reflected a combination of the revenue recognized for our Xinjiang Project and the increases in revenue from our waste heat recovery product segment and our boiler components segment.

Economisers. Revenue from our economiser segment decreased by 2.1% from RMB 184.1 million in 2007 to RMB 180.2 million in 2008, primarily reflecting a decrease in revenue from our PRC market, partially offset by an increase in revenue from our international market.

Revenue from supply of economisers in the PRC market decreased from RMB 144.0 million in 2007 to RMB 127.7 million in 2008, or a decrease of 11.3%, which primarily reflected a decrease in the volume of products supplied by us to our end customers in the PRC market. In 2008, compared to 2007, we experienced a significant decrease in the volume ordered by two of our largest customers, as well as a decrease in the average selling price of our products supplied to our PRC end customers on a non free-issue basis. We believe these declines reflected, among other things, a reduced level of spending by PRC boiler makers during the recent financial crisis, coupled with increasing competition in the market. To reduce the effect of these unfavorable market conditions, we, among other efforts, increasingly offered favorable pricing terms to our existing customers and focused more resources on our waste heat recovery product segment and waste heat power generation business. In 2008, we also generated revenue of RMB 14.2 million from provision of steel components to GPEL at cost.

Revenue from supply of economisers in our international market increased from RMB 40.1 million in 2007 to RMB 52.5 million in 2008, or an increase of 30.9%. The increase primarily reflected the acquisition of the Mega Smart businesses, particularly Greens UK, as part of our Reorganization. Our average selling price increased significantly in 2008 from 2007, primarily reflecting the higher average selling price for products supplied by Greens UK to our end customers in the international market compared to that for products supplied by SGTE to Greens UK. The volume of economiser products supplied to the international market, which may vary significantly from period-to-period based on the design requirements of our customers, decreased in 2008 from 2007.

Waste heat recovery products. Revenue from our waste heat recovery product segment increased from RMB 34.5 million in 2007 to RMB 106.4 million in 2008. This significant increase primarily reflected our

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strategic adjustment of our business strategy to diversify our product portfolio in 2008 and the acquisition of Mega Smart businesses, particularly GPEL and Greens UK, as part of our Reorganization. See "—Our Results of Operations—Five Months Ended May 31, 2009 Compared to Five Months Ended May 31, 2008—Revenue".

Individual contract values in this segment are generally large, and our revenue from this segment has been generated from a small number of contracts each year. In 2008, revenue from this segment primarily consisted of (i) RMB 55 million for HRSG modules supplied to a U.S. based customer; (ii) RMB 22 million for HRSG modules supplied to a European based customer; and (iii) RMB 24.7 million for five units of waste heat boilers supplied to a customer in China. In 2007, revenue from this segment primarily consisted of (i) RMB 17.5 million for HRSG modules and RMB 6.5 million for HRSG spiral finned tubes, both supplied by SGTE to Greens UK, which in turn supplied to a U.S. based customer; and (ii) RMB 8.6 million for the HRSG modules supplied by SGTE to a PRC customer.

Boiler components. Revenue from our boiler components segment increased from RMB 10.6 million in 2007 to RMB 39.2 million in 2008. This significant increase primarily reflected our efforts to diversify our product portfolio in 2008 and the acquisition of Mega Smart businesses, particularly GPEL and Greens UK, as part of our Reorganization. In 2008, a majority of the revenue for this segment consisted of the portion of the revenue from supply of products by GPEL to the customers in the PRC market and the international market through Greens UK, which were recognized after July 22, 2008, the date we completed our Reorganization. The revenue from this segment in 2008 primarily consisted of (i) RMB 18.8 million for the power station steel structure supplied to a PRC customer; (ii) RMB 8.5 million for incinerator superheaters supplied to a U.S. based customer and (iii) RMB 6.5 million for the superheaters supplied to Greens UK, which in turn supplied to a U.S. based customer. In 2007, revenue from this segment primarily consisted of (i) RMB 4.1 million for air pre-heaters SGTE supplied to a major PRC customer; and (ii) RMB 3.5 million for the finned tubes SGTE supplied to a PRC customer.

Marine products. Revenue from our marine products segment increased from RMB 2.5 million in 2007 to RMB 15.9 million in 2008. This significant increase primarily reflected our efforts to diversify our product portfolio in 2008 and the acquisition of Mega Smart businesses, particularly Greens UK, as part of our Reorganization. In 2008, revenue from this segment primarily consisted of revenue from supply of marine boilers by Greens UK. In 2007, revenue from this segment primarily consisted of marine boiler components, which SGTE supplied to SGME for its marine boiler services and repairs business.

Services and repairs. Revenue from our services and repairs segment increased from nil in 2007 to RMB 8.7 million in 2008. Revenue from this segment in 2008 was derived from boiler services and repairs by SGME (in the PRC market) and by Greens UK (in the international market), both of which we acquired as part of our Reorganization.

Power generation. We recognized revenue of RMB 80.7 million for our Xinjiang Project, based on the stage-of-completion we estimated for the project as of December 31, 2008.

Cost of Sales/Services

Our cost of sales increased by 76.4% from RMB 182.2 million in 2007 to RMB 321.4 million in 2008, primarily reflecting an increase in our revenue. As a result of our Reorganization and the acquisition of Mega Smart, cost of sales for Mega Smart group companies incurred from July 22, 2008 have been reflected as part of our cost of sales in 2008, which resulted in increases in all major components of our cost of sales, other than the significant decrease in cost of semi-finished goods purchased from GPEL.

Gross Profit and Gross Margin

As a result of the foregoing, gross profit increased from RMB 49.6 million in 2007 to RMB 109.7 million in 2008. Our gross margin increased from 21.4% in 2007 to 25.4% in 2008, primarily reflecting the increases in gross margin in our economiser segment and waste heat recovery product segment, partially offset by the decrease in gross margin for boiler component segment and the gross margin of 6.9% yielded for our power generation segment in 2008.

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Gross margin for our economiser segment increased from 23.8% in 2007 to 26.7% in 2008. The increase in the gross margin for the economiser segment primarily reflected the acquisition of Mega Smart, particularly GPEL and Greens UK, partially offset by the decrease in gross margin for our economiser international sales during the second half of 2008. After the completion of our Reorganization on July 22, 2008, the transactions between Mega Smart and us, which primarily included our subcontracting arrangement with GPEL and our supply of economiser products to Greens UK, were treated as intra-group transactions. As a result, the gross profit of Greens UK and GPEL in the economiser segment has been reflected as part of our results of operations, contributing to an increase in our gross margin for this segment. The decrease in gross margin for our economiser international sales primarily reflected the favorable sales terms we offered to a potentially large customer based in Europe during the second half of 2008.

Gross margin for waste heat recovery product segment increased from 9.3% in 2007 to 37.1% in 2008. The increase primarily reflected the acquisition of Mega Smart businesses, which contributed a significant majority of our revenue from this segment in 2008. In 2008, the experiences we gained in managing waste heat recovery projects more efficiently also contributed to the increase in our gross margin for this segment. In addition, a higher proportion of more technically sophisticated products supplied in 2008 compared to 2007 contributed to the higher gross margin yielded in the segment as well.

Gross margin for boiler component segment decreased from 20.6% in 2007 to 17.4% in 2008, primarily reflecting our effort to enter into the U.S. market. In 2008, we supplied more boiler component products to the U.S. based customers with more favorable terms compared to our general sales terms for this segment in order to expand our sales in the U.S. market.

Selling and Distribution Expenses

Selling and distribution expenses increased by 16.8% from RMB 5.7 million in 2007 to RMB 6.7 million in 2008, contributed by an increase in wages and salary of marketing employees from RMB 34 thousand in 2007 to RMB 2.0 million in 2008, primarily reflecting the acquisition of Mega Smart.

Administrative Expenses

Our administrative expenses increased significantly from RMB 5.7 million in 2007 to RMB 33.2 million in 2008. The increase primarily reflected the acquisition of Mega Smart businesses, particularly Greens UK, as part of our Reorganization. In particular, salary, wages, pension and other welfare paid to our employees increased from RMB 1.8 million in 2007 to RMB 12.4 million in 2008, and our travelling expenses and rental expenses increased from RMB 0.9 million and RMB 0.3 million in 2007 to RMB 3.2 million and RMB 2.5 million in 2008, respectively, primarily reflecting the consolidation of Greens UK's expenses since July 22, 2008. Professional fees increased from RMB 90 thousand in 2007 to RMB 7.1 million in 2008.

Other Income and other Gains and Losses

We had a gain of RMB 4.3 million in 2008, compared to RMB 0.7 million in 2007. We received a one-time subsidy of RMB 2.6 million from the local governmental authority in 2008 as a business incentive for operating at SGTE's current location. We had a net foreign exchange loss of RMB 2.2 million in 2008 compared to RMB 0.8 million in 2007, primarily reflecting the continued depreciation of our current assets denominated in foreign currencies, particularly U.S. dollars, Euros, and GBP, against the Renminbi, as well as an increase in our current assets in these foreign currencies. In addition, we recognized RMB 1.7 million in excess inventory and various miscellaneous types of income.

Finance Costs

Our finance costs decreased from RMB 2.3 million in 2007 to RMB 1.9 million in 2008, representing a decrease of 15.3%. Our interest on borrowing wholly repayable within five years increased to RMB 4.4 million in 2008, compared to RMB 2.3 million in 2007, primarily reflecting our increased borrowing to fund our

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business expansion. We had RMB 2.5 million of the interests capitalized by applying a capitalization rate of 6.45% per annum to expenditure on GPEL's Xieqiao plant and Xinjiang Project.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB 36.6 million in 2007 to RMB 72.0 million in 2008.

Income Tax Expenses

Our income tax expenses increased from RMB 5.0 million in 2007 to RMB 12.0 million in 2008, primarily reflecting consolidation of the income tax paid by Greens UK after completion of our Reorganization. Our effective tax rate was approximately 13.7% and 16.6% in 2007 and 2008, respectively.

Profit for the Year

As a result of the foregoing, our net profit increased from RMB 31.6 million in 2007 to RMB 60.1 million in 2008.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue

Our revenue increased by 22.1% from RMB 189.8 million in 2006 to RMB 231.8 million in 2007. The increase was primarily due to increases in revenue from economiser segment and waste heat recovery product segment.

Economisers. Revenue from our economiser segment increased by 15.3% from RMB 159.6 million in 2006 to RMB 184.1 million in 2007, primarily reflecting an increase in revenue from our international market, partially offset by a decrease in revenue from our PRC market.

Revenue from supply of economisers in the international market increased from RMB 14.3 million in 2006 to RMB 40.1 million in 2007, reflecting increases in both the volume and average selling price of our products. The volume of economiser products supplied to Greens UK, which in turn supplied to the international market increased significantly, which we believe primarily reflected a combination of (i) increased brand recognition for our products in the international market; and (ii) an increase in our manufacturing capacity through our subcontracting arrangement with GPEL, which commenced operation in 2007. The average selling price for economisers supplied to Greens UK also increased, primarily reflecting the corresponding increase in the average selling price for products Greens UK on-sold to the international market due to the change in its customer base in 2007. See 2007-to-2006 comparison in "—Results of Operations of Mega Smart".

Revenue from supply of economisers in the PRC market decreased from RMB 145.3 million in 2006 to RMB 144.0 million in 2007, or a decrease of 0.9%. The decrease primarily reflected a decrease in the average selling price for the economiser products supplied by us to our end customers in the PRC market. As a reflection of our relatively early entry into the PRC market, which until then has been dominated by plain steel economiser suppliers, we were able to enjoy relatively high average selling price on our economiser products prior to 2006. As competition increased in the PRC market, we experienced increasing pricing pressure from our large existing customers. As part of our effort to expand our customer base, we also offered favorable pricing terms to potential customers to encourage them to replace their existing plain steel economisers with our Steel-H economisers. Such effort also contributed to a lower average selling price in 2007 compared to 2006. The volume for products supplied to our end customers in the PRC market remained relatively stable.

Waste heat recovery products. Revenue from our waste heat recovery product segment increased significantly from RMB 24.8 million in 2006 to RMB 34.5 million in 2007, or an increase of 39.5%. The increase primarily reflected our efforts to expand into the international market for waste heat recovery products.

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In 2007, revenue from this segment primarily consisted of (i) RMB 17.5 million for HRSG modules and RMB 6.5 million for HRSG spiral finned tubes supplied to Greens UK, which in turn supplied to a U.S. based customer; and (ii) RMB 8.6 million for HRSG modules supplied to a shipbuilding customer in China. In 2006, revenue from this segment primarily consisted of (i) RMB 14.2 million for HRSG modules supplied to a major PRC customer; and (ii) RMB 9.3 million for HRSG modules we supplied to the PRC affiliate of a European customer.

Boiler components. Revenue from boiler components segment increased from RMB 4.8 million in 2006 to RMB 10.6 million in 2007, primarily reflecting our continued business expansion. In 2007, revenue from this segment primarily consisted of (i) RMB 4.1 million for air pre-heaters supplied to a major PRC customer; and (ii) RMB 3.5 million for the finned tubes we supplied to a PRC customer. In 2006, revenue for this segment primarily consisted of RMB 2.3 million for boiler parts supplied to GSz and RMB 1.5 million for the finned tubes supplied to a PRC customer.

Marine products. Revenue from our marine products segment increased from RMB 0.6 million in 2006 to RMB 2.5 million in 2007. We supplied certain marine boiler components to SGME free of charge in 2006 as the value of the products was not significant. Since 2007, in anticipation of increased transaction volume, we began to supply products to SGME on a cost plus markup basis. Accordingly, revenue in 2007 for the segment primarily represented marine boiler components supplied under such arrangement.

Cost of Sales/Services

Our cost of sales increased by 29.9% from RMB 140.2 million in 2006 to RMB 182.2 million in 2007, primarily reflecting an increase in our revenue. In 2007, we recognized purchase cost of RMB 108.7 million under the subcontracting arrangement with GPEL. GPEL commenced operation in 2007 and charged us its cost of sales associated with such processing arrangement plus a markup. Our costs of steel and other raw materials and direct labor costs decreased, as these costs were incurred by GPEL as part of our outsourced processing arrangement with GPEL.

Gross Profit and Gross Margin

Our gross profit was RMB 49.6 million in 2006 and in 2007. Our gross margin decreased from 26.1% in 2006 to 21.4% in 2007, reflecting, among other things, the decrease in gross margins for the economiser segment and boiler component segment, which was partially offset by an increase in gross margin in waste heat recovery product segment. Gross margin for our economiser segment decreased from 34.5% in 2006 to 23.8% in 2007, primarily reflecting (i) the cost associated with subcontracting arrangement with GPEL in 2007; (ii) continuing pricing pressure on our economiser products in the PRC market; and (iii) a decreased gross margin yielded for products supplied by SGTE to Greens UK. Gross margin for our boiler component segment decreased from 23.9% in 2006 to 20.6% in 2007, primarily reflecting lease payment made for a temporary manufacturing facility in 2007. In addition, our gross margin in 2006 was significantly affected by the HRSG modules supplied to a major PRC customer, on which we experienced a gross loss. These HRSG modules were the first high power output, i.e. greater than 50MW, HRSG modules manufactured and supplied by us, and as result, we faced significant challenges in managing the project efficiently in 2006.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB 2.3 million in 2006 to RMB 5.7 million in 2007, primarily reflecting an increase in our transportation expense as a result of an increase in international sales made on a cost, insurance and freight, or CIF, basis.

Administrative Expenses

Administrative expenses decreased by 8.5% from RMB 6.2 million in 2006 to RMB 5.7 million in 2007.

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Other Income and other Gains and Losses

We had a gain of RMB 0.7 million in 2007, compared to RMB 1.2 million in 2006, primarily due to increases in net foreign exchange loss and a write-off of certain expenses relating to a project ultimately terminated, partially offset by an increase in interest income on bank deposits and imputed interest income on retention money receivables. The increase in net foreign exchange loss primarily reflected the depreciation of our current assets denominated in foreign currencies, particularly U.S. dollars, against the Renminbi. The increase in interest income from bank deposit was primarily attributable to an increase in the bank deposit balance of cash generated from our operations.

Finance Costs

Our finance costs increased from RMB 1.1 million in 2006 to RMB 2.3 million in 2007, primarily reflecting an increase in the amount of our bank borrowings.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by 11.1% from RMB 41.2 million in 2006 to RMB 36.6 million in 2007.

Income Tax Expenses

Our income tax expenses decreased by 10.2% from RMB 5.6 million in 2006 to RMB 5.0 million in 2007, primarily reflecting a decrease in our profit before taxation. Our effective tax rate was approximately 13.5% and 13.7% in 2006 and 2007, respectively.

Profit for the Year

As a result of the foregoing, our net profit decreased by 11.3%, from RMB 35.6 million in 2006 to RMB 31.6 million in 2007.

DISCUSSION OF OUR STATEMENT OF FINANCIAL POSITION ITEMS

Inventories and Contracts-in-Progress

We generally recognize revenue on a stage-of-completion basis. See “—Description of Our Income Statement Line Items—Revenue”. Accordingly, contracts-in-progress amounts are presented on our statement of financial position as amounts due to or from customers for contract work. At the end of each reporting period, the portion of the contract costs incurred plus recognized profits less recognized losses exceeding the progress billings is shown as amounts due from customers for contract work, and the portion of the progress billings exceeding the contract costs incurred plus recognized profits less recognized losses is shown as amounts due to customers for contract work. See note 4 in the Accountants’ Report in Appendix IA to this document. As a result, our inventory balance information must be read in light of our contracts-in-progress information. On a stand-alone basis, the inventory balance information, including the turnover days of inventory, may not be as meaningful as such information for companies primarily applying other revenue recognition policies.

The following table sets forth the components of our inventory balances as of the dates indicated as well as our turnover of average inventory for the periods indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB, except turnover days of inventory)			
Raw materials	13,626	6,926	49,590	60,220
Turnover days of inventory (in days) ⁽¹⁾	40	21	32	43

(1) Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365.25 for each of years ended December 31, 2006, 2007 and 2008, and by 151 for the five months ended May 31, 2009. Average inventory equals inventory balance at the beginning of the period plus inventory balance at the end of the period, divided by two.

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Our inventories generally consist of raw materials for our manufacturing operation. The decreases in the inventory balance from December 31, 2006 to December 31, 2007 and the turnover days of inventory during this period were affected by the outsourced processing arrangement between us and GPEL in 2007, which had a depressing effect on inventory balance as of December 31, 2007. The increase in inventory balance from December 31, 2007 to December 31, 2008 and the turnover days of inventory during this period primarily reflected the acquisition of the Mega Smart businesses as part of our Reorganization and the resulting consolidation of their inventory balances and other operating results. The increase in inventory balance from December 31, 2008 to May 31, 2009 and the turnover days of inventory during this period primarily reflected an increase in our purchases of steel components in anticipation of higher steel prices in the market.

The trends in contracts-in-progress primarily reflect in our revenue trends recognized on a stage-of-completion basis. The following table sets forth the components of our contracts-in-progress as of the dates indicated.

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

Trade and Other Receivables

The following table sets forth the components of our trade and other receivables outstanding as of the dates indicated.

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

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Trade Receivables

Our trade receivables represent receivables from the sales or supply of our products and provision of our services to customers other than our related parties. The following table sets forth the balance and turnover days of our trade receivables less allowance for doubtful debts as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB, except turnover days)			
Trade receivables	100,580	93,348	284,405	272,922
Less: Allowance for doubtful debts	—	—	1,748	3,694
Total	100,580	93,348	282,657	269,228
Turnover days of trade receivables ⁽¹⁾	102	105	131	132

(1) Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365.25 for each of years ended December 31, 2006, 2007 and 2008, and by 151 for the five months ended May 31, 2009. Average trade receivables equal balance of trade receivables less retention money receivables and allowance for doubtful debts at the beginning of the period plus balance at the end of the period, divided by two. These amounts of turnover days of trade receivables are calculated based on our total revenue amounts, which include revenue generated from related parties. If calculated solely based on total revenue excluding revenue from related parties, which totaled RMB 176.5 million, RMB 162.9 million and RMB 390.8 million in 2006, 2007 and 2008, respectively, our turnover days of trade receivables would have been 110 days, 149 days and 145 days, for the respective period.

The increase in our accounts receivable outstanding and the increase in turnover days of trade receivables from December 31, 2007 to December 31, 2008 was primarily attributable to our Reorganization and the consolidation of Mega Smart's results. The increase in turnover days of trade receivables during this period also reflected the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis. We believe the decrease in our accounts receivable outstanding from December 31, 2008 to May 31, 2009 reflected, in significant part, our increasing collection efforts during this period.

Our turnover days for trade receivables are primarily affected by the balance of our normal trade receivables and the retention money receivables. We generally allow an average credit period ranged from 30 to 90 days to our trade customers. For some of our major customers with relatively strong credit history, we may agree to the longer credit period determined on a case-by-case basis. Moreover, we generally allow our trade customers to withhold payment of about 5% to 10% of the total purchase price as the retention money, which will be released one to three years after delivery or acceptance of our products by our customers or after the installation of our products by our customers.

From May 31, 2009 to September 30, 2009, which is the latest practicable date for purpose of indebtedness, we collected RMB 98.7 million in trade receivables which were outstanding as of May 31, 2009.

The following table sets forth an aging analysis of our normal trade receivables, i.e. excluding retention money receivables and allowance for doubtful debts, as of the dates indicated.

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

The amount of our normal trade receivables outstanding for more than 180 days as of December 31, 2006 was significantly attributable to trade receivables from Harbin Boiler. As we were in the initial stages of our business expansion, and Harbin Boiler has traditionally been our largest customer and has a relatively strong credit history, we allowed Harbin Boiler an extended credit period. As we continued to diversify our customer base in 2007 and became less reliant to any particular customer, we strengthened our efforts to collect our

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account receivables. The results of such efforts were reflected in our normal trade receivables outstanding as of December 31, 2007. The aging trend of our normal trade receivables from December 31, 2007 to December 31, 2008 primarily reflected a combination of (i) our Reorganization and the consolidation of Mega Smart's results; and (ii) the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis. The aging trend of our normal trade receivables from December 31, 2008 to May 31, 2009 primarily reflected an increasing collection efforts during this period.

From May 31, 2009 to September 30, 2009, we collected RMB 83.6 million in normal trade receivables which were outstanding as of May 31, 2009.

The following table sets forth an aging analysis of our retention money receivables, net of allowance for doubtful debt, as of the dates indicated.

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

Our warranty period is generally between one to three years from delivery or installation depending on the terms of the contract. The increase in our total outstanding retention money receivables from December 31, 2006 to December 31, 2007 primarily reflected the increase in our revenue as we continue to expand our business. The increase during this period and the aging trend from December 31, 2006 to May 31, 2009 was also attributable to the schedule delays in the commencement of operations of certain power plants in the PRC that installed products supplied by us, which delayed the commencement of warranty period for these products. The increase in our total outstanding retention money receivables from December 31, 2008 to May 31, 2009 was also attributable to an increase in deliveries made during this period. Our acquisition of Mega Smart did not have a significant effect on our total retention money outstanding as of December 31, 2008 and May 31, 2009 as Greens UK generally enters into warranty guarantees without retention money.

From May 31, 2009 to September 30, 2009, we collected RMB 15.1 million in outstanding retention money receivables which were outstanding as of May 31, 2009.

Others

Other types of receivables primarily consist of advance to suppliers and other receivables. Advance to suppliers primarily consist of those prepayments to the raw material suppliers. Advance to suppliers increased from RMB 0.8 million on December 31, 2006 to RMB 14.9 million on December 31, 2007, primarily reflecting the increase in raw materials purchase in anticipation of higher steel prices. Other receivables primarily consist of our payment of operational expenses on behalf of TEIL's Shanghai representative office and transportation fees paid on behalf of our customers. Our "other receivables" increased from RMB 1.9 million on December 31, 2007 to RMB 10.2 million on December 31, 2008, reflecting, among others, an increase in advances and prepayment for business development. From December 31, 2008 to May 31, 2009, our prepaid expenses increased from RMB 2.7 million to RMB 6.0 million. During the same period, our deposits increased from RMB 4.6 million to RMB 6.8 million.

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Related Party Transactions and Amounts Due from and Due to Related Companies

Historically, we have entered into significant related party transactions with Greens UK, GPEL and other businesses owned by Mr. Ellis prior to our Reorganization. See “—Financial Impact of Our Reorganization”. The following table sets forth related party transactions during the periods indicated.

	For the year ended December 31,			For the five months ended May 31,	
	2006	2007	2008	2008	2009
	(in thousands of RMB)				
Purchase of property, plant and equipment from:					
—Greens UK	4,308	3,053	—	—	—
Purchase of semi-finished products from:					
—GPEL	—	108,667	28,471	18,604	—
Purchase of materials from:					
—Greens UK	599	2,889	231	—	—
Supply of products and construction service to:					
—Greens UK	13,322	66,660	24,540	14,787	—
—SGME	—	2,178	1,570	—	—
—GPEL	—	—	14,165	7,341	—

Amounts due from related companies

The following table sets forth the amounts due from our related companies as of the dates indicated.

	As of December 31,			As of May 31,	
	2006	2007	2008	2008	2009
	(in thousands of RMB)				
Trading in nature					
SGME	—	2,547	—	—	—
Greens UK	5,216	24,440	—	—	—
Subtotal	5,216	26,987	—	—	—
Non trading in nature					
SGME	890	462	—	—	—
Shanghai Changmao ⁽¹⁾	10,159	5,008	—	—	—
GPEL	—	26,904	—	—	—
Greens UK	1,108	1,387	—	—	—
Subtotal	12,157	33,761	—	—	—
Total	17,373	60,748	—	—	—

(1) Shanghai Changmao was controlled by Ms. Chen until it was disposed in March 2008.

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Amounts due to related companies

The following table sets forth the amounts due to our related companies as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB)			
Trading in nature				
GPEL	—	47,998	—	—
Greens UK	2,506	4,152	—	—
Subtotal	2,506	52,150	—	—
Non trading in nature				
Greens UK	15,300	4,959	—	—
GTE	14,700	—	—	—
Subtotal	30,000	4,959	—	—
Total	32,506	57,109	—	—

Trade and other Payables

The following table sets forth the components of our trade and other payables outstanding as of the dates indicated.

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

Trade and bills payables

Our trade and bills payables represent amounts payable in connection with the purchase of raw materials and components from suppliers other than related parties. The following table sets out an aging analysis of our trade and bills payables and the turnover days of trade and bills payables as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB)			
Within 90 days	12,545	2,074	76,932	120,557
91 to 180 days	6,985	13,738	14,010	20,806
181 days to 1 year	20,164	7,862	33,020	21,222
Over 1 year	1,211	737	4,251	10,869
Total	40,905	24,411	128,213	173,454
Turnover days of trade and bills payables ⁽¹⁾	88	65	87	119

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- (1) Turnover days of trade and bills payables for a year equals average trade and bills payables divided by total cost of sales and then multiplied by 365.25 for each of years ended December 31, 2005, 2006 and 2007, and by 151 for the five months ended May 31, 2009. Average trade and bills payables equals balance of trade and bills payables at the beginning of the period plus balance of trade and bills payables at the end of the period, divided by two. These amounts of turnover days of trade and bills payables are calculated based on our total costs of sales amounts, which include costs incurred to related parties.

The decrease in our trade and bills payables balance from December 31, 2006 to December 31, 2007 and the turnover days of trade and bills payables were affected by the subcontracting arrangement with GPEL that began in 2007 as the amounts due to GPEL was classified as amounts due to related parties, hence excluded from the calculation of turnover days of trade and bills payables. However, such calculation included the cost relating to GPEL and bills subcontracting arrangement as part of our total cost of sales during this period. The increase in balances of trade payables from December 31, 2007 to December 31, 2008 was primarily the result of our Reorganization and the consolidation of Mega Smart’s results. The increase in the turnover days of trade and bills payables during this period as well as the period from December 31, 2008 to May 31, 2009 was affected by the ongoing financial crisis. The increase in our trade and bills payables balance from December 31, 2008 to May 31, 2009 was also affected by an increase in our purchases of steel components in anticipation of higher steel prices in the market.

Others

Other types of payables primarily consist of tax payables other than income tax, accrued expenses, and other payables. Tax payables other than income tax represent primarily the value added tax payables, and the increase from December 31, 2006 to December 31, 2007 was primarily due to our increased revenue. Accrued expenses increased from December 31, 2006 to December 31, 2007 primarily due to the increase in lease payables and utility charge payables. The increase in other payables and salary and bonus payable was primarily the result of our Reorganization. Our other payables for construction of service concession arrangement decreased from RMB 29.2 million as of December 31, 2008 to RMB 5.5 million as of May 31, 2009, primarily reflecting our payment of payables to the suppliers in the Xinjiang Project.

RESULTS OF OPERATIONS OF MEGA SMART

We completed the acquisition of Mega Smart businesses on July 22, 2008. Accordingly, our financial statements reflect the consolidated financial results of Mega Smart beginning on July 23, 2008. In addition, Greens UK sold its 49% equity interest in GSz for RMB 5 million to its joint venture partner, Hailu, as part of the Reorganization. For further information, see “—Financial Impact of Our Reorganization”.

To assist readers in evaluating Mega Smart, the entity we acquired as part of the Reorganization, we are presenting a summary discussion of the historical financial results of Mega Smart on a stand-alone basis. This information should be read together with the period-to-period discussion of the Group on an actual historical basis in “—Results of Operations” and Mega Smart’s audited consolidated financial statements and related notes included elsewhere in this document. Mega Smart primarily recognized its revenue on a stage-of-completion basis. For a discussion of such revenue recognition policy, see “—Description of Our Income Statement Line Items—Revenue”.

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The following table sets forth a summary of the consolidated statements of operations of Mega Smart for the periods by amount and as a percentage of the total revenue.

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

The following table sets forth Mega Smart's revenue by business segment for the periods indicated.

	For the year ended December 31,		Period from January 1 to July 22,	
	2006	2007	2007	2008
	(in thousands of RMB)			
Economisers	19,416	184,169	68,327	52,270
Waste heat recovery products	34,879	37,654	16,542	15,650
Boiler components	—	4,399	—	63,563
Marine products	18,200	54,068	23,559	19,743
Services and repairs	39,637	51,609	18,419	46,522
Power generation	—	—	—	4,550
	112,132	331,899	126,847	202,298

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

	For the year ended December 31,				For the period ended July 22,			
	2006		2007		2007		2008	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)							
China	27,014	24.1	159,676	48.1	55,729	43.9	90,846	44.9
Europe	29,844	26.6	87,472	26.4	23,875	18.8	64,277	31.8
North and South America ...	38,726	34.6	48,331	14.6	18,849	14.9	27,041	13.4
Japan	13,444	12.0	34,491	10.3	27,013	21.3	12,642	6.2
Rest of Asia	2,284	2.0	1,372	0.4	958	0.8	7,414	3.7
Others	820	0.7	557	0.2	423	0.3	78	0.0
Total	<u>112,132</u>	<u>100.0</u>	<u>331,899</u>	<u>100.0</u>	<u>126,847</u>	<u>100.0</u>	<u>202,298</u>	<u>100.0</u>

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Year-to-date Period Ended July 22, 2008 Compared to Year-to-date Period Ended July 22, 2007

Revenue

Mega Smart's revenue increased by 59.5% from RMB 126.8 million in the year-to-date period ended July 22, 2007 to RMB 202.3 million in the same period in 2008. The increase primarily reflected increases in revenue from the boiler components segment and the services and repairs segment, partially offset by a decrease in revenue from the economiser segment.

Economisers. Revenue from the economiser segment decreased by 23.5% from RMB 68.3 million in the year-to-date period ended July 22, 2007 to RMB 52.3 million in the same period in 2008, primarily reflecting a decrease in revenue for supply of economiser products to both international customers and sales to SGTE.

Revenue for economiser products supplied to the customers in the international market decreased by 15.6% from RMB 32.1 million in the year-to-date period ended July 22, 2007 to RMB 27.1 million in the same period in 2008. The decrease in economiser revenue from the international market was primarily due to a decrease in supply volume, as a greater proportion of economiser products have been completed in the same period than in the same period in 2008. The average selling price for economiser products supplied to the international market by Mega Smart increased during the period, primarily reflecting a general increase in steel prices in 2008.

Revenue for Mega Smart's economiser products supplied to the PRC market primarily represented the products supplied by GPEL to SGTE. Revenue from such subcontracting arrangement between GPEL and SGTE decreased by 30.4% from RMB 36.2 million in the year-to-date period ended July 22, 2007 to RMB 25.2 million in the same period in 2008, primarily reflecting GPEL's increased production of boiler components in 2008 as part of its shifting focus from providing semi-finished economiser products to SGTE to manufacturing other heat transfer products.

Waste heat recovery products. Revenue from Mega Smart's waste heat recovery product segment decreased from RMB 16.5 million in the year-to-date period ended July 22, 2007 to RMB 15.7 million in the same period in 2008. Contract values of this segment are generally large, and Mega Smart's revenue from this segment has been generated based on a small number of contracts each year. Historically, Greens UK sold waste heat recovery products which were manufactured and delivered by SGTE. In the year-to-date period ended July 22, 2007, revenue from the segment primarily consisted of RMB 12.4 million for the spiral finned tubes for HRSGs manufactured by SGTE for a U.S. based customer. Shortly prior to the completion of our Reorganization in 2008, GPEL began manufacturing waste heat recovery products. As a result, revenue from this segment in the same period in 2008 consisted of RMB 1.9 million for the HRSG modules manufactured for a U.S. based customer and RMB 11.7 million for the HRSG modules manufactured for a European based customer.

Boiler components. Revenue from the boiler components segment was RMB 63.6 million for the year-to-date period ended July 22, 2008, which primarily consisted of (i) RMB 16.9 million for the superheaters supplied to a U.S. based customer; (ii) RMB 4.4 million for incinerator superheaters supplied to Pressure Parts Inc.; and (iii) RMB 37.0 million for the power station steel structure supplied to a PRC customer. GPEL did not engage in manufacturing of boiler components during the year-to-date period ended July 22, 2007 and began manufacturing of boiler components after July 22, 2007.

Marine products. Revenue from Mega Smart's marine products segment decreased from RMB 23.6 million in the year-to-date period ended July 22, 2007 to RMB 19.7 million in the same period in 2008. Revenue from this segment primarily consisted of Greens UK's supply of marine boiler shells sourced from GSz and GPEL after its commencement of operations in 2007 and other marine boiler components, such as control panels, burners, mountings and pumps, sourced from third parties. Mega Smart's revenue from this segment has been generated based on a small number of contracts each year. In the year-to-date period ended July 22, 2008, revenue from this segment primarily consisted of (i) RMB 12.9 million for the marine products supplied to various shipyards in China; and (ii) RMB 5.1 million for marine products supplied to a Singapore based customer. In the same period in 2007, revenue from this segment primarily consisted of (i) RMB 13.3 million for the marine products supplied to a PRC subsidiary of a U.K. customer; (ii) RMB 7.5 million for marine products

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to various shipyards in China; and (iii) RMB 3.1 million for the marine products supplied to a European based customer.

Services and repairs. Revenue from services and repairs increased from RMB 18.4 million in the year-to-date period ended July 22, 2007 to RMB 46.5 million in the same period in 2008, primarily reflecting an expansion of Mega Smart's international customer base. In the year-to-date period ended July 22, 2008, Greens UK generated RMB 26.6 million in revenue under its contract to refurbish three HRSG units for a U.K. based customer. The components used for the refurbishing contract were sourced from third parties locally due to the remote location of the worksite, which made it logistically challenging to source components from production centers in China. Revenue from services and repairs by SGME increased by 14.5% from RMB 6.2 million in the year-to-date period ended July 22, 2007 to RMB 7.1 million in the same period in 2008.

Power generation. RMB 4.6 million of revenue was recognized on stage-of-completion basis for the Xinjiang Project, which commenced construction in July 2008.

Cost of Sales/Services

Cost of sales of Mega Smart primarily consist of steel and other raw materials, outsourced processing fee paid to third parties, direct labor costs and manufacturing overhead. Cost of sales of Mega Smart increased by 58.8% from RMB 100.6 million in the year to date period ended July 22, 2007 to RMB 159.7 million in the same period in 2008. Mega Smart commenced operation in June 2007 and focused on providing semi-finished economiser products to SGTE in 2007. In 2008, Mega Smart began to focus more on manufacturing of waste heat recovery products, boiler components products and marine products, which resulted in an increase in the outsourced processing fee paid to third parties, steel and steel-based components costs and direct labor costs. Xinjiang Project commenced construction in July 2008, and Mega Smart recognized costs of RMB 4.6 million on stage-of-completion basis for the year to end period ended July 22, 2008.

Gross Profit and Gross Margin

Gross profit increased by 62.2% from RMB 26.3 million in the year-to-date period ended July 22, 2007 to RMB 42.6 million in the same period in 2008. Mega Smart's gross margin increased from 20.7% in the year-to-date period ended July 22, 2007 to 21.1% in the same period in 2008, primarily reflecting an increase in gross margin for economiser segment and boiler components segment, partially offset by decrease in gross margin for services and repairs segment.

Gross margin for economiser segment increased from 17.5% in the year-to-date period ended July 22, 2007 to 21.1% in the same period in 2008, primarily reflecting an increase in gross margin for GPEL's economisers products provided to SGTE, partially offset by a decrease in gross margin for Greens UK's economiser sales. Like SGTE, GPEL recognizes revenue for semi-finished economiser products provided to SGTE on a stage-of-completion basis. A greater proportion of the semi-finished economiser products provided by GPEL have been completed in the same period than the same period in 2007, which resulted in a significantly lower gross margin for GPEL in the year-to-date period ended July 22, 2007. In the year-to-date period ended July 22, 2008, Greens UK's gross margin decreased, reflecting a combination of (i) a change in customer base, and (ii) an increase in the average selling price for economiser products supplied by SGTE. In the year-to-date period ended July 22, 2007, Greens UK supplied a significant volume of economiser products to its Japanese customers, from which Greens UK has historically realized higher gross margins.

Gross margin for boiler components segment was 31.9% in the year-to-date period ended July 22, 2008. Mega Smart had no revenue from boiler components segment in the year-to-date period ended July 22, 2007.

Gross margin for services and repairs segment decreased from 53.8% in the year-to-date period ended July 22, 2007 to 20.1% in the same period in 2008. In the year-to-date period ended July 22, 2008, gross margin for the services and repairs provided to a U.K. based customer under the HRSG refurbishing contract was significantly lower than Mega Smart's remaining services and repairs contract. Due to the remote location of the worksite, Greens UK sourced components for the refurbishing service from third parties locally, rather than from

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the production facilities in China. Gross margin for the segment in the PRC market also decreased significantly, reflecting the impact of ongoing financial crisis on the marine services and repairs industry generally, coupled with an increase in steel prices in the year-to-date period ended July 22, 2008.

Mega Smart's waste heat recovery product segment experienced a gross loss in the year-to-date period ended July 22, 2008, primarily reflecting Mega Smart's effort to enter into the U.S. market coupled with the additional cost incurred to provide assembling services on the HRSG products we supplied to a U.S. based customer.

Selling and Distribution Expenses

Mega Smart's selling and distribution expenses generally consist of (i) transportation and other distribution costs, and (ii) salary and wages of its sales and marketing employees. Selling and distribution expenses increased by 50.3% from RMB 2.8 million in the year-to-date period ended July 22, 2007 to RMB 4.2 million in the same period in 2008, primarily reflecting an increase in salary and wages of employees, which in turn reflected an increase in the number of employees at Greens UK and GPEL as Mega Smart's business continued to expand.

Administrative Expenses

Administrative expenses increased by 42.9% from RMB 18.1 million in the year-to-date period ended July 22, 2007 to RMB 25.9 million in the same period in 2008, primarily reflecting (i) an increase in salary and wages of employees as the number of employees increased; (ii) an increase in lease payments for new office space in Wakefield, UK and Shanghai, China; and (iii) an increase in professional fee.

Other Income and Other Gains and Losses

Mega Smart's other income and other gains and losses increased from RMB 0.7 million in the year-to-date period ended July 22, 2007 to RMB 14.3 million in the same period in 2008, which was primarily due to a subsidy income in 2008, partially offset by the loss on disposal of GSz. In the year-to-date period ended July 22, 2008, Mega Smart received a subsidy of RMB 15.3 million from the local governmental authority as a business incentive to operate at GPEL Gushan plant's current location. Greens UK recognized a loss of RMB 1.9 million relating to its disposal of GSz in 2008.

Finance Costs

Mega Smart's finance costs decreased by 5.4% from RMB 260 thousand in the year-to-date period ended July 22, 2007 to RMB 246 thousand in the same period in 2008, which was primarily due to the decrease in its bank borrowing.

Share of Profit of a Jointly Controlled Entity

For accounting purposes, share of profit of a jointly controlled entity represent Greens UK's equity interest in SGTE. Mega Smart's share of profit of a jointly controlled entity increased from RMB 10.2 million in the year-to-date period ended July 22, 2007 to RMB 14.5 million in the same period in 2008, reflecting an increase in profit attributable to equity holders of SGTE.

Income Tax Expenses

Mega Smart's tax expense was RMB 0.3 million and RMB 13.5 million for the year-to-date period ended July 22, 2007 and 2008, respectively. The increase in Mega Smart's tax expense was primarily due to a non-recurring PRC withholding capital gains tax of RMB 12.5 million accrued in relation to the Reorganization.

Profit for the Year

As the result of foregoing, Mega Smart's profit for the year increased by 75.9% from RMB 15.8 million for the year-to-date period ended July 22, 2007 to RMB 27.8 million for the same period in 2008.

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Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue

Revenue of Mega Smart increased from RMB 112.1 million in 2006 to RMB 331.9 million in 2007. The increase primarily reflected revenue increases in the economiser segment and the marine products segment.

Economisers. Revenue from Mega Smart's economiser segment increased from RMB 19.4 million in 2006 to RMB 184.2 million in 2007, primarily reflecting a combination of GPEL's commencement of operation in 2007, coupled with an increase in revenue for supply of economiser products to international customers in 2007.

GPEL commenced operation in 2007 and primarily focused on providing semi-finished economiser products to SGTE to meet the increasing demand for our economiser products. Revenue recognized for such arrangement amounted to RMB 108.7 million in 2007, which contributed significantly to the revenue increase in the economiser segment in 2007 compared with 2006. In 2006, Mega Smart recognized no revenue for economiser products supplied to the PRC market.

Revenue from supply of economisers in the international market increased significantly from RMB 19.4 million in 2006 to RMB 75.2 million in 2007, primarily reflecting an increase in supply volume. The volume of economiser products supplied to the international market increased significantly, which we believe reflected increasing brand recognition for Mega Smart's products in the international market, coupled with an increase in manufacturing capacity at SGTE resulting from the commencement of operation at GPEL. The average selling price for economisers supplied to the international customers on a free-issue basis increased, primarily reflecting an increase in economiser products supplied to Japanese customers, from which Greens UK has historically realized higher gross margins.

Waste heat recovery products. Revenue from Mega Smart's waste heat recovery product segment increased by 8.0% from RMB 34.9 million in 2006 to RMB 37.7 million in 2007. In 2007, revenue from the segment primarily consisted of (i) RMB 22.7 million for the HRSG modules contracted by Greens UK and manufactured by SGTE for a U.S. based customer; and (ii) RMB 12.4 million for HRSG spiral finned tubes contracted by Greens UK and manufactured by SGTE for a U.S. based customer. In 2006, revenue for this segment primarily consisted of (i) RMB 19.5 million for the waste heat boilers outsourced and provided to a U.S. based customer and contracted by Greens UK and delivered for its South American Subsidiary; and (ii) RMB 16.3 million for the waste heat boilers outsourced and provided to a Canadian customer and contracted by Greens UK.

Boiler components. Revenue from Mega Smart's boiler components segment increased from nil in 2006 to RMB 4.4 million in 2007. Revenue from boiler components segment in 2007 primarily consisted of (i) RMB 3.2 million for the power station steel structure manufactured for a PRC customer; and (ii) RMB 0.9 million for the superheaters manufactured for a U.S. based customer.

Marine products. Revenue from marine products segment increased from RMB 18.2 million in 2006 to RMB 54.1 million in 2007. In 2007, revenue from this segment primarily consisted of (i) RMB 19.3 million for the marine products supplied to the PRC affiliate of a U.K. based customer; (ii) RMB 26.5 million for marine products to various shipyards in China; and (iii) RMB 3.1 million for the marine products supplied to a European customer. In 2006, revenue for this segment represented marine products to various shipyards in China.

Services and repairs. Revenue from services and repairs increased from RMB 39.6 million in 2006 to RMB 51.6 million in 2007, or an increase of 30.2%. The increase reflected increases in revenue from both domestic and international markets for the segment. Revenue from services and repairs by SGME increased by 59.6% from RMB 9.4 million in 2006 to RMB 15.0 million in 2007, which primarily reflected a continuing expansion of its customer base. Revenue from the international market for this segment also increased by 20.9% from RMB 30.2 million in 2006 to RMB 36.5 million in 2007, which primarily reflected the recognition of revenue under a refurbishment contract for a U.K. based customer which began in September 2007. This segment also includes finning machines supplied by Greens UK to SGTE and third parties which amounted to RMB 2.7 million and RMB 3.9 million in 2006 and 2007 respectively.

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Cost of Sales Services

The cost of sales for Mega Smart increased from RMB 77.0 million in 2006 to RMB 247.4 million in 2007, reflecting GPEL's commencement of operation in 2007. In 2007, GPEL focused on producing semi-finished economiser products for SGTE, which contributed to the significant increase in steel and other raw materials, direct labor costs and manufacturing overhead.

Gross Profit and Gross Margin

Gross profit increased from RMB 35.2 million in 2006 to RMB 84.5 million in 2007. The gross margin for Mega Smart decreased from 31.4% in 2006 to 25.5% in 2007, which primarily reflected a decrease in gross margin for the waste heat recovery product segment and the services and repairs segment, partially offset by an increase in gross margin for the economiser segment during the period.

Gross margin for the waste heat recovery product segment decreased from 30.3% in 2006 to 16.9% in 2007, which primarily reflected, among other things, a change in the product mix supplied by Mega Smart. In 2006, Mega Smart primarily supplied small-scale waste heat boilers, from which Mega Smart has historically yielded higher gross margins. In 2007, Mega Smart began to supply spiral finned tubes for HRSGs, which yielded lower gross margins due to less technical sophistication required for these products compared to HRSG modules or waste heat boilers.

Gross margin for the services and repairs segment decreased from 44.2% in 2006 to 36.3% in 2007, primarily reflecting a combination of (i) SGTE's supply of components to SGME for free in 2006; and (ii) the lower gross margin yielded from HRSG refurbishing work for a U.K. based customer that began in 2007. Due to the remote location of the worksite, Greens UK sourced the components for the refurbishing service from third parties locally, rather than from the production facilities in China.

Gross margin for economiser segment increased from 28.7% in 2006 to 30.1% in 2007, primarily reflecting (i) the increase in gross margin for GPEL's economisers processing products provided to SGTE, which yielded a gross margin of 27% for GPEL for 2007; and (ii) the increase in gross margin from the international market due to the change in the customer base. In 2007, Greens UK supplied a significant volume of economiser products to its Japanese customers, from which Greens UK has historically realized higher gross margins.

Selling and Distribution Expenses

Selling and distribution expenses increased by 16.9% from RMB 4.2 million 2006 to RMB 5.0 million in 2007.

Administrative Expenses

Administrative expenses increased by 39.9% from RMB 24.3 million in 2006 to RMB 33.9 million in 2007, primarily reflecting an increase in salary and wages as GPEL and Greens UK hired new employees as part of Mega Smart's continued business expansion, as well as increases in various other administrative expenses.

Other Income and other Gains and Losses

Mega Smart's other income and other gains and losses decreased from RMB 0.8 million in 2006 to RMB 0.4 million in 2007. In 2006, Mega Smart recognized RMB 0.8 million as a gain relating to the settlement of loans.

Finance Costs

Finance costs increased from RMB 0.2 million in 2006 to RMB 0.5 million in 2007, which was primarily due to the increase in the bank borrowings.

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Share of Profit of a Jointly Controlled Entity

Mega Smart's share of profit of a jointly controlled entity decreased by 11.3% from RMB 18.2 million in 2006 to RMB 16.1 million in 2007, which primarily reflected a decrease in profit attributable to the equity holders of SGTE.

Income Tax Expenses

Mega Smart's tax expense increased by 86.7% from RMB 1.9 million in 2006 to RMB 3.5 million in 2007, as a result of an increase in the profit before tax. The effective tax rate of Mega Smart during the same periods was 7.3% and 5.6% respectively. The decrease in effective tax rate was primarily due to GPEL's exemption from PRC enterprise income tax.

Profit for the year

As the result of above, Mega Smart's profit for the year increased from RMB 23.6 million in 2006 to RMB 58.2 million in 2007.

DISCUSSION OF MEGA SMART'S STATEMENT OF FINANCIAL POSITION ITEMS

Inventories and Contracts-in-Progress

Mega Smart's inventory balance information should be read in light of the contracts-in-progress information. See "—Discussion of Our Statement of Financial Position Items—Inventories and Contracts-in-Progress". The following table sets forth the components of Mega Smart's inventory balances, as of the dates indicated, as well as its turnover of average inventory for the periods indicated.

	As of December 31,		As of July 22,
	2006	2007	2008
	(in thousands of RMB, except turnover days of inventory)		
Raw materials	4,157	23,353	46,551
Turnover days of inventory (in days) ⁽¹⁾	23	20	45

(1) Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365.25 for each of years ended December 31, 2006 and 2007, and by 204 for the year-to-date period ended July 22, 2008. Average inventory equals inventory balance at the beginning of the period plus inventory balance at the end of the period, divided by two.

Mega Smart's inventories generally consist of raw materials. The increase in raw materials balance from December 31, 2006 to December 31, 2008 and the turnover days of inventory during this period primarily reflected the increase in raw materials procured by Greens UK for its international customers requiring raw materials sourced from international market for the products they ordered, coupled with the buildup of raw materials by GPEL for manufacturing as part of its ramp up of operations in 2007.

The following table sets forth the components of contracts-in-progress as of the dates indicated for Mega Smart.

	As of December 31,		As of July 22
	2006	2007	2008
	(in thousands of RMB)		
Contracts-in-progress at the balance sheet date			
Contract costs incurred plus recognized profits less recognized losses	72,495	280,290	151,226
Less: progress billings	(74,092)	(282,462)	(142,261)
	(1,597)	(2,172)	8,965
Analyzed for reporting purpose as:			
Amounts due from contract customers	750	10,663	28,524
Amounts due to contract customers	(2,347)	(12,835)	(19,559)
Total	(1,597)	(2,172)	8,965

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Trade and Other Receivables

The following table sets forth the components of trade and other receivables outstanding as of the dates indicated for Mega Smart.

	As of December 31,		As of July 22,
	2006	2007	2008
	(in thousands of RMB)		
Trade receivables	26,932	75,804	67,315
Other receivables	792	351	2,810
Deposits	138	128	1,520
VAT refundable	36	250	2,095
VAT recoverable	—	3,593	3,122
Prepaid expenses	1,949	2,125	668
Advance to suppliers	263	633	4,887
Total	30,110	82,884	82,417

Mega Smart's Trade Receivables

The following table sets forth the balance and turnover days of Mega Smart's trade receivables less allowance for doubtful debts as of the dates indicated.

	As of December 31,		As of July 22,
	2006	2007	2008
	(in thousands of RMB, except turnover days)		
Trade receivables	26,932	75,804	67,315
Turnover days of trade receivables ⁽¹⁾	58	57	72

(1) Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365.25 for each of years ended December 31, 2006 and 2007, and by 204 for the year-to-date period ended July 22, 2008. Average trade receivables equal balance of trade receivables less retention money receivables and allowance for doubtful debts at the beginning of the period plus balance at the end of the period, divided by two. These amounts of turnover days of trade receivables are calculated based on Mega Smart's total revenue amounts, which include revenue generated from related parties. If calculated solely based on revenue excluding revenue from related parties, which totaled RMB 107.2 million, 217.3 million and RMB 173.6 million in 2006, 2007 and the year-to-date period ended July 22, 2008, respectively, Mega Smart's turnover days of trade receivables would have been 60 days, 86 days and 84 days, for the respective period.

The balance of accounts receivable for Mega Smart increased significantly from December 31, 2006 to December 31, 2007, primarily reflecting an increase of sales by Greens UK. Mega Smart generally allows an average credit period ranged from 30 to 90 days to its customers. For products supplied to the international customers, Mega Smart generally obtains warranty guarantees by commercial banks and credit insurance companies, and as a result, Mega Smart had insignificant retention money outstanding during the Relevant Period.

The following table sets forth an aging analysis of Mega Smart's trade receivables, excluding allowance for doubtful debts, as of the dates indicated.

	As of December 31,		As of July 22,
	2006	2007	2008
	(in thousands of RMB)		
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
Total	26,932	75,804	67,315

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A significant majority of Mega Smart's trade receivables balance less allowance for doubtful debts during the period has been outstanding for less than 90 days, which was within Mega Smart's general credit period. The balance of the trade receivables outstanding for more than one year increased significantly from December 31, 2007 to December 31, 2008, primarily reflecting impact of the ongoing financial crisis.

Others

Other types of receivables primarily consist of advances to suppliers, VAT refundable, VAT recoverable, prepaid expenses and other receivables. Advance to suppliers primarily consist of those prepayments to the raw material suppliers. Advance to suppliers increased from RMB 0.6 million on December 31, 2007 to RMB 4.9 million on July 22, 2008, primarily reflecting the increase in raw materials purchase in anticipation of higher steel prices. VAT recoverable increased from nil on December 31, 2006 to RMB 3.6 million on December 31, 2007. VAT recoverable represents the excess amount of VAT paid in connection with Mega Smart's purchases from suppliers over VAT received in connection with its sales to customers.

Trade and other Payables

The following table sets forth the components of Mega Smart's trade and other payables outstanding as of the dates indicated.

	<u>As of December 31,</u>		<u>As of July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>(in thousands of RMB)</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
Total	<u>17,666</u>	<u>47,925</u>	<u>92,775</u>

Mega Smart's Trade Payables

Mega Smart's trade payables represent amounts payable in connection with the purchase of raw materials and components from suppliers other than related parties. The following table sets out an aging analysis of Mega Smart's trade payables and the turnover days of trade payables as of the dates indicated.

	<u>As of December 31,</u>		<u>As of July 22,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>(in thousands of RMB)</u>		
Within 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
Total	<u>12,741</u>	<u>36,715</u>	<u>68,198</u>
Turnover days of trade payables ⁽¹⁾	<u>45</u>	<u>37</u>	<u>67</u>

(1) Turnover days of trade payables for a year equals average trade payables divided by total cost of sales and then multiplied by 365.25 for each of years ended December 31, 2006 and 2007, and by 204 for the year-to-date period ended July 22, 2008. Average trade payables equals balance of trade payables at the beginning of the period plus balance of trade payables at the end of the period, divided by two. These amounts of turnover days of trade payables are calculated based on Mega Smart's total cost of sales amounts, which include costs incurred to related parties.

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The increase in Mega Smart's trade payables balance from December 31, 2006 to December 31, 2007 primarily reflected the commencement of operation of GPEL in 2007. The continued increase in balances of trade payable and turnover days of trade payables from December 31, 2007 to December 31, 2008 primarily reflected the continued expansion of Mega Smart's business. The increase in the turnover days of trade payables from December 31, 2007 to December 31, 2008 primarily reflected a combination of (i) the relatively low beginning balance as of December 31, 2006 as Mega Smart was at initial stages of its business expansion; and (ii) a relatively high cost of sales in 2007 due to GPEL commenced its operations in 2007.

Others

Other types of payables primarily consist of other payables for acquisition of property, plant and equipment, other tax payables and accrued expenses. The other payables for acquisition of property, plant and equipment of RMB 3.5 million increased from December 31, 2007 to RMB 9.7 million on July 22, 2008, primarily due to payables to the suppliers of equipment at Gushan Xieqiao Plant.

PRO FORMA FINANCIAL INFORMATION

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

Summary Pro Forma Combined Income Statement

	The Group	Mega Smart Group	Subtotal	Pro forma adjustments	Pro forma combined Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated Income Statement					
Revenue	431,073	202,298	633,371	(68,977)	564,394
Cost of Sales/services	(321,397)	(159,661)	(481,058)	68,977	(412,081)
Gross profit	109,676	42,637	152,313	—	152,313
Selling and distribution expenses	(6,708)	(4,158)	(10,866)	—	(10,866)
Administrative expenses	(33,249)	(25,858)	(59,107)	(1,773)	(60,880)
Other income and other gains and losses	4,259	14,312	18,571	—	18,571
Finance costs	(1,939)	(246)	(2,185)	—	(2,185)
Share of profit of a jointly controlled entity	—	14,531	14,531	(14,531)	—
Profit before tax	72,039	41,218	113,257	(16,304)	96,953
Taxation	(11,984)	(13,466)	(25,450)	1,021	(24,429)
Profit for the year	60,055	27,752	87,807	(15,283)	72,524
Attributable to owners of the Company	60,055	27,752	87,807	(15,283)	72,524

Summary Pro Forma Combined Statements of Cash Flows

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

See "Unaudited Pro Forma Financial Information" in Appendix II to this document.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Working Capital

To date, our operations have been primarily financed by cash generated from operating activities. In addition, we received RMB 196.7 million in proceeds from the sale of our Shares to China Fund Limited. See "Business—History and Reorganization—Private Placement". Our cash expenditures primarily consist of our purchase of raw materials and components from our suppliers, acquisition of property, plant and equipments, payments on manufacturing overheads, expenses on wages and salaries and payments for construction of our waste heat power generation project. As of May 31, 2009, we had RMB 83.8 million in cash and cash equivalents, compared to RMB 79.5 million as of December 31, 2008, RMB 39.5 million as of December 31, 2007, and RMB 7.4 million as of December 31, 2006.

The increases in our cash and cash equivalents in 2006, 2007 and the five-month period ended May 31, 2009 were primarily due to an increase in our net cash provided by operating activities. The increase in our cash and cash equivalents in 2008 was primarily due to an increase in our net cash provided by financing activities. Except as disclosed in this document, as of the Latest Practicable Date, we were not aware of any material changes with respect to our cash flows.

Our working capital as of December 31, 2006, 2007, 2008 and May 31, 2009 was RMB 37.9 million, RMB 62.8 million, RMB 135.6 million and RMB 73.5 million, respectively.

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the five months ended May 31,	
	2006	2007	2008	2008	2009
	(in thousands of RMB)				
Net cash from (used in) operating activities	21,905	68,864	(9,616)	(10,139)	68,573
Net cash used in investing activities	(11,909)	(24,431)	(160,998)	(82,398)	(124,610)
Net cash (used in) from financing activities	(11,119)	(12,330)	218,038	99,565	58,011
Net (decrease) increase in cash and cash equivalents	(1,123)	32,103	47,424	7,028	1,974
Cash and cash equivalents at beginning of year/period	8,528	7,405	39,508	39,508	79,490
Effect of exchange rate changes	—	—	(7,442)	—	2,334
Cash and cash equivalents at end of year/period, represented by					
Cash and bank balances	7,405	39,508	80,279	46,536	83,798
Bank overdrafts	—	—	(789)	—	—
	<u>7,405</u>	<u>39,508</u>	<u>79,490</u>	<u>46,536</u>	<u>83,798</u>

Operating Activities

Net cash provided by operating activities in the five-month period ended May 31, 2009 was RMB 68.6 million, which was primarily attributable to (i) profit before tax of RMB 45.3 million, (ii) the increase in trade and other payables of RMB 49.3 million, and (iii) the decrease in trade and other receivables of RMB 7.3 million; partially offset by (i) the increase in inventory of RMB 10.6 million, and (ii) the decrease in amounts due to customers for contract work of RMB 21.0 million.

Net cash used by operating activities in 2008 was RMB 9.6 million, which was primarily attributable to (i) an adjustment for profit on construction under service concession arrangements of RMB 5.6 million, (ii) an increase in trade and other receivables of RMB 116.0 million, (iii) an increase in amounts due from related companies of RMB 10.3 million, and (iv) a payment of income tax of RMB 9.2 million; partially offset by (i) profit before tax of RMB 72.0 million, (ii) an increase in trade and other payables of RMB 17.0 million, and (iii) an increase in amounts due to related companies of RMB 31.4 million.

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Net cash provided by operating activities in 2007 was RMB 68.9 million, which was primarily attributable to (i) profit before tax of RMB 36.6 million, (ii) a decrease in inventories of RMB 6.7 million, (iii) an increase in amounts due to related companies of RMB 46.6 million, and (iv) an increase in amounts due to customers for contract work of RMB 18.9 million; partially offset by (i) an increase in amounts due from related companies of RMB 21.8 million, (ii) a decrease in trade and other payables of RMB 14.0 million, and (iii) a payment of income tax of RMB 5.7 million.

Net cash provided by operating activities in 2006 was RMB 21.9 million, which was primarily attributable to the profit before tax of RMB 41.2 million and an increase in trade and other payables of RMB 21.9 million; partially offset by an increase in trade and other receivables of RMB 43.3 million and a payment of income tax of RMB 3.1 million.

Investing Activities

Net cash used in investing activities in the five-month period ended May 31, 2009 was RMB 124.6 million, which was primarily attributable to (i) payments for acquisition of property, plant and equipment of RMB 61.4 million, (ii) payment for construction of infrastructure in service concession arrangement at our Xinjiang Project of RMB 43.2 million and (iii) increase in pledged bank deposits of RMB 20.1 million.

Net cash used in investing activities in 2008 was RMB 161.0 million, which was primarily attributable to (i) payments for acquisition of property, plant and equipment of RMB 27.9 million, (ii) payments for construction of infrastructure in service concession arrangement of RMB 47.8 million, and (iii) advance to related companies of RMB 107.2 million; partially offset by the net cash from acquisition of Mega Smart of RMB 30.1 million.

Net cash used in investing activities in 2007 was RMB 24.4 million, which was primarily attributable to the advance to related parties of RMB 21.6 million and an increase in pledged bank deposits of RMB 2.3 million.

Net cash used in investing activities in 2006 was RMB 11.9 million, which was primarily attributable to the payments for acquisition of property, plant and equipment of RMB 6.6 million and the advance to related companies of RMB 9.1 million; partially offset by a decrease in pledged bank deposits of RMB 3.5 million.

Financing Activities

Net cash from financing activities in the five-month period ended May 31, 2009 was RMB 58.0 million, which was primarily attributable to the new bank borrowings raised of RMB 140.0 million, partially offset by (i) repayment of bank borrowings of RMB 57.0 million, and (ii) dividends paid in RMB 20.8 million.

Net cash from financing activities in 2008 was RMB 218.0 million, which was primarily attributable to the cash received for new bank borrowings of RMB 82.0 million and the proceeds from issuance of shares to China Fund Limited of RMB 196.7 million; partially offset by repayment of bank borrowing of RMB 70.0 million.

Net cash used in financing activities in 2007 was RMB 12.3 million, which was primarily attributable to the dividend payment of RMB 35.0 million and repayment of bank borrowing of RMB 40.0 million; partially offset by new bank borrowing of RMB 60.0 million.

Net cash used in financing activities in 2006 was RMB 11.1 million, which was primarily attributable to the dividend payment of RMB 10.0 million and repayment of bank borrowing of RMB 20.0 million; partially offset by new bank borrowing of RMB 20.0 million.

CAPITAL EXPENDITURE

Our capital expenditures were RMB 6.6 million, RMB 1.1 million, RMB 75.7 million and RMB 104.5 million in 2006, 2007, 2008 and the five months ended May 31, 2009, respectively. Our capital

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expenditures in 2006 were primarily attributable to purchase of finning machines from Greens UK. Our capital expenditures in 2008 and the five-month period ended May 31, 2009 were primarily related to the construction of Xinjiang Project and GPEL's Xieqiao plant and acquisition of other property, plant and equipment.

INDEBTEDNESS

The following table sets forth components of our indebtedness as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB)			
Secured bank borrowings	—	—	30,000	—
Unsecured bank borrowings	10,000	30,000	42,000	155,000
	<u>10,000</u>	<u>30,000</u>	<u>72,000</u>	<u>155,000</u>
Unsecured bank overdrafts	—	—	789	—
	<u>10,000</u>	<u>30,000</u>	<u>72,789</u>	<u>155,000</u>
Carrying amount repayable on demand or within 1 year	<u>10,000</u>	<u>30,000</u>	<u>72,789</u>	<u>155,000</u>

As of September 30, 2009, we had an outstanding unsecured borrowings of RMB 410 million.

CONTRACTUAL OBLIGATIONS AND CONTINGENT AND OTHER LIABILITIES

During the Relevant Period, our contractual obligations consisted of our operating leases, which represented leases on our manufacturing facilities and offices. In 2006, 2007, 2008 and for the five months ended May 31, 2009, minimum lease payments paid under our operating leases totaled RMB 5.7 million, RMB 4.9 million, RMB 6.6 million and RMB 4.2 million, respectively. The following table sets forth the schedule of our commitments for future minimum operating lease payments as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB)			
Within one year	3,800	5,128	8,011	9,236
In the second to fifth years inclusive	277	2,271	7,454	4,571
Over five years	—	—	454	—
Total	<u>4,077</u>	<u>7,399</u>	<u>15,919</u>	<u>13,807</u>

As of September 30, 2009, which is the latest practicable date for the purpose of this contingent liability statement, we did not have any material contingent liabilities or guarantees.

Except as disclosed in this document, as of September 30, 2009, and other than intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities.

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CAPITAL COMMITMENTS

The following table sets forth the aggregate amounts of capital commitments as of the dates indicated.

	As of December 31,			As of May 31,
	2006	2007	2008	2009
	(in thousands of RMB)			
Capital expenditure in respect of the acquisition or property, plant and equipment contracted for but not provided in the consolidated financial statements	604	—	32,456	4,483
Capital expenditure in respect of the acquisition of land use right	16,375	16,375	13,375	13,375

Our capital commitments as of December 31, 2006 and 2007 primarily related to the purchases of machinery and spare parts. Our capital commitments as of December 31, 2008 and May 31, 2009 primarily related to the construction of Xinjiang Project and GPEL's Xieqiao plant.

OFF-BALANCE SHEET AGREEMENT

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are often established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Inflation

During the Relevant Period, inflation has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 1.5%, 4.8%, 5.9% and -0.9% in 2006, 2007, 2008 and for the five months ended May 31, 2009, respectively. The rate of inflation in the U.K. was 2.3%, 2.3%, 3.6% and 2.2%, respectively during the same periods, according to the Bank of England.

Interest Rate Risk

Our fair value interest rate risk relates primarily to our bank loans and deposits. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values or cash flow of the borrowings. Currently, we do not have a specific policy to manage our interest rate risk, but seek to closely monitor our interest rate exposure.

Foreign Exchange Risk

Our foreign exchange risk exposure primarily relates to our accounts receivable, which are denominated in Renminbi as well as, for sales to our international market, various foreign currencies, including the U.S. dollar and the GBP. As a result, we are exposed to foreign exchange fluctuations between the Renminbi and these other currencies as well as among the non-Renminbi currencies.

The conversion of Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under this policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 21.1% appreciation of the Renminbi against the U.S. dollar and 31.1% against the GBP from July 21, 2005 to May 31, 2009. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against these currencies.

Most of our sales and purchases are denominated in RMB and GBP, and a variety of other currencies which include without limitation Euro, U.S. dollar and Yen. According to our current hedging policy, we primarily

FINANCIAL INFORMATION

enter into (i) deliverable forward contracts denominated in the GBP to hedge our foreign exchange risks exposure associated with the sales by Greens UK to our international customers, and (ii) non-deliverable forward contracts denominated in RMB to hedge our foreign exchange risk exposure associated with non-US dollar sales from our subsidiaries in the PRC to Greens UK. The terms of the forward contracts shall be determined with reference to the estimated volume and timing of cash flow of RMB against GBP for the forthcoming twelve months or cash flow of other foreign currencies against GBP on a contract-by-contract basis. We do not expect to undertake additional hedging transactions in the near future for the US dollar sales by our subsidiaries in the PRC, which have been primarily intra-group sales to Greens UK, since our Directors consider that the current exchange rate between the U.S. dollar and RMB is relatively stable. The following table sets forth our outstanding foreign exchange forward contracts as of May 31, 2009:

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

(1) Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate

(2) Effective for annual periods beginning on or after July 1, 2009

(3) Effective for annual periods beginning on or after February 1, 2010

(4) Effective for annual periods beginning on or after January 1, 2010

(5) Effective for transfers on or after July 1, 2009

We have not early adopted these new and revised standards, amendments and interpretations in the preparation of the financial information in this document. The adoption of IFRS 3 (Revised) may affect our accounting for business combination for which the acquisition date is on or after January 1, 2009. IAS 27 (revised) will affect the accounting treatment for changes in our interest in a subsidiary. Our directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on our results and financial position.

For further information, see note 3 to the Accountants' Report in Appendix IA to this document.

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FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

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

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

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

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since May 31, 2009. Our Directors confirm that they had performed sufficient due diligence on us to ensure that, at the date of this document, there has been no material adverse change in our financial position or prospects since May 31, 2009 and there is no event since May 31, 2009 which would materially affect the information shown in the Accountants' Report set out in Appendix IA to this document.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

FUTURE PLANS

FUTURE PLANS

Please see “Business—Our Strategy” for further details of our future plans.

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ACCOUNTANTS’ REPORT

2009

The Directors
Greens Holdings Ltd

Dear Sirs,

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

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

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

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

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

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APPENDIX IA

ACCOUNTANTS' REPORT

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

Notes:

- (i) GTTE was a former owner of SGTE and became a subsidiary of the Company as part of the Group Reorganisation set out in Note 2.
- (ii) These entities were acquired by the Group on July 22, 2008 pursuant to the Group Reorganisation.
- (iii) As part of the Group Reorganisation set out in Note 2, the Company acquired 100% interest in SGTE on July 21, 2008 and became the holding company of the Group.

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ACCOUNTANTS' REPORT

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

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

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

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

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

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

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ACCOUNTANTS' REPORT

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

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

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

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

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ACCOUNTANTS' REPORT

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

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

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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ACCOUNTANTS’ REPORT

Notes:

- (i) As part of the Group Reorganisation set out in Note 2, the Company acquired 100% interest in SGTE on July 21, 2008 and became the holding company of the Group. The amount payable by the Company to its then shareholders for the acquisition of the interest in SGTE is regarded as a deemed distribution to shareholders since the Financial Information has been prepared as if the Company had always been the holding company of SGTE.
- (ii) As part of the Group Reorganisation, the Company on July 22, 2008 acquired 100% equity interest in Mega Smart and its subsidiaries (hereinafter collectively referred to as the “Mega Smart Group”) from Mr. Frank ELLIS, a substantial shareholder of the Company. The discount arising from the acquisition amounting to RMB 129,549,000 was deemed as a contribution from the shareholders and credited to special reserve (see Note 33).
- (iii) According to the relevant laws in the PRC, SGTE, SGME and GPEL are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The statutory surplus reserve can be used to offset the previous years’ losses, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation.

APPENDIX IA

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

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

Notes to the Financial Information

1. GENERAL

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

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

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

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

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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 Transaction ⁴
IFRS 3 (Revised)	Business Combinations ²
IFRS 5 (Amendments)	Amendments resulting from Improvements to IFRSs May 2008 ²
IFRIC 17	Distributions of Non-cash Assets to Owners ²
IFRIC 18	Transfers of Assets from Customers ⁵

1 Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate

2 Effective for annual periods beginning on or after July 1, 2009

3 Effective for annual periods beginning on or after February 1, 2010

4 Effective for annual periods beginning on or after January 1, 2010

5 Effective for transfers on or after July 1, 2009

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or

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ACCOUNTANTS' REPORT

assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

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

Investments in subsidiaries

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

Goodwill

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

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

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

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

Revenue recognition

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

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

Service income is recognised when services are provided.

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

APPENDIX IA**ACCOUNTANTS' REPORT*****Construction contracts***

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

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

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

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

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

Leasing

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

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

Prepaid lease payments

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

Government grants

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

Borrowing costs

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

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

Foreign currencies

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

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

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

Property, plant and equipment

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

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

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

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability

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for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Service concession arrangements

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

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

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Impairment of tangible assets and intangible assets other than goodwill

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

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

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

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Impairments of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Revenue recognition on construction contracts

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

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

Impairment of intangible assets

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

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

Impairment of trade receivables

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

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6. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk

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

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

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

Categories of financial instruments

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

Financial risk management objectives and policies

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

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

Credit risk

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

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

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

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

Market risk

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

Interest rate risk management

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

Foreign currency risk management

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

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

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

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

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

Foreign currency sensitivity analysis

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

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

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

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Liquidity risk

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

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

Liquidity tables

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

The Group

As at December 31, 2006							
	Weighted average interest rate	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	50,167	—	—	—	50,167	50,167
Amounts due to related parties	—	32,506	—	—	—	32,506	32,506
Bank borrowings	6.14%	5,121	5,057	—	—	10,178	10,000
		<u>87,794</u>	<u>5,057</u>	<u>—</u>	<u>—</u>	<u>92,851</u>	<u>92,673</u>
As at December 31, 2007							
	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	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	34,616	—	—	—	34,616	34,616
Amounts due to related parties	—	57,109	—	—	—	57,109	57,109
Bank borrowings	6.47%	25,197	5,085	—	—	30,282	30,000
		<u>116,922</u>	<u>5,085</u>	<u>—</u>	<u>—</u>	<u>122,007</u>	<u>121,725</u>

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As at December 31, 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	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	178,239	—	—	—	178,239	178,239
Amounts due to shareholders	—	15,302	—	—	—	15,302	15,302
Bank borrowings	6.24%	28,740	45,990	—	—	74,730	72,789
		<u>222,281</u>	<u>45,990</u>	<u>—</u>	<u>—</u>	<u>268,271</u>	<u>266,330</u>
Derivatives-gross settlement							
Foreign exchange forward contracts							
—inflow		(11,335)	—	—	—	(11,335)	(11,335)
—outflow		11,768	—	—	—	11,768	11,768
		<u>433</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>433</u>	<u>433</u>
As at May 31, 2009							
	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	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
Trade and other payables	—	203,835	—	—	—	203,835	203,835
Amounts due to shareholders	—	15,297	—	—	—	15,297	15,297
Bank borrowings	5.58%	6,969	152,735	—	—	159,704	155,000
		<u>226,101</u>	<u>152,735</u>	<u>—</u>	<u>—</u>	<u>378,836</u>	<u>374,132</u>
Derivatives-gross settlement							
Foreign exchange forward contracts							
—inflow		9,722	913	—	—	10,635	10,635
—outflow		(9,707)	(967)	—	—	(10,674)	(10,674)
		<u>15</u>	<u>(54)</u>	<u>—</u>	<u>—</u>	<u>(39)</u>	<u>(39)</u>

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

The Company

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

Fair value

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

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

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

7. SEGMENT INFORMATION

Products and services within each reportable segment

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

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

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Segment revenue and segment results

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

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

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

Segment assets and liabilities

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

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

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

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

Geographical information

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

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

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

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

Information about major customers

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

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

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8. REVENUE

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

9. OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

10. FINANCE COSTS

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

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

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11. TAXATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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12. PROFIT FOR THE YEAR/PERIOD

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

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

13. DIRECTORS' EMOLUMENTS

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

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

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

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

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14. EMPLOYEES' EMOLUMENTS

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

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

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

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

15. DIVIDENDS

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

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

16. EARNINGS PER SHARE—BASIC

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

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

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17. PROPERTY, PLANT AND EQUIPMENT

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

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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%-18%
Computers and office equipment	18%
Motor vehicles	18%

18. INTANGIBLE ASSETS

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

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

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

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

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

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

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

19. PREPAID LEASE PAYMENTS

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

20. INVESTMENTS IN SUBSIDIARIES

The Company

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

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21. INVENTORIES

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

22. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

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

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

23. TRADE AND OTHER RECEIVABLES

The Group

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

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

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

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

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

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

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

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

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

Movement in the allowance for doubtful debts

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

The Company

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Prepaid expenses	<u>863</u>	<u>328</u>

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24. AMOUNTS DUE FROM RELATED PARTIES

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

Notes:

- These companies were wholly owned by Mr. Frank ELLIS, a substantial shareholder of the Company, prior to the completion of the Group Reorganisation. The non-trading balances represented temporary payments for construction and operating expenses on behalf of the related parties. The balances have been eliminated upon the acquisition of the Mega Smart Group on July 22, 2008.
- The company was previously controlled by Ms. CHEN Tianyi, one of the ultimate shareholders of the Company. It was disposed of by Ms. CHEN Tianyi in March 2008. The balance represented payments for a project for business expansion in Minhang District, Shanghai, the PRC, which was eventually aborted. The balance was recovered in full.

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

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

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

25. CASH AND BANK BALANCES

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

The Group

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

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

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

The Company

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

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

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Denominated in		
HK\$	<u>1,785</u>	<u>469</u>

26. TRADE AND OTHER PAYABLES

The Group

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

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

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

The Company

	At December 31,	At May 31,
	2008	2009
	RMB'000	RMB'000
Other payables	<u>—</u>	<u>3,237</u>

27. AMOUNTS DUE TO RELATED PARTIES

The Group

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

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

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

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

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

The Company

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

28. AMOUNTS DUE TO SHAREHOLDERS

The Group

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

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

29. BANK BORROWINGS

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

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

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

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30. SHARE CAPITAL/PAID-IN CAPITAL

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

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

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

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

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

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

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

31. RESERVES

The Company

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

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

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32. DEFERRED TAXATION

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

Deferred tax assets:

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

Deferred tax liabilities:

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

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

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

33. ACQUISITION OF THE MEGA SMART GROUP

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

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The net assets acquired in the transaction are as follows:

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

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

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

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

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34. FOREIGN EXCHANGE FORWARD CONTRACTS

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

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

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

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

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

35. OPERATING LEASES

The Group as lessee

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

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

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

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

36. RETIREMENT BENEFIT PLANS

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

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

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

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

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

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37. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

38. CAPITAL COMMITMENTS

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

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ACCOUNTANTS' REPORT

II. DIRECTORS' REMUNERATIONS

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

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

III. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

- (a) each issued and unissued share of par value of US\$1 in the share capital of the Company was sub-divided into 100 shares of par value of US\$0.01 each;
- (b) the authorised share capital of the Company was increased from US\$50,000 divided into 5,000,000 shares of US\$0.01 each to US\$24,000,000 divided into 2,400,000,000 shares of US\$0.01 each; and
- (c) 898,000,000 shares were issued upon capitalisation of an amount of US\$8,980,000 standing to the credit of the share premium account of the Company.

IV. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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.

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		Date of this report			
			Direct %	Indirect %	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	

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

APPENDIX IB			ACCOUNTANTS' REPORT									
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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ACCOUNTANTS' REPORT

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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ACCOUNTANTS’ REPORT

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.

APPENDIX IB

ACCOUNTANTS' REPORT

I. PRE-ACQUISITION FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended December 31,		Period from	
		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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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		Period from January 1 to July 22,	
	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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ACCOUNTANTS' REPORT

		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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ACCOUNTANTS' REPORT

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.

APPENDIX IB

ACCOUNTANTS' REPORT

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)

APPENDIX IB

ACCOUNTANTS' REPORT

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	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	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	2007	2007	2008
	RMB'000	RMB'000	RMB'000 (unaudited)	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:

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
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:

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
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

	At December 31,		At July 22,
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
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		<u>RMB'000</u> <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

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information sets out in this Appendix does not form part of the Accountants’ Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the “Accountants’ Report” set out in Appendix IA and Appendix IB to this document.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA COMBINED INCOME STATEMENT AND COMBINED STATEMENT OF CASH FLOWS

As set out in the section "Business" to this document, on July 22, 2008 the Group acquired 100% interest in Mega Smart.

Set out below is the Unaudited Pro Forma Combined Financial Information of the Group and the Mega Smart Group (the "Combined Group"), including the unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement for the year ended December 31, 2008 (the "Relevant Period"). The Unaudited Pro Forma Combined Financial Information of the Combined Group has been prepared for the purpose to illustrate the effects of the acquisition of Mega Smart Group by the Group as if it had been completed on January 1, 2008.

The Unaudited Pro Forma Combined Financial Information for the Relevant Period is prepared based on the audited financial information of the Group for the year ended December 31, 2008 as set out in Appendix IA to this document and the audited financial information of Mega Smart for the period from January 1, 2008 to July 22, 2008 as set out in Appendix IB to this document after having incorporated the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Combined Financial information of the Combined Group is based on a number of assumptions, estimates, uncertainties, and currently available information. As a result of these assumptions, estimates and uncertainties, the Unaudited Pro Forma Combined Financial Information of the Combined Group does not purport to describe the actual results and cash flows of the Group that would have been attained had the acquisition been completed on January 1, 2008. Further, the Unaudited Pro Forma Combined Financial Information of the Combined Group does not purport to predict the Combined Group's future results or cash flows.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited Pro Forma Combined Income Statement

For the year ended December 31, 2008

	The Group	The Mega Smart Group	Subtotal	Pro forma adjustments			Pro forma Combined Group
	RMB'000	RMB'000	RMB'000	(Note 1)	(Note 2)	(Note 5)	RMB'000
Revenue	431,073	202,298	633,371	(68,977)			564,394
Cost of Sales	(321,397)	(159,661)	(481,058)	68,977			412,081
Gross profit	109,676	42,637	152,313	—	—	—	152,313
Selling and distribution expenses	(6,708)	(4,158)	(10,866)				(10,866)
Administrative expenses	(33,249)	(25,858)	(59,107)		(1,773)		(60,880)
Other income and other gains and losses	4,259	14,312	18,571				18,571
Finance costs	(1,939)	(246)	(2,185)				(2,185)
Share of profit of a jointly controlled entity	—	14,531	14,531			(14,531)	—
Profit before tax	72,039	41,218	113,257	—	(1,773)	(14,531)	96,953
Taxation	(11,984)	(13,466)	(25,450)		340	681	(24,429)
Profit for the year	<u>60,055</u>	<u>27,752</u>	<u>87,807</u>	<u>—</u>	<u>(1,433)</u>	<u>(13,850)</u>	<u>72,524</u>
Attributable to owners of the Company	<u>60,055</u>	<u>27,752</u>	<u>87,807</u>	<u>—</u>	<u>(1,433)</u>	<u>(13,850)</u>	<u>72,524</u>

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited Pro Forma Combined Statements of Cash Flow

For the year ended December 31, 2008

	The Group RMB'000	The Mega Smart Group RMB'000	Subtotal RMB'000	Pro forma adjustments				Pro forma Combined Group RMB'000
				(Note 2) RMB'000	(Note 3) RMB'000	(Note 4) RMB'000	(Note 5) RMB'000	
Profit before tax	72,039	41,218	113,257	(1,773)			(14,531)	96,953
Adjustments for:								
Finance costs	1,939	246	2,185					—
Interest income	(1,902)	(76)	(1,978)					2,185
Profit on construction under service concession arrangements	(5,606)	—	(5,606)					(1,978)
Loss on disposal of property, plant and equipment	25	44	69					(5,606)
Amortization of intangible assets	1,368	194	1,562	1,773				69
Release of prepaid lease payments	222	129	351					3,335
Depreciation of property, plant and equipment	5,074	1,919	6,993					351
Allowance for bad and doubtful debts	1,748	—	1,748					6,993
Share of profit of a jointly controlled entity	—	(14,531)	(14,531)				14,531	1,748
Loss on disposal of available-for-sale investment	—	1,862	1,862					—
Subsidy income	—	(15,320)	(15,320)					1,862
Operating cash flows before movements in working capital	74,907	15,685	90,592	—				(15,320)
Decreases (increase) in inventories	3,887	(23,198)	(19,311)					90,592
Increase (decrease) in trade and other receivables	(115,992)	467	(115,525)					(19,311)
Decrease (increase) in amounts due from customers for contract work	6,398	(17,861)	(11,463)					(115,525)
Increase in amounts due from related parties	(10,310)	(31,379)	(41,689)			41,689		(11,463)
Increase in trade and other payables	8,406	38,605	47,011					—
Increase in amounts due to related parties	31,379	10,310	41,689			(41,689)		47,011
Increase in amounts due to customers for contract work	911	6,724	7,635					—
Cash generated from operations	(414)	(647)	(1,061)					7,635
Income taxes paid	(9,202)	(506)	(9,708)					(1,061)
NET CASH USED IN OPERATING ACTIVITIES	(9,616)	(1,153)	(10,769)					(9,708)
								(10,769)

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

	The Group	Mega Smart Group	Pro forma adjustments					Pro forma Combined Group
	RMB'000	RMB'000	Subtotal RMB'000	(Note 2) RMB'000	(Note 3) RMB'000	(Note 4) RMB'000	(Note 5) RMB'000	(Note 6) RMB'000
INVESTING ACTIVITIES								
Interest received	499	76	575					575
Acquisition of a subsidiary	30,113	—	30,113		(32,315)			(2,202)
Payments for acquisition of property, plant and equipment	(27,893)	(55,477)	(83,370)					(83,370)
Payments for prepaid lease payments	(3,000)	(5,833)	(8,833)					(8,833)
Payments for construction of infrastructure in service concession arrangement	(47,776)	(20,280)	(68,056)					(68,056)
Proceeds from disposal of property, plant and equipment	—	13	13					13
Proceeds on disposal of interest in a jointly controlled entity	—	6,438	6,438					—
(Advance to) repayment from related parties	(107,201)	(4,957)	(112,158)			117,166		5,008
(Advance to) repayment from shareholder	(110)	—	(110)					(110)
Increase in pledged bank deposits	(5,630)	(1,262)	(6,892)					(6,892)
NET CASH USED IN INVESTING ACTIVITIES	(160,998)	(81,282)	(242,280)	—	(32,315)	117,166	—	(163,867)
FINANCING ACTIVITIES								
New bank borrowings raised	82,000	30,000	112,000					112,000
Repayment of bank borrowings	(70,000)	(10,000)	(80,000)					(80,000)
Interest paid	(4,487)	(246)	(4,733)					(4,733)
Proceeds from issue of shares	196,711	—	196,711					196,711
Advances from (repayment to) shareholders	15,302	(724)	14,578		—			14,578
Deemed distribution to shareholders	(6,445)	—	(6,445)				6,438	(7)
Advance from related parties	4,957	95,060	100,017			(117,166)		(17,149)
NET CASH FROM FINANCING ACTIVITIES	218,038	114,090	332,128	—	—	(117,166)	6,438	221,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,424	31,655	79,079	—	(32,315)	—	—	46,764
Cash and cash equivalents at beginning of the year	39,508	6,689	46,197		(6,689)			39,508
Effect of foreign exchange rate changes	(7,442)	660	(6,782)					(6,782)
Cash and cash equivalents at July 22, 2008	—	39,004	39,004		(39,004)			—
Cash and cash equivalents at end of the year	79,490	—	79,490	—				79,490
Net increase in cash and cash equivalents	47,424	31,655	79,079	—	(32,315)	—	—	46,764

Note (1) The adjustment represents the elimination of inter-group revenue and related costs of sales between the Group and the Mega Smart Group prior to the acquisition of the Mega Smart Group by the Group.

Note (2) The adjustment represents an additional amortisation charge of the identifiable intangible assets which had been recognized upon the acquisition of the Mega Smart Group for the period from January 1, 2008 to July 22, 2008.

Note (3) The adjustment represents the elimination of cash flows occurred during the acquisition of Mega Smart on July 22, 2008 and the recording of cashflow effect as if the acquisition of Mega Smart had been completed on January 1, 2008.

Note (4) The adjustment represents the elimination of inter-company cashflows between Mega Smart and the Group.

Note (5) The adjustment represents the elimination of the share of profits of a jointly controlled entity, SGTE, recognized in Mega Smart Group as SGTE has been accounted for as a wholly-owned subsidiary of the Group during the year ended December 31, 2008.

Note (6) The adjustment represents the elimination of the cashflow effect of the disposal of 51% interest of SGTE by the Mega Smart Group to the Group and acquisition of 49% of SGTE by the Group from the shareholders as part of the Group Reorganisation.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GREENS HOLDINGS LTD

We report on the unaudited pro forma financial information of Greens Holdings Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of Mega Smart Investments Limited might have affected the financial information presented, for inclusion in Appendix II to this document dated . The basis of preparation of the unaudited pro forma financial information is set out in Appendix II to this document.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with applicable rules.

It is our responsibility to form an opinion, as required by applicable rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at May 31, 2009 or any future date;
- the earnings per share for the year ending December 31, 2009; or
- the results and cash flows of the Group for the year ended December 31, 2008 or any future period.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX III

PROFIT FORECAST

The forecast of the consolidated profit attributable to the Shareholders for the year ending December 31, 2009 is set forth under "Profit forecast" in the section headed "Financial information" in this document.

BASES

The Directors have prepared the forecast of the consolidated profit attributable to the Shareholders for the year ending December 31, 2009 on the basis of the audited results of the Group for the five months ended May 31, 2009, the results as shown in the unaudited management accounts of the Group for the two months ended July 31, 2009 and a forecast of the results of the Group for the remaining five months ending December 31, 2009. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by the Group as summarized in the Accountants' Report, the text of which is set forth in Appendix IA to this document and on the following principal assumptions:

- there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which the Group operates;
- there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the PRC in which the Group operates;
- there will be no material changes in the bases or rates of tax applicable to the Group in the respective jurisdictions in which the Group operates;
- the Group is not materially and adversely affected by any of the risk factors set out in section headed "Risk Factors" of this document; and
- the Group's operation and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests of our Group as at 31 August 2009.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

23 October 2009

The Board of Directors
Greens Holdings Ltd
Rooms 1003B-1009, 10th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

Dear Sirs,

In accordance with the instructions for us to carry out the valuation of the market values of the properties held by Greens Holdings Ltd ("the Company") or its subsidiaries (hereinafter together referred to as "the Group") in the People's Republic of China (the "PRC") and United Kingdom ("UK"), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of the properties in existing state as at 31 August 2009 (the "date of valuation").

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation of each of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have assumed that the grantees or the users of the property have free and uninterrupted rights to use or assign the properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the property in Group I, which is held by the Group for owner-occupation in the PRC, we have adopted the Depreciated Replacement Costs ("DRC") Approach. Due to the specific nature and use of the buildings and structures, we have valued the property by reference to the DRC. DRC is based on an estimate of

APPENDIX IV

PROPERTY VALUATION

the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market. The value is subject to adequate potential profitability of the business.

In valuing the property in Group II, which is held by the Group under development in the PRC, we have valued it on the basis that it will be developed and completed in accordance with the Group's latest development proposal provided to us. In arriving at our opinion of values of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and the expended construction costs.

As advised, the Grant of Contract Land Use Rights of the property in Group III, which is held by the Group for future development in the PRC, has not been signed, the land grant fee has not been determined and yet to be paid. We have assigned no commercial value to it.

Properties in Group IV and V which are leased by the Group in the PRC and UK respectively have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise to the lack of substantial profit rents.

In valuing the properties, we have complied with the requirements set out in the relevant rules, including The HKIS Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and the opinion of the Group's PRC legal advisor, Jingtian & Gongcheng Attorneys at Law as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, completion dates of buildings, construction costs, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the properties are free of rot, infestation and any other structural defects. No test was carried out on any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Unless otherwise stated, all sum stated in our valuations are in Renminbi ("RMB"), the official currency of the PRC.

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PROPERTY VALUATION

We enclose herewith our summary of valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K F Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc, MHKIS, MRICS
Director

Note : Mr. Andrew K F Chan is a Registered Professional Surveyor who has over 22 years' experience in the valuation of properties in the PRC and UK.

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PROPERTY VALUATION

SUMMARY OF VALUATIONS

<u>Property</u>	Capital value in existing state as at 31 August 2009	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 August 2009
	RMB	%	RMB
Group I — Property held by the Group for owner-occupation in the PRC			
1. An industrial complex at No. 152, Middle Gushan Road, Gushan Town, Jingjiang, Jiangsu Province	20,000,000	100	20,000,000
Group II — Property held by the Group under development in the PRC			
2. A proposed industrial complex at the east side of Liuzhugang Road, Guangfu Village, Xieqiao Town, Jingjiang, Jiangsu Province	149,000,000	100	149,000,000
Group III — Property held by the Group for future development in the PRC			
3. An industrial site in Mulu Industrial Zone, Keerqing District, Tongliao, Inner Mongolia Autonomous Region	No commercial value	60	No commercial value
Grand-total:			<u>169,000,000</u>

APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUATIONS

<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u> RMB
Group IV — Properties leased by the Group in the PRC	
4. An industrial complex at No. 8958, Puwei Road, Fengxian District, Shanghai	No commercial value
5. Unit B, Level 3, Block 1, No. 171, Meisheng Road, Waigaoqiao Free Trade Zone, Pudong New Area, Shanghai	No commercial value
6. Level 17, No. 129, West Yanan Road, Jingan District, Shanghai	No commercial value
7. Unit 2201, Level 22, No. 129, West Yanan Road, Jingan District, Shanghai	No commercial value
8. Unit 2202, Level 22, No. 129, West Yanan Road, Jingan District, Shanghai	No commercial value
9. Level 5, No. 129, West Yanan Road, Jingan District, Shanghai	No commercial value
10. Unit 312, No.258, Guichang Road, Pudong New Area, Shanghai	No commercial value
11. No. 2, Jiangping Road East, Xieqiao Town, Jingjiang, Jiangsu Province	No commercial value

APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUATIONS

<u>Property</u>	Capital value in existing state as at 31 August 2009 <u>RMB</u>
12. A site in Tieti'er Village, Baicheng County, Baicheng Town, Xinjiang Uygur Autonomous Region	No commercial value
Group V — Properties leased by the Group in UK	
13. Ground Floor (Right Side), Raines House, Denby Dale Road, Wakefield, West Yorkshire, United Kingdom, WF1 1HR	No commercial value
14. Third Floor, Raines House, Denby Dale Road, Wakefield, West Yorkshire, United Kingdom, WF1 1HR	No commercial value
15. Unit 6, Greens Industrial Park, Calder Vale Road, Wakefield, West Yorkshire, United Kingdom, WF1 5PF	No commercial value
16. Unit 7, Greens Industrial Park, Calder Vale Road, Wakefield, West Yorkshire, United Kingdom, WF1 5PF	No commercial value

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 August 2009
1. An industrial complex at No. 152, Middle Gushan Road, Gushan Town, Jingjiang, Jiangsu Province	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 33,558.60 sq m (361,225 sq ft). The industrial complex comprises 14 buildings with a total gross floor area of approximately 18,848.73 sq m (202,888 sq ft) completed in between 1984 to 2007. The land use rights of the property have been granted for a term of 50 years due to expire on 19 March 2059 for industrial use.	The property is currently occupied by the Group for production purpose.	RMB 20,000,000

Notes :-

- (1) According to Certificate for the Use of State-owned Land No. (2009)317 issued by Jingjiang Land Resources Bureau, the land use rights of the property with a site area of 33,558.60 sq m have been granted to Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) for a term of 50 years due to expire on 19 March 2059 for industrial use.
- (2) According to Grant Contract of Land Use Rights entered into between the People's Republic of China Jingjiang Land Resources Bureau (the Grantor) and Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司), a wholly foreign owned enterprise, (the Grantee) on 5 March 2009 with the particulars as follows :-
 - (i) Location : Middle Gushan Road, Gushan Town
 - (ii) Site Area : 33,558.60 sq m
 - (iii) Land Premium : RMB 8,923,200
 - (iv) Plot Ratio : Not less than 0.56
 - (v) Land Use Term : 50 years
 - (vi) Use : Industrial
- (3) According to 3 Building Ownership Certificates Nos. 00034698, 00034697 and 00034696 issued by Jingjiang Construction Bureau dated 16 April 2008 with a total gross floor area of approximately 18,848.73 sq m, the building ownership of the property is vested in Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) for non-residential purpose.
- (4) According to Business Licence No. 321200400008822 dated 9 March 2009, Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) was established with a registered capital of US\$30,000,000 for a valid operation period from 17 January 2007 to 16 January 2057.
- (5) The opinion of the Group's legal adviser, Jingtian & Gongcheng Attorneys at Law, states that:
 - (i) Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) has legally obtained the land use rights and building ownership of the property;
 - (ii) Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) is in possession of a proper legal title to the property;
 - (iii) All land premium has been settled in full;
 - (iv) Greens Power Equipment (China) Limited (格菱動力設備 (中國) 有限公司) has right to occupy, use, lease, transfer and mortgage of the property; and
 - (v) The property is not subject to any mortgage or encumbrance.

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PROPERTY VALUATION

- (6) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows: -

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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PROPERTY VALUATION

Group II — Property held by the Group under development in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
2. A proposed industrial complex at the east side of Liuzhugang Road, Guangfu Village, Xieqiao Town, Jingjiang, Jiangsu Province	The property comprises a parcel of land with a site area of approximately 126,849 sq m (1,365,403 sq ft). The property is planned to be developed into an industrial development by phases, with a planned total gross floor area of 78,202.50 sq m (841,772 sq ft), in which 76,028 sq m (818,365 sq ft) is currently under construction and is scheduled for completion in October 2009. The land use rights of the property have been granted for a term of 50 years due to expire on 13 May 2058 for industrial use.	The property is currently under construction.	RMB 149,000,000

Notes :-

- (1) According to Certificate for the Use of State-owned Land No. (2008)365 issued by Jingjiang Land Resources Bureau, the land use rights of the property with a site area of 126,849 sq m have been granted to Greens Power Equipment (China) Limited (格菱動力設備(中國)有限公司), a wholly foreign owned enterprise, for a term of 50 years due to expire on 13 May 2058 for industrial use.
- (2) According to Grant Contract of Land Use Rights entered into between the People's Republic of China Jingjiang Land Resources Bureau (the Grantor) and Greens Power Equipment (China) Limited (格菱動力設備(中國)有限公司) (the Grantee) on 15 January 2008 with the particulars as follows :-
 - (i) Location : East side of Liuzhugang Road, Guangfu Village, Xieqiao Town
 - (ii) Site Area : 126,849 sq m
 - (iii) Land Premium : RMB 25,880,000
 - (iv) Plot Ratio : 0.8-1.2
 - (v) Land Use Term : 50 years
 - (vi) Use : Industrial
- (3) According to Planning Permit for Construction Use of Land No. (2008)003 issued by Jingjiang Planning Bureau dated 31 March 2008, the property with a site area of 126,849 sq m of a proposed construction scope of a gross floor area of 81,220 sq m was permitted to be developed for industrial use.
- (4) According to Planning Permit for Construction Works No. (2009)007 issued by Jingjiang Municipal Planning Bureau (靖江市規劃局) on 9 September 2009, the construction works of the property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of 78,202.50 sq m

According to the information provided by the Group and the Group's legal advisor, a workshop with a gross floor area of 2,174.50 sq m is not planned to be constructed for the moment, Greens Power Equipment (China) Limited (格菱動力設備(中國)有限公司) has obtained Planning Permit for Construction Works of his workshop, but has not applied for the Permit for Commencement of Construction Works of a workshop.
- (5) According to Permit for Commencement of Construction Works No. 3212822008081500001A issued by Jingjiang Construction Bureau on 15 August 2008, the construction works for 2 complex workshop buildings and an office building were permitted to be commenced with a gross floor area of 65,586.90 sq m
- (6) According to the information provided by the Group, the total estimated construction cost as at 31 August 2009 was RMB 131,150,000. The expended construction cost was approximately RMB 110,100,000. In the course of our valuation, we have taken such costs into account.
- (7) We are of the opinion that the capital value when completed of the Property, assuming that all the valid certificates have been obtained and sale with the benefit of vacant possession as at 31 August 2009, was in sum of RMB 161,000,000.
- (8) According to Business Licence No. 321200400008822 dated 9 March 2009, Greens Power Equipment (China) Limited (格菱動力設備(中國)有限公司) was established with a registered capital of US\$30,000,000 for a valid operation period from 17 January 2007 to 16 January 2057.

APPENDIX IV

PROPERTY VALUATION

- (9) The opinion of the Group’s legal adviser, Jingtian & Gongcheng Attorneys at Law, states that:
- (i) Greens Power Equipment (China) Limited (格菱動力設備（中國）有限公司) has legally obtained the land use rights of the property, comprising the site area of 126,849 sq m;
 - (ii) Greens Power Equipment (China) Limited (格菱動力設備（中國）有限公司) is in possession of a proper legal title to the property;
 - (iii) All land premium has been settled in full;
 - (iv) Greens Power Equipment (China) Limited (格菱動力設備（中國）有限公司) has right to occupy, use, lease, transfer and mortgage of the land;
 - (v) The property is not subject to any mortgage or encumbrance; and
 - (vi) Greens Power Equipment (China) Ltd. (格菱動力設備（中國）有限公司) has obtained all certificates, approvals and permissions of portion of the property with a total gross floor area of 65,586.90 sq m. The certificates, approvals and permissions of that portion of the property is not subject to any conditions of revoke, modify, repeal or any material effects. As advised by the Company, that portion of the property is not subject to any mortgage, assure and restriction on the right of third party. Portion of the ancillary buildings under construction have obtained the Planning Permit for Construction Works, but the procedure to apply the Permit for commencement of Construction Works is under processing, there is no significant legal obstacle. Greens Power Equipment (China) Ltd. (格菱動力設備（中國）有限公司) would not has any material in the absence of above mentioned permits to commence the construction.
- (10) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:-
- | | |
|---|------------|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes (Part) |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

Group III — Property held by the Group for future development in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
3. An industrial site in Multu Industrial Zone, Keerqing District, Tongliao, Inner Mongolia Autonomous Region	The property comprises a parcel of land with a site area of approximately 135,880.01 sq m (1,462,612 sq ft) The property is planned to be developed into an industrial development. The land use rights of the property have been granted for a term due to expire on 27 August 2059 for industrial use	The property is currently a vacant site.	No commercial value (60% interests attributable to the Group: No commercial value)

Notes :-

- (1) According to Provisional Certificate for the Use of State-owned Land No. (2009)0018 issued by Keerqing District State-owned Land Resources Bureau of Tongliao, the land use rights of the property with a site area of 135,880.01 sq m have been granted to Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) for a term due to expire on 27 August 2059 for industrial use.
- (2) According to the Letter dated 23 September 2009 issued by Keerqing District State-owned Land Resources Bureau of Tongliao, Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) has obtained successfully bid the land grant of the 135,880.01 sq m land. The Certificate for the Use of State-owned Land No. (2009)0018 is a provisional certificate. Upon the official signing the Grant Contract of Land Use Rights and paying the land grant fee and deed tax, the formal Certificate for the Use of State-owned Land will be issued. As the Grant Contract of Land Use Rights has not been signed, the land grant fee and deed tax has not been paid by Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司). In the course of our valuation, we have assigned no commercial value to the Property.
- (3) According to Certificate of Approval No. (2009) 0036 dated 29 July 2009, Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) was established as a sinoforeign equity joint venture with the particulars as follows :-

(i) Registered Capital	: RMB 60,000,000
(ii) Capital Contribution	: Greens New Energy Limited, a wholly owned subsidiary – RMB 36,000,000 (60%) Tongliao Boiler Company Limited – RMB 24,000,000 (40%)
(iii) Operation Period	: 20 years
- (4) The opinion of the Group's legal adviser, Jingtian & Gongcheng Attorneys at Law, states that:
 - (i) Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) has temporary rights to use the property with a site area of 135,880.01 sq m. However, Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) can not transfer, lease and mortgage of the property until Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) has been obtained the Certificate for the Use of State-owned Land and all land premium and related tax has been settled in full.
- (5) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows: -

Provisional Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	No
Certificate of Approval	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

Group IV — Properties leased by the Group in the PRC

	<u>Property</u>	<u>Description and tenure</u>	<u>Capital value in existing state as at 31 August 2009</u>
4.	An industrial complex at No. 8958, Puwei Road, Fengxian District, Shanghai	The property comprises an industrial complex with 3 workshops, an office building and 2 ancillary buildings erected on a parcel of land with a site area of approximately 11,549 sq m (124,313 sq ft). The property has a total gross floor area of approximately 4,834.28 sq m (52,036 sq ft) which is used as industrial and office purposes. The property is currently leased to the Group for a term of 3 years from 1 April 2008 to 31 March 2011 at a monthly rent of RMB 100,000. According to the PRC legal opinion, the lessor has obtained Grant Contract of Land Use Rights and all land premiums has been settled in full, therefore, the lessor has no material legal obstacle to obtain Shanghai Certificate of Real Estate ownership. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has not been registered; however, it would not affect its legality, validity and binding. The Group would not has any adverse affects of the business operation and no material legal dispute by leasing the property.	No commercial value
5.	Unit B, Level 3, Block 1, No. 171, Meisheng Road, Waigaoqiao Free Trade Zone, Pudong New Area, Shanghai	The property comprises a workshop unit on Level 3 of a 6-storey workshop building with a total gross floor area of approximately 500 sq m (5,382 sq ft) which is used as workshop and ancillary office purposes. The property is currently leased to the Group for a term of 2 years from 9 June 2009 to 8 June 2011 at a daily rent of RMB 1 per sq m. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has not been registered; however, it would not affect its validity, binding and the Group's business operation.	No commercial value

APPENDIX IV		PROPERTY VALUATION
Property	Description and tenure	Capital value in existing state as at 31 August 2009
6. Level 17, No. 129, West Yanan Road, Jingan District, Shanghai	The property comprises a unit on Level 17 of a 26-storey office building with a gross floor area of approximately 1,002.84 sq m (10,795 sq ft) which is used as office purposes. The property is currently leased to the Group for a term from 26 February 2007 to 30 April 2010 at a monthly rent of RMB 122,012.20. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been registered.	No commercial value
7. Unit 2201, Level 22, No. 129, West Yanan Road, Jingan District, Shanghai	The property comprises a unit on Level 22 of a 26-storey office building with a gross floor area of approximately 245 sq m (2,637 sq ft) which is used as office purposes. The property is currently leased to the Group for a term from 15 December 2007 to 14 January 2010 at a monthly rent of RMB 33,075. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been registered.	No commercial value
8. Unit 2202, Level 22, No. 129, West Yanan Road, Jingan District, Shanghai	The property comprises a unit on Level 22 of a 26-storey office building with a gross floor area of approximately 88 sq m (947 sq ft) which is used as office purposes. The property is currently leased to the Group for a term from 15 December 2007 to 14 January 2010 at a monthly rent of RMB 11,880. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been registered.	No commercial value
9. Level 5, No. 129, West Yanan Road, Jingan District, Shanghai	The property comprises a unit on Level 5 of a 26-storey office building with a gross floor area of approximately 1,278.84 sq m (13,765 sq ft) which is used as office purposes. The property is currently leased to the Group for a term from 10 June 2008 to 1 June 2010 at a monthly rent of RMB 184,152.96. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been registered.	No commercial value

APPENDIX IV	PROPERTY VALUATION

	<u>Property</u>	<u>Description and tenure</u>	<u>Capital value in existing state as at 31 August 2009</u>
10.	Unit 312, No. 258, Guichang Road, Pudong New Area, Shanghai	The property comprises a unit of a 4-storey office building with a gross floor area of approximately 48 sq m (517 sq ft) which is used as office purposes. The property is currently leased to the Group for a term of approximately 3 years from 25 September 2007 to 24 September 2010 at a monthly rent of RMB 600. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has not been registered; however, it would not affect its legality, validity and binding. The Group would not has any adverse affects of the production operation and no material legal dispute by leasing the property.	No commercial value
11.	No. 2, Jiangping Road East, Xieqiao Town, Jingjiang, Jiangsu Province	The property comprises two units with a total gross floor area of approximately 100 sq m (1,076 sq ft) which is used as residential purposes. The property is currently leased to the Group for a term of approximately 3 years from 1 December 2006 to 1 December 2009. According to the PRC legal opinion, the lessor can't provide the title document of the property, it can not determine whether the tenancy agreement legal effective or not. According to the PRC legal opinion, as advised by the Company, the Group will not lease the property before the expiry of lease term. Therefore, according to the PRC legal opinion, the Group would not has any adverse affects of the business operation by leasing the property.	No commercial value

APPENDIX IV	PROPERTY VALUATION

Property	Description and tenure	Capital value in existing state as at 31 August 2009
12. A site in Xinjiang International Mei Jiao Hua Co., Ltd., Tieti'er Village, Baicheng County, Baicheng Town, Xinjiang Uygur Autonomous Region	The property comprises a piece of land with a site area of approximately 20,000 sq m (215,280 sq ft), whichever meets the needs of the project, which is being developed as a power station with a gross floor area of 9,325.07 sq m (100,375 sq ft). According to the Site Leasing Agreement, Tripartite Agreement and Notification Memo the property is provided to Party B to develop a power station, the detail of Leasing Agreement is listed as below:- Party A : Xinjiang International Mei Jiao Hua Co., Ltd. (新疆國際煤焦化有限責任公司) Party B : Greens Energy Environmental (Baicheng) Limited (格林能源環境(拜城)有限公司) Site area : Approximate 20,000 sq m Use of land : RMB 500,000 per year leasing fee Lease Term : From 15 June 2008 to 31 January 2015 According to the PRC legal opinion, the tenancy agreement is binding; however, the tenancy agreement has not been registered, it would not affect its validity, binding and the Group's business operation. According to the PRC legal opinion, it is not conformity with the relevant PRC law if there is not apply Planning Permit for Construction Works and Permit for Commencement of Construction Works before commence of the construction work. However, the relevant government approved that the construction is complied with the relevant planning and the procedure to apply the commencement of construction is under processing. There is no material legal obstacle to re-submit the application of Planning Permit for Construction Works and Permit for Commencement of Construction Works. Greens Energy Environmental (Baicheng) Limited (格林能源環境(拜城)有限公司) would not has any material penalties in the absence of above mentioned permits to commence the construction work.	No commercial value

APPENDIX IV	PROPERTY VALUATION

Group V — Properties leased by the Group in UK

	<u>Property</u>	<u>Description and tenure</u>	<u>Capital value in existing state as at 31 August 2009</u>
13.	Ground Floor (Right Side), Raines House, Denby Dale Road, Wakefield, West Yorkshire, United Kingdom WF1 1HR	The property comprises portions of ground floor of a 4-storey office building with a floor area of approximately 165 sq m (1,776 sq ft) which is used as office purposes. The property is currently leased to the Group from 3 November 2006 to 2 November 2011 at an annual rent of £15,100 exclusive of VAT, insurance cost, service charge and other outgoings.	No commercial value
14.	Third Floor, Raines House, Denby Dale Road, Wakefield, West Yorkshire, United Kingdom WF1 1HR	The property comprises one unit on third floor of a 4-storey office building with a floor area of approximately 418 sq m (4,499 sq ft) which is used as office purposes. The property is currently leased to the Group from 1 October 2007 to 30 September 2012 at an annual rent of £37,125 exclusive of VAT, insurance cost, service charge and other outgoings, subject to a rent review to £39,375 on 1 October 2010.	No commercial value
15.	Unit 6, Greens Industrial Park, Calder Vale Road, Wakefield, West Yorkshire, United Kingdom WF1 5PF	The property comprises one unit of a single storey workshop building with a floor area of approximately 214 sq m (2,303 sq ft) which is used as industrial purposes. The property is currently leased to the Group for a term of 10 years from 18 August 2005 to 17 August 2015 at an annual rent of £10,500 exclusive of VAT, insurance cost, service charge and other outgoings, subject to a rent review to open market rent on 18 August 2010.	No commercial value
16.	Unit 7, Greens Industrial Park, Calder Vale Road, Wakefield, West Yorkshire, United Kingdom WF1 5PF	The property comprises one unit of a single storey workshop building with a floor area of approximately 304 sq m (3,272 sq ft) which is used as industrial purposes. The property is currently leased to the Group from 4 January 2006 to 17 August 2015 at an annual rent of £13,000 exclusive of VAT, insurance cost, service charge and other outgoings, subject to a rent review to open market rent on 4 January 2011.	No commercial value

APPENDIX V INDEPENDENT INDUSTRY REPORT ON THE GLOBAL BOILER INDUSTRY

Top Level Analysis

Economisers

Globally the market for economisers is segmented into two competing technologies—plain steel and extended surface. The economic downturn will have an impact in the short-term, as falling boiler orders will impact economiser sales for new build boilers. However the retrofit market will cushion the impact to a large extent, and the market is expected to rebound substantially in 2010. The market fundamentals remain strong in the medium-to-long term for both new build and retrofit, with the relatively high cost of combustion fuels used in power generation, such as natural gas and coal a key factor. The high fuel cost and the growing environmental pressures are key drivers in the need to achieve maximum efficiency throughout the combustion process in a boiler. This means that economisers are now a standard product for all boilers globally and there is a strong incentive to retrofit any plants that do not have them, and to replace aging economisers with newer, improved technology. This analysis is primarily focused on utility boilers, hence the market potential for economisers could be greater than forecast in this research. Greens, who are a leading supplier of key heat transfer products and services designed to enhance the thermal efficiency, are a leading player in this industry.

Plain Steel

Plain steel economisers accounted for approximately 69.1% of all economisers sold, based on tonnage in 2008. The market for plain steel has good growth prospects, despite the emergence of extended surface economisers as a viable alternative. Plain steel economisers have historically always been favoured by the boiler manufacturers themselves, who have always had the internal capabilities to produce the economisers they need.

The market for plain steel economisers in the four key regions analysed was 107,260 tonnes in 2008, having increased by a CAGR of 9.6% since 2004. The market is forecast to decrease in size by a CAGR of 3.9% from 2008 to reach 124,804 tonnes in 2012. Orders are expected to dip in 2009, but are expected to recover in 2010 up 7.1% based on tonnage. Plain steel's growth prospects going forward are expected to be reduced by the growing preference for extended surface economisers. In revenue terms, the value of the market is expected to increase from \$266.9 million in 2008 to \$322.9 million in 2012, as the market recovers and raw material prices begin to increase again.

Plain Steel Economisers—Selected Key Regions

Year	Europe & the CIS	Rest of Asia	China	North America	Global (Tonnes)	Europe & the CIS	Rest of Asia	China	North America	Global (Revenues \$US, millions)
2004 ...	7,866	25,432	34,990	6,178	74,466	\$23.9	\$ 46.9	\$ 58.7	\$14.7	\$144.3
2005 ...	8,417	27,721	38,664	6,796	81,598	\$28.1	\$ 53.9	\$ 68.3	\$18.0	\$168.3
2006 ...	9,174	30,493	47,170	7,407	94,245	\$32.3	\$ 61.7	\$ 86.8	\$22.3	\$203.1
2007 ...	10,000	34,000	50,000	8,000	102,000	\$40.0	\$ 74.8	\$100.0	\$28.0	\$242.8
2008 ...	10,400	35,700	53,000	8,160	107,260	\$43.7	\$ 82.5	\$111.3	\$29.4	\$266.9
2009 ...	8,840	31,915	50,880	6,773	100,408	\$31.6	\$ 70.5	\$ 94.0	\$20.8	\$216.8
2010 ...	9,017	35,661	55,968	6,908	107,504	\$32.8	\$ 77.0	\$107.6	\$21.6	\$239.0
2011 ...	9,468	38,460	58,766	7,392	114,085	\$36.2	\$ 89.0	\$120.9	\$25.0	\$271.0
2012 ...	10,130	43,075	63,468	8,131	124,804	\$41.8	\$108.6	\$142.3	\$30.2	\$322.9

Key Market Players

The boiler manufacturers dominate the market, in particular Chinese boiler manufacturers including Shanghai Boilers, Dongfang Boiler and Harbin Xinbeiyuan. These players were market leaders in 2008, with 16%, 12% and 10% market share respectively, based on tonnage. The leading non-Chinese boiler manufacturer is Alstom, who, like Harbin Xinbeiyuan, had a 10% share of the market based on tonnage in 2008. The other main participants are BHEL, Mitsubishi Heavy Industries, Doosan Heavy Industries and Hitachi Power.

Extended Surface Economisers

Extended surface economisers accounted for 30.9% of all economiser sales in 2008 based on tonnage, but this percentage is expected rise significantly over the forecast period, to reach 37.6% by 2012. Extended surface

APPENDIX V INDEPENDENT INDUSTRY REPORT ON THE GLOBAL BOILER INDUSTRY

economisers share the same economic drivers as plain steel, but the drivers have more impact because extended surface economisers deliver more benefit. The cost per tonne is higher, but overall project costs are approximately 30%-50% lower. Lifecycle costs are also much lower, as extended surface economisers last longer and need less servicing than plain steel. As customer awareness increases, extended surface economisers are well positioned for growth, particularly in key markets such as India, where market penetration is currently particularly low.

The market for extended surface economisers in the four key regions analysed was 47,940 tonnes in 2008, having increased by 18.9% per year since 2004. As with plain steel economisers, the economic slowdown has had an impact and order volumes fell by 3.9% in 2009. After this the market is expected to recover, increasing at a CAGR of 12.0% to reach 75,361 tonnes in 2012 from 2008 level. In revenue terms, the value of the market is expected to increase from \$170.0 million in 2008 to \$288.4 million in 2012, as prices rise again and orders are higher.

Extended Surface Economisers—Selected Key Regions

Year	Europe & the CIS	Rest of Asia	China	North America	Global (Tonnes)	Europe & the CIS	Rest of Asia	China	North America	Global (Revenues \$US, millions)
2004	3,146	5,547	11,379	3,933	24,006	\$14.4	\$12.6	\$ 28.0	\$12.1	\$ 67.1
2005	3,367	7,212	14,941	4,247	29,766	\$16.9	\$17.5	\$ 39.0	\$14.5	\$ 87.8
2006	3,670	9,375	18,676	4,587	36,308	\$19.4	\$23.9	\$ 51.0	\$17.8	\$112.0
2007	4,000	15,000	22,000	5,000	46,000	\$24.0	\$42.0	\$ 66.0	\$22.5	\$154.5
2008	4,200	16,200	22,440	5,100	47,940	\$26.7	\$48.1	\$ 71.4	\$23.9	\$170.0
2009	3,906	15,390	22,440	4,335	46,071	\$21.9	\$40.2	\$ 64.2	\$17.9	\$144.1
2010	4,101	16,929	28,050	4,552	53,632	\$23.9	\$46.9	\$ 85.9	\$19.5	\$176.1
2011	4,716	18,960	33,099	5,235	62,010	\$28.8	\$55.6	\$109.5	\$24.0	\$217.9
2012	5,660	23,701	39,719	6,281	75,361	\$37.4	\$75.1	\$144.5	\$31.4	\$288.4

Key Market Players

Greens was the global leader for extended surface economisers in 2008, with approximately 37.5% of the total market in terms of tonnage, principally from China and then the U.K. Greens switched their manufacturing capabilities to China in 2003 and this has meant they are well positioned to meet surging Chinese demand. Being located in China gives them a low cost manufacturing base, whilst allowing them to retain a European brand profile and reputation. The rest of the market is highly fragmented; smaller Chinese players such as Shanghai Boilers and Beijing Bozhaofeng along with BHEL of India and traditional boiler manufacturers such as Alstom, Mitsubishi Heavy Industries and Doosan Heavy Industries.

HRSG Market (50MW+)

Heat Recovery Steam Generators are an integral part of a CCGT plant and play an important role in ensuring efficient energy generation. A CCGT plant involves gas being passed through a gas turbine, so that electricity can be generated. After this process has taken place, the waste heat that has been produced is recovered by an HRSG and then converted into steam which is passed through a steam turbine, creating more electricity. The benefits of this are substantial; a single gas turbine plant has a thermal efficiency of around 40%, whereas a CCGT plant can achieve thermal efficiencies of 55%, 15% more. This means more electricity, which translates into more revenue from the same amount of natural gas. Although gas prices have fallen back from their extraordinary peak in the summer of 2008, the long-term price trend for gas is expected to be much higher than the price levels of the past 10-20 years. Gas is now a tradable commodity and used extensively in power generation in a number of important regions. Even countries in the Middle East with abundant gas supplies are investing in CCGT plants to maximise the gas they have for export for future generations. The other drivers for HRSGs are generally those attributed to gas-fired plants, of which they are a vital component—the efficiencies that can be achieved, the relatively low capital cost and construction time and the operational flexibility.

The market for HRSGs in the five key markets selected (which represents approximately 90% of global demand) was 147 units in 2008, having increased at a CAGR of 5.8% per year since 2004. The Middle East and

APPENDIX V INDEPENDENT INDUSTRY REPORT ON THE GLOBAL BOILER INDUSTRY

Europe are the two key markets, and accounted for 79 units combined in 2008. North American demand has recovered after the 2001-2002 crash in gas-fired investment. China's demand is relatively low as the country relies more on coal-fired power generation. Going forward, the immediate short-term outlook is weak, with 92 units forecast to be ordered in 2009 and the revenues are expected to fall, largely reflecting the reduction in raw material costs since summer 2008. The global financial crisis and the ensuing recession have not left the market unscathed. Projects have been delayed, as utilities review investment programs and have to work harder to secure financing. But the situation is expected to start to improve in 2010 and the market is forecast to continue to grow for the remainder of the forecast period, with delayed projects being brought forward for tender. From 2008, the overall market is forecast to increase in size by a CAGR of 4.9% per year until 2012 to reach 178 units. In revenue terms the market value is forecast to increase from \$5.9 billion to \$7.1 billion.

HRSG Market—Selected Key Regions

Year	Units						Revenues (\$bn)					
	Europe & the CIS	Middle East	Rest of Asia	China	North America	Global (Units)	Europe & the CIS	Middle East	Rest of Asia	China	North America	Global (Revenues \$USbn)
2004	20	25	11	38	23	117	\$0.6	\$0.8	\$0.3	\$0.7	\$0.5	\$2.9
2005	32	34	23	13	24	127	\$1.0	\$1.1	\$0.7	\$0.3	\$0.6	\$3.6
2006	37	20	16	11	25	110	\$1.3	\$0.7	\$0.5	\$0.3	\$0.7	\$3.5
2007	48	50	29	13	27	167	\$1.8	\$2.0	\$1.0	\$0.3	\$0.9	\$6.1
2008	44	35	28	10	30	147	\$1.9	\$1.6	\$1.1	\$0.3	\$1.1	\$5.9
2009	22	25	18	7	20	92	\$0.8	\$1.0	\$0.6	\$0.2	\$0.7	\$3.2
2010	26	35	22	12	22	117	\$0.9	\$1.3	\$0.8	\$0.3	\$0.7	\$4.0
2011	35	30	23	14	28	130	\$1.4	\$1.2	\$0.8	\$0.4	\$1.0	\$4.7
2012	50	45	34	16	33	178	\$2.1	\$2.0	\$1.3	\$0.5	\$1.2	\$7.1

Key Market Players

The market for HRSGs above 50MW+ in 2008 was led by Doosan Heavy Industries, which represented 23% of the global market in terms of units in 2008. Doosan Heavy Industries was the market leader in the Middle East by a considerable margin in 2008 and is also a notable player in Europe, North America and the Rest of Asia. Doosan's key strategic advantage is its ability to offer a complete turnkey solution, which is particularly attractive to Middle Eastern customers.

Nooter Eriksen is the second largest player, with an 18% market share, based on units sold in 2008. Nooter Eriksen was also the joint market leader in North America and lead the market in Europe in 2008. They also have a presence in China, working in partnership with Hangzhou Boilers.

Based on units sold in 2008, Vogt was the joint leader in the North American market, along with NEM. BHEL and Alstom both had 7.5% of the market. BHEL dominated the Indian market with 14.7% market share, while Alstom features as a tier 2 player in a number of regions. Alstom will supply the HRSG when it is offering a turnkey solution. Other notable players include Bumwoo of Korea, a recent newcomer to the market, Zio Podolsk of Russia, Hangzhou Boiler, the market leader in China, CMI of France and STF of Italy. Greens' role in this market is one-step down the supply chain; Greens would supply the modules that make up 40% of the project value of the HRSGs and these would be delivered to Nooter Eriksen or CMI, for example. The system designer, as Nooter Eriksen etc. are sometimes known, does the design and engineering and then subcontracts out the manufacturing. From the client's perspective, they only deal with the designer and are generally unaware of the intricacies of the manufacturing process. Greens was the largest China-based supplier of HRSG modules to HRSG system designers worldwide based on 2008 revenue.

HRSG Market (3-50MW)

HRSGs between 3MW and 50MW would principally be used for industrial applications, but also for smaller power generation plants. The market for HRSGs in the five key markets selected (which, as with larger HRSGs, represents approximately 90% of global demand) was 87 units in 2008, having decreased at a CAGR of 3.4% since 2004. The market contracted in 2008, as industrial companies, concerned over the uncertain impact of the global economic crisis, delayed orders they were planning to make in the last quarter of 2008. 2009 will be a

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weak year for new orders, with volumes down by approximately 44.8%, but the market is forecast to start to recover from 2010. However it is expected to be 2011 before the market conditions start to improve significantly. By 2012, the market is forecast to have returned to pre-crisis levels, largely because of higher demand from developing market such as Asia and the Middle East, but also because of economic recovery in Western Europe and North America. The market is forecast to increase in size at a CAGR of 6.3% per year to reach 111 units in 2012. In revenue terms, the market value is expected to increase from \$642.4 million to \$806.4 million between 2008 and 2012.

HRSG Market—Selected Key Markets

Year	Units						Revenues (\$mn)					
	Europe & the CIS	Middle East	Rest of Asia	China	North America	Global (Units)	Europe & the CIS	Middle East	Rest of Asia	China	North America	Global (Revenues \$USmn)
2004	22	15	16	9	38	100	\$124.8	\$ 91.2	\$ 91.0	\$28.0	\$166.2	\$501.2
2005	20	25	21	10	39	115	\$117.0	\$158.4	\$126.1	\$32.9	\$196.4	\$630.8
2006	26	8	12	12	42	99	\$172.8	\$ 57.6	\$ 71.5	\$41.4	\$231.3	\$574.6
2007	32	10	11	13	45	111	\$240.0	\$ 80.0	\$ 71.5	\$52.0	\$292.5	\$736.0
2008	26	10	12	9	30	87	\$214.5	\$ 88.0	\$ 85.8	\$39.6	\$214.5	\$642.4
2009	14	5	8	6	15	48	\$ 94.7	\$ 37.4	\$ 50.3	\$23.2	\$ 87.9	\$293.6
2010	15	6	11	10	18	60	\$ 99.4	\$ 44.9	\$ 69.2	\$40.3	\$103.4	\$357.2
2011	20	12	15	14	24	85	\$144.5	\$ 96.0	\$103.8	\$62.0	\$150.3	\$556.7
2012	30	14	18	17	32	111	\$242.8	\$123.3	\$134.5	\$81.3	\$224.5	\$806.4

Key Market Players

The market has four key participants, who between them accounted for 57% of units sold in the overall market in 2008. Innovative Steam Technologies was the market leader with 23% in 2008 based on number of units sold, having grown market share strongly in the past two years. Innovative Steam Technologies offers a heat exchanger style HRSG that has higher raw material costs, but much lower engineering costs. The company has managed to remain competitive, despite the high raw material prices in 2008, and with costs now significantly lower, Innovative Steam Technologies is well placed to remain the market leader in the future. Austrian Energy & Environment was the second largest market player in 2008. They have become increasingly active in the market in the past few years and had a 12% market share in 2008 based on number of units. Nooter Eriksen and Vogt International, who are owned by Babcock Power, were joint third with 10% of the market each; both are very strong in North America, which is the most important market for the smaller sized HRSGs. Nooter Eriksen's presence in the market is actually greater than the figures suggest; it has licenced its technology to EM Alliance and works in partnership with Hangzhou Boilers, the market leader in China. Other notable players include NEM, Foster Wheeler, BHEL and Thermax.

Waste Heat Boilers Market

Waste Heat Boilers are used to maximise the efficiency of power plants, by using the waste heat that is given off by the combustion process to generate further electricity—in this way they are similar to HRSGs. Waste heat boilers can also be used for a variety of applications such as biomass (wood & other biogenous fuels) and residues (household and industrial waste). In these situations, the waste can be burnt in the boiler to produce energy. For this study only boilers above 5MW in size have been included, so what is not shown in this report is the greater potential market for small size industrial boilers.

The economic slowdown is the major restraint for the waste heat boiler market in the short-term. The falling industrial output and financial constraints is expected to have a major impact on new orders; Frost & Sullivan Limited expects order levels in 2009 to be 5.9% lower than 2008. However the market is expected to recover in 2010, to exceed 2008 levels, due to the need for new generating capacity, the need for higher efficiency in plants, and the global growth in waste incineration and biomass plants. Demand is particularly strong in China, (which accounted for approximately 50% of all units sold in 2008, a figure that is set to increase to 64% by 2012), where small waste heat boilers are used extensively, thanks to Chinese government support for their use in industrial applications. China is determined to improve its level of energy efficiency and this was demonstrated by President Hu Jintao's September 2009 announcement on curbing emissions. The market for waste heat boilers in

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the five key markets selected (which represent approximately 90% of global demand) was 363 units in 2008 based on tonnage, having increased at a CAGR of 3.7% for the years from 2004 to 2008. The market is forecast to increase in size by a CAGR of 15.2% for the years 2008 to 2012, to reach 640 units by 2012. In revenue terms the size of the market is expected to increase from \$3.0 billion in 2008 to \$5.0 billion in 2012, as a result of the surging demand from China and a recovery in prices.

Waste Heat Boilers Market—Selected Key Markets

Year	Units					Revenues (\$bn)				
	Europe & the CIS	Rest of Asia	China	North America	Global (Units)	Europe & the CIS	Rest of Asia	China	North America	Global (Revenues \$USbn)
2004	33	99	139	44	315	\$0.5	\$0.5	\$0.5	\$0.6	\$2.1
2005	36	102	155	45	339	\$0.6	\$0.5	\$0.6	\$0.6	\$2.4
2006	39	106	179	48	371	\$0.7	\$0.6	\$0.8	\$0.7	\$2.8
2007	41	112	200	50	403	\$0.8	\$0.7	\$1.0	\$0.8	\$3.3
2008	31	95	200	38	363	\$0.6	\$0.6	\$1.1	\$0.6	\$3.0
2009	23	81	210	28	342	\$0.4	\$0.5	\$1.0	\$0.4	\$2.3
2010	24	81	273	32	410	\$0.4	\$0.5	\$1.4	\$0.5	\$2.8
2011	30	105	328	36	499	\$0.6	\$0.7	\$1.7	\$0.6	\$3.6
2012	40	147	410	43	640	\$0.8	\$1.0	\$2.4	\$0.8	\$5.0

Key Market Players

Given China's dominance of units sold, it is unsurprising that Chinese companies are the leading players in the market at a global level. The clear leader globally was Suzhou Hailu Heavy Industry with 21% of the market in terms of units sold in 2008. The next largest player, Yancheng Boiler, is far behind with 9.4% of the market. The highest ranked non-Chinese company is BHEL, which had a 6.9% market share in 2008, followed by Hangzhou Boiler with 6.3% market share and Handan Boiler with 6% market share. All the Chinese companies sell almost exclusively within China. Other players of note include Sumitomo Heavy Industries (Japan), BHEL (India), and Cleaver- Brooks and Rentech, both based in North America. Beyond this, 40% of the market is split between a whole host of local players. Greens are one of these players, but Greens are a waste heat specialist and compete at the top end of the market, offering comprehensive waste heat solutions, rather than just the boiler. Both HRSGs and Waste Heat Boilers are complex technologies in their own right; HRSGs are seen as higher technology, but this is largely because of the challenges associated with their size and handling. Waste Heat Boilers are not so complex, but they still require high technology skills and experience. Of the two, though, Waste Heat Boilers are generally seen as the natural entry point into the boiler market.

Marine Boilers

The marine boilers considered for this report are those that weigh between 10 tonnes and 120 tonnes, and these are mainly be used by oil and chemical tankers, cruise ships and bulk cargo carriers. They represent a relatively small, but high value segment of the overall marine boiler market. Demand for marine boilers has increased strongly in the past decade as global shipping volumes have increased with the economic growth that has been taking place, principally in China, but also in many other parts of Asia. These countries have enjoyed strong manufacturing booms with goods that have principally been consumed in Europe and the United States and this has boosted demand for large shipping vessels. At the same time, high levels of oil demand and the emergence of liquefied natural gas as a traded commodity have increased the need for large carrier ships. Demand from the oil industry has also come in the form of FPSO vessels, floating platforms that are used to enable oil extraction. There are a number of major factors that have negatively impacted on the market, including: the volatility in the price of transportation, lower global trade volumes, falling industrial output, lower oil prices, financial constraints and over-supply of bulk carriers. Shipping orders (directly linked to marine boiler orders) had been at historic highs prior to 2008 and even before the economic crisis there was a belief that the market was saturated and that demand would have to fall for a few years. As a result, global marine orders declined by 36.6% in 2008, and Frost & Sullivan Limited forecasts a further decline of approximately 52.9% in 2009.

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The Rest of Asia has been by far the largest market, and accounted for 169 of the 280 boilers manufactured in 2008. The reason for this lies with South Korea, which is home to most of the world's largest shipbuilding yards. China was the second largest market with 80 vessels manufactured in 2008, almost doubled that produced there in 2004. Europe and the Commonwealth of Independent States (CIS) were the smallest of the three, with 47 units manufactured in 2008. These three regions accounted for 100% of the production of marine boilers for these applications. The market for marine boilers in 2008 was 280 units, having fallen by a CAGR of 7.8% for the period between 2004 and 2008, due to the global economic situation. The vast majority of these boilers are auxiliary boilers, but a small percentage are LNG propulsion boilers and a few are FPSO boilers. The market is forecast to decline by a CAGR of 1.1% from 2008 to 2012 to reach 269 units, having peaked in 2007 at 442 units. In revenue terms, the market value is expected to decrease at a CAGR of 5.9% a year to fall from \$169 million in 2008 to \$130 million in 2012.

Marine Boilers Market—Selected Key Markets

Year	Units				Revenues (\$mn)			
	Europe & the CIS	Rest of Asia	China	Global (Units)	Europe & the CIS	Rest of Asia	China	Global (Revenues \$USmn)
2004	36	309	42	387	\$21.9	\$130.8	\$11.4	\$164.1
2005	41	337	56	434	\$23.1	\$150.2	\$18.9	\$192.1
2006	45	279	75	399	\$31.4	\$148.1	\$23.9	\$203.5
2007	47	305	90	442	\$38.8	\$155.6	\$32.8	\$227.3
2008	31	169	80	280	\$24.4	\$104.6	\$37.6	\$166.7
2009	8	92	32	132	\$ 5.0	\$ 34.8	\$10.2	\$ 49.9
2010	15	126	39	180	\$ 8.1	\$ 49.2	\$12.6	\$ 69.9
2011	25	158	54	237	\$15.9	\$ 69.7	\$20.5	\$106.1
2012	33	176	60	269	\$25.1	\$ 81.8	\$23.8	\$130.7

Key Market Players

For auxiliary boilers, Aalborg of Norway was the market leader in 2008, with a 45% share of units sold, although many of these boilers are produced in Asia. Second is Mitsubishi Heavy Industries with 15% of the market and third is Kangrim with 13% of the market. Other notable players include Greens, Osaka, Miura and Hailu. For LNG propulsion boilers, Mitsubishi was the market leader with 64% in 2008, based on units sold. The only other players was Kawasaki with 36% of the market in 2008. For FPSO boilers, Aalborg was the dominant player with 67.5%, while Mitsubishi Heavy Industries was the only other notable player with 11.5% of the market.

Boiler Components

The boiler components section of this report comprises super-heaters, re-heaters, membrane walls and steam drums, all integral parts of a coal-fired boiler, in ensuring that maximum efficiencies can be achieved. The potential market for boiler components is huge, but for the purposes of this report only two key regions have been considered—China and North America.

The market for boiler components was approximately 702,075 tonnes in 2008, having increased at a CAGR of 10.0% since 2004. China accounted for approximately 90.7% of all tonnage sold in 2008. The market is forecast to increase in size by a CAGR of 3.0% from 2008 to 2012, to reach approximately 791,655 tonnes. In revenue terms, the market value is expected to increase to \$2.6 billion by 2012. In the short-term, the market is forecast to be hit because of the global slowdown, but Chinese domestic demand is expected to be less affected than falling demand from other markets. In the longer-term, demand is forecast to recover as although China has made significant inroads into closing the gap between the size of the installed base and power demand, new boilers will continue to be required to ensure installed capacity adequately meets demand. Crucially, China is looking to upgrade or simply replace obsolete plants in order to improve energy efficiency and this is an important factor in the demand for boiler components.

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Boiler Components Market—Selected Key Markets

Year	Tonnes			Revenues		
	China	North America	Global (Tonnes)	China	North America	Global (Revenues \$USbn)
2004	431,607	48,270	479,876	\$1.0	\$0.2	\$1.1
2005	476,062	53,241	529,304	\$1.1	\$0.2	\$1.4
2006	582,224	65,114	647,338	\$1.5	\$0.3	\$1.8
2007	612,500	68,500	681,000	\$1.7	\$0.4	\$2.1
2008	637,000	65,075	702,075	\$2.1	\$0.4	\$2.5
2009	560,560	45,553	606,113	\$1.5	\$0.2	\$1.7
2010	582,982	40,997	623,980	\$1.6	\$0.2	\$1.8
2011	670,430	45,917	716,347	\$1.9	\$0.2	\$2.1
2012	737,473	54,182	791,655	\$2.3	\$0.3	\$2.6

Key Market Players

Given China's dominance of tonnage sold, it is unsurprising that Chinese boiler manufacturers dominate the market. Based on tonnage in 2008, Shanghai Boiler had 22% of the market, while Dongfang Boiler had a 20% market share and Harbin Boiler had a 20% market share. The next player after that was Jinan Boilers with 6.3% of the market. Other notable players include Beijing Boilers, Wuxi Boilers, Foster Wheeler, Alstom, Babcock & Wilcox and Babcock Power.

Regional Analysis

Economisers

Europe & CIS

The total economiser market in Europe & the CIS grew at a CAGR of 7.3% between 2004 and 2008, to reach 14,600 tonnes or \$70.4 million in revenues in 2008. Growth for extended surface economisers was at a CAGR of 7.5% in tonnage as opposed to 7.2% for plain steel for the period from 2004 to 2008. The recession in Europe is expected to impact on economiser demand, as orders for power generation equipment are forecast to be much lower than industry expectations for both 2009 and 2010. The economiser market is however, expected to perform better than the overall boiler market, due to the use of economisers in older plants for upgrades, and efficiency improvements. Europe has an ageing fleet of power plants and economiser upgrades offer excellent growth prospects to partially offset the slump in new demand. The demand for plain steel economisers is expected to decrease at a CAGR of 0.7% on tonnage up to 2012, as opposed to 7.7% increase per year for extended surface economisers. It is estimated that extended surface economisers are more likely to find greater application in the boiler upgrades at power plants for efficiency improvements and life extension services.

European & CIS Economiser Market

Year	Plain Steel			Extended Surface			Total	
	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Revenue (\$m)
2004	7,866	\$3,043	\$23.9	3,146	\$4,565	\$14.4	11,013	\$38.3
2005	8,417	\$3,344	\$28.1	3,367	\$5,016	\$16.9	11,784	\$45.0
2006	9,174	\$3,520	\$32.3	3,670	\$5,280	\$19.4	12,844	\$51.7
2007	10,000	\$4,000	\$40.0	4,000	\$6,000	\$24.0	14,000	\$64.0
2008	10,400	\$4,200	\$43.7	4,200	\$6,360	\$26.7	14,600	\$70.4
2009	8,840	\$3,570	\$31.6	3,906	\$5,597	\$21.9	12,746	\$53.4
2010	9,017	\$3,641	\$32.8	4,101	\$5,821	\$23.9	13,118	\$56.7
2011	9,468	\$3,823	\$36.2	4,716	\$6,112	\$28.8	14,184	\$65.0
2012	10,130	\$4,129	\$41.8	5,660	\$6,601	\$37.4	15,790	\$79.2

Europe and the CIS have the highest prices of the regions analysed, with plain steel economisers costing \$4,200 per tonne for plain steel and \$6,360 per tonne for the extended surface. Prices of plain steel are expected

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to decrease at a CAGR of 0.4% from 2008 to 2012, but extended surface economiser prices are expected to increase at a CAGR of 0.9% in the same period. Prices for both dip sharply in 2009 and then make up ground over the next three years. Plain steel is more affected than extended surface, as the extended surface economiser requires more workmanship and involves greater labour.

Hitachi Power and Alstom, the two largest boiler companies in Europe, dominate the plain steel segment. In 2008, the extended surface economiser segment was led by Ekstroms, with 33% of the market based on tonnage, Greens was second with 26% of the market and Rosink was third with 19% of the market. The remaining 22% included players such as Clyde Bergmann and Alstom (who manufacture both types).

Rest of Asia

Demand for economisers in the Rest of Asia increased sharply between 2004 and 2008, principally driven by a huge increase in demand from India, but also Indonesia and Vietnam; all of which have been enjoying strong economic growth and surging power investments. The market size increased from 30,980 tonnes to 2004 to 51,900 tonnes in 2008, a CAGR of 13.8%. Plain steel economisers dominated in 2008, and accounted for 35,700 or 69% of all tonnage sold. The economic slowdown is a restraint for the market in the short term, although many countries in this region have not been substantially affected. The market is expected to fall by 5.0% in 2009, before recovering by 5.0% in 2010. The Indian government recently announced a drive toward greater energy efficiency and this is expected to become an increasingly important factor in the market. The low quality of the coal in India is also a concern and utilities are looking to counter this by replacing existing plain steel economisers with the extended surface ones. From 2012 and beyond, the market is expected to be further driven by India's 12th five year power generation plan, which is expected to add almost 100GW to the country's generation capacity. Frost & Sullivan Limited forecasts the total economiser market to increase at a CAGR of 6.5% to reach 66,775 tonnes from 2008 to 2012.

Rest of Asia Economiser Market

Year	Plain Steel			Extended Surface			Total	
	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Revenue (\$m)
2004	25,432	\$1,846	\$46.9	5,547	\$2,275	\$12.6	30,980	\$ 59.6
2005	27,721	\$1,943	\$ 53.9	7,212	\$2,421	\$17.5	34,933	\$ 71.3
2006	30,493	\$2,024	\$ 61.7	9,375	\$2,548	\$23.9	39,868	\$ 85.6
2007	34,000	\$2,200	\$ 74.8	15,000	\$2,800	\$42.0	49,000	\$116.8
2008	35,700	\$2,310	\$ 82.5	16,200	\$2,968	\$48.1	51,900	\$130.5
2009	33,915	\$2,079	\$ 70.5	15,390	\$2,612	\$40.2	49,305	\$110.7
2010	35,611	\$2,162	\$ 77.0	16,929	\$2,769	\$46.9	52,540	\$123.9
2011	38,460	\$2,314	\$ 89.0	18,960	\$2,935	\$55.6	57,420	\$144.6
2012	43,075	\$2,522	\$108.6	23,701	\$3,169	\$75.1	66,775	\$183.7

Prices in the rest of Asia are low, comparable to China, but this is skewed by strong demand from India. In countries such as Japan, Korea and Australia, prices are much more comparable with the European levels. Prices in Asia are forecast increase for plain steel at a CAGR of 2.2% per year from \$2,310 per tonne in 2008 to \$2,522 per tonne in 2012. For extended surface, the price is expected to increase from \$3,169 per tonne in 2008 to reach \$3,169 per tonne by 2012.

In 2008 based on tonnage, BHEL was the market leader for both the plain steel and the extended surface economiser segments with approximately 25% market share. Alstom was second for extended surface and third for plain steel, with 17% and 15% respectively. Mitsubishi Heavy Industries accounted for 15% of the plain steel market and 20% of the extended surface market, with Japan and Korea as core markets. Greens had approximately 10% of the extended surface market in this region.

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China

The Chinese economiser market is the largest market globally, unsurprising given the massive investment in power generation that has been on-going since 2003. China has substantial coal reserves, making it an attractive fuel for power generation coupled with a desperate need for power to meet the needs of an increasingly urbanised population. China is also rapidly becoming aware of the benefits of energy efficiency, as a way of helping meet the demand for power. The Chinese President Hu Jintao recently announced a massive drive to increase both coal-fired capacity in China, but also to increase energy efficiency and therefore slow the rate at which carbon emissions are increasing. This is specifically boosting demand for economisers. The total economiser market was estimated to be 75,440 tonnes in 2008. Looking ahead, the total Chinese economiser market is expected to grow at a CAGR of 8.1% to reach 103,187 tonnes by 2012. The market is expected to decline slightly by 2.8% in 2009 based on tonnage, but power back strongly in 2010, increasing by 14.6%. The market size for plain steel economisers was 53,000 tonnes in 2008 and is expected to increase to 63,468 by 2012, at a CAGR of 4.6%. The market for extended surface economisers is forecast to grow faster, due to the increased adoption of this technology. The market is expected to grow at a CAGR of 15.3% to reach 39,719 tonnes in 2012, up from 22,440 in 2008.

Chinese Economiser Market

Year	Plain Steel			Extended Surface			Total	
	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Revenue (\$m)
2004	34,990	\$1,678	\$ 58.7	11,379	\$2,464	\$ 28.0	46,369	\$ 86.8
2005	38,664	\$1,766	\$ 68.3	14,941	\$2,607	\$ 39.0	53,604	\$107.2
2006	47,170	\$1,840	\$ 86.8	18,676	\$2,730	\$ 51.0	65,846	\$137.8
2007	50,000	\$2,000	\$100.0	22,000	\$3,000	\$ 66.0	72,000	\$166.0
2008	53,000	\$2,100	\$111.3	22,440	\$3,180	\$ 71.4	75,440	\$182.7
2009	50,880	\$1,848	\$ 94.0	22,440	\$2,862	\$ 64.2	73,320	\$158.2
2010	55,968	\$1,922	\$107.6	28,050	\$3,062	\$ 85.9	84,018	\$193.5
2011	58,766	\$2,056	\$120.9	33,099	\$3,307	\$109.5	91,865	\$230.3
2012	63,468	\$2,242	\$142.3	39,719	\$3,638	\$144.5	103,187	\$286.8

Prices in China are the lowest in the world, reflecting the low manufacturing cost and lower raw material costs. As such, this gives companies that manufacture in China a competitive advantage. The forecast is for prices to increase at a CAGR of 1.6% for plain steel and a CAGR of 3.4% for extended surface economisers. Plain steel is expected increase from \$2,100 per tonne in 2008 to reach \$2,242 per tonne in 2012; while extended surface is expected to increase from \$3,180 per tonne in 2008 to \$3,638 per tonne in 2012.

For plain steel economisers, the three major boiler manufacturers dominate the market in China, Shanghai Boilers with 33%, Dongfang with 25% and Harbin Xinbeiyuan with 20%. For extended surface economisers, Greens was the dominant player with 66% market share in 2008 based on tonnage, having entered the market in 2003 and quickly established themselves as the recognised key supplier of the equipment. The Chinese strictly control who can start manufacturing in China and, with the low cost benefits achieved through manufacturing in China, this provides a significant barrier to entry for foreign competition. Behind Greens comes Shanghai Boilers and Beijing Bozhaofeng with 15% each and Harbin Xinbeiyuan with 4%. Greens market share includes the work it carries out for Harbin Xinbeiyuan; Greens manufactures approximately 90% of the extended surface economisers that Harbin Xinbeiyuan uses.

North America

The North American economiser market grew at a CAGR of 7% between 2004 and 2008, to reach 13,260 tonnes in 2008. The recession is expected to affect market demand, but for new build, the uncertainty over how carbon emissions will be addressed in the US is a major concern. Legislation to create a cap and trade system is currently being debated and this is creating uncertainty for large coal-fired plants that use economisers. Fortunately there is massive potential for economisers to upgrade existing power generation boilers and large industrial boilers and the potential for increased energy efficiency investment in the US, which the Obama administration is keen to encourage. The North American market is likely to be hit badly in 2009, with the

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market expected to fall 16.2% in 2009 by tonnage, but will recover significantly post-2010. Overall, Frost & Sullivan Limited forecasts an increase at a CAGR of 2.1% from 2008 to 2012, to reach 14,412 tonnes. The plain steel economiser market is expected to decline at a CAGR of 0.1% from a 2008 level of 8,160 tonnes to reach 8,131 tonnes by 2012, whereas the extended surface economiser market is expected to increase at a CAGR of 5.3% from a 2008 level of 5,100 tonnes to reach 6,281 tonnes by 2012, as utilities and industrial companies switch from plain steel to extended surface economisers.

North American Economiser Market

Year	Plain Steel			Extended Surface			Total	
	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Price per Tonne	Revenue (\$m)	Tonnage	Revenue (\$m)
2004	6,178	\$2,384	\$14.7	3,933	3,065	\$12.1	10,111	\$26.8
2005	6,796	\$2,649	\$18.0	4,247	3,406	\$14.5	11,043	\$32.5
2006	7,407	\$3,010	\$22.3	4,587	3,870	\$17.8	11,995	\$40.0
2007	8,000	\$3,500	\$28.0	5,000	4,500	\$22.5	13,000	\$50.5
2008	8,160	\$3,605	\$29.4	5,100	4,680	\$23.9	13,260	\$53.3
2009	6,773	\$3,064	\$20.8	4,335	4,118	\$17.9	11,108	\$38.6
2010	6,908	\$3,126	\$21.6	4,552	4,283	\$19.5	11,460	\$41.1
2011	7,392	\$3,376	\$25.0	5,235	4,583	\$24.0	12,626	\$48.9
2012	8,131	\$3,713	\$30.2	6,281	4,995	\$31.4	14,412	\$61.6

Prices in North America are forecast to increase at a CAGR of 0.7% up from 2008 to 2012 for plain steel and a CAGR of 1.6% for extended surface for the same period. From 2008 price levels of approximately \$3,605 per tonne, plain steel economiser prices are expected to increase to \$3,713 per tonne by 2012, while extended surface economiser prices are expected to increase from 2008 levels of \$4,680 per tonne to \$4,995 per tonne by 2012.

The plain steel market in North America is dominated by the big boiler manufacturers, such as Alstom, Babcock & Wilcox and Foster Wheeler. Based on tonnage in 2008, the extended surface economiser market was led by ECO with 30% market share, E-tech 25% with market share and a combination of the boiler manufacturers and small manufacturers accounted for the remaining 45% market share.

HRSGs (50MW+)

Europe & the CIS

The 50MW+ HRSG market in Europe & the CIS grew at a CAGR of 21.7% between 2004 and 2008 to be worth 44 units or \$1.9 billion in revenue. The market conditions are expected to worsen substantially in 2009, as the recession negatively impacts on investment levels and new projects. Europe has been hard hit by the financial crisis, particularly smaller utilities and independent power producers, who have tended to invest in gas-fired plants. As a result, demand is forecast to fall by 50% in 2009 to 22 units. But from this low point, the market is forecast to start to improve, growing by 18.2% in 2010 and strengthening further in 2011 and 2012, as the fundamentals of investing in power generation remain strong. Demand will increase by a CAGR of 3.2% per year to reach 50 units in 2012. In revenue terms, the market is expected to grow at a CAGR of 3% from 2008 to be worth \$2.1 billion in 2012. Revenues will lag behind market growth because of the fall in raw material prices from the August 2008 peak, causing a sharp decline in prices in 2009.

European & CIS HRSG Market

Year	Units	Price per 150MW HRSG (\$m)	Revenue (\$bn)
2004	20	\$28.9	\$0.6
2005	32	\$30.1	\$1.0
2006	37	\$34.2	\$1.3
2007	48	\$38.0	\$1.8
2008	44	\$42.6	\$1.9
2009	22	\$36.2	\$0.8
2010	26	\$36.2	\$0.9
2011	35	\$38.7	\$1.4
2012	50	\$42.2	\$2.1

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Europe and the CIS have the second highest prices in the region, after the Middle East, with a 150MW HRSG unit costing \$42.6 million in 2008, at a CAGR of 10.2% since 2004. Prices are expected to fall by 15% in 2009, partially because of lower demand, but mainly because raw material costs have fallen sharply since the peak reached in 2008. Prices are forecast to fall at a CAGR of 0.2%, so that a unit is expected to cost \$42.2 million by 2012. Prices are expected to be flat in 2010, before recovering in 2011 and 2012.

Based on units in 2008, Nooter Eriksen was the market leader in Europe, with 25% of the market. Nooter Eriksen has traditionally been more focused on the North American market, but is increasingly seeking to diversify into new geographies. Doosan Heavy Industries was second with a 16% market share by units in 2008; Doosan Heavy Industries is aggressively targeting the power generation market, having identified it as a key growth area for the future. STF and NEM both had 11% of the market; STF concentrates purely on Europe, whereas NEM competes globally. Zio Podolsk and CMI each had 9% each; CMI's market share fell in the past year, as the company won a number of big orders in 2007 and its sub-suppliers had reached capacity themselves. Alstom, with 7%, faced a similar challenge, having been a market leader in previous years. Other notable players include Austrian Energy & Environment and Ansaldo Caldaie.

Middle East

The 50MW+ HRSG market in the Middle East grew at a CAGR of 8.8% based on units between 2004 and 2008 to reach 35 units, or \$1.6 billion in revenues. The market in the Middle East has benefited from massive investment in power generation, with funding coming from oil receipts and a sharp increase in awareness in the region about the benefits of energy efficiency. 2007 was the peak year for investment; since then, the market conditions have worsened in the face of the economic crisis, but also because the installed base in some key markets in the Gulf has caught up with demand. This is not expected to last though and new round of investments in the region is expected to start in 2010. Overall, demand is forecast to increase at a CAGR of 6.5% from 2008 to reach 45 units in 2012. In revenue terms, the market is expected to grow at a CAGR of 6.3% from 2008 to be worth \$2.0 billion in 2012.

Middle East HRSG Market

Year	Units	Price per 150MW HRSG (\$m)	Revenue (\$bn)
2004	25	\$30.4	\$0.8
2005	34	\$31.7	\$1.1
2006	20	\$36.0	\$0.7
2007	50	\$40.0	\$2.0
2008	35	\$44.8	\$1.6
2009	25	\$38.1	\$1.0
2010	35	\$38.1	\$1.3
2011	30	\$40.7	\$1.2
2012	45	\$44.4	\$2.0

The Middle East is the most expensive market, with a 150MW HRSG unit costing \$44.8 million in 2008, which represents a CAGR of 10.2% since 2004. Prices are expected to fall in 2009 because of falling raw material costs, but are forecast to start to increase again in 2011. Overall, prices are expected to decline by a CAGR of 0.2% from 2008, with a unit costing \$44.4 million in 2012.

In 2008 based on number of units, Doosan Heavy Industries was the dominant player in the Middle East, with 60% of the market. The company has been aggressively building share there for the past three years and the ability to offer a turnkey solution is a major factor in succeeding in this market. NEM is second with 14% of the market and Nooter Eriksen is third with 9% of the market. Other notable players include Alstom and CMI.

Rest of Asia

The 50MW+ HRSG market in the Rest of Asia increased at a CAGR of 26.3% by units between 2004 and 2008, to reach 28 units or \$1.1 billion in revenues. Demand is expected to fall in 2009, as a result of the global

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economic crisis, but most Asian states have been far less affected than Europe and North America, and are expected to recover much more quickly. Overall the market is forecast to grow at a CAGR of 5% per year from 2008 to reach 34 units by 2012. In revenue terms, the market is expected to grow at a CAGR of 5.5% per year from 2008 to be worth \$1.3 billion in 2012.

Rest of Asia HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 150MW HRSG (\$m)</u>	<u>Revenue (\$bn)</u>
2004	11	\$29.2	\$0.3
2005	23	\$30.8	\$0.7
2006	16	\$32.6	\$0.5
2007	29	\$35.0	\$1.0
2008	28	\$38.2	\$1.1
2009	18	\$33.6	\$0.6
2010	22	\$34.6	\$0.8
2011	23	\$36.3	\$0.8
2012	34	\$38.8	\$1.3

Prices vary quite substantially between countries, with Malaysian and Japanese customers paying a premium and other countries such as India and Vietnam charging substantially less. Overall though, a 150MW HRSG unit cost \$38.2 million in 2008, which represents a CAGR of 6.9% since 2004. Prices are expected to increase at a CAGR of 0.5% between 2008 and 2012, with reductions lower than the global average due to strong demand. A unit is forecast to cost \$38.8 million by 2012.

In 2008 based on the number of units sold, BHEL was the market leader in the Rest of Asia, with 40% of the market, the result of a high volume of orders from India. Bumwoo, of Korea, a recently emerged competitor (the company has been a module manufacturer for some time) had 21% of the market. Alstom and Doosan Heavy Industries both had 14% market share, with those orders coming from Indonesia and South Korea respectively. Other notable players include Babcock Hitachi and Hangzhou Boilers.

China

The 50MW+ HRSG market in China declined at a CAGR of 28.4% per year in units between 2004 and 2008, to be worth 10 units or \$0.3 billion in revenues. China had a massive surge in investment in CCGT plants in 2003 and 2004 following the 2002 and 2003 energy crisis, when massive blackouts affected many cities of China. CCGT plants are relatively quick to build and a good solution for dealing with power shortages and HRSGs are essential components for these. China has now embarked on a massive coal-fired expansion programme, so CCGT development has slowed. However with increasing availability of LNG and a desire to preserve a balanced fuel mix, China is likely to expand the number of CCGT plants it builds over the next five years. Demand is expected to increase at a CAGR of 12.5% from 2008, with 16 units required in 2012. In revenue terms, the market is expected to grow at a CAGR of 14.3% from 2008 to be worth approximately \$0.5 billion in 2012.

Chinese HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 150MW HRSG (\$m)</u>	<u>Revenue (\$bn)</u>
2004	38	\$19.3	\$0.7
2005	13	\$20.7	\$0.3
2006	11	\$22.5	\$0.3
2007	13	\$25.0	\$0.3
2008	10	\$27.3	\$0.3
2009	7	\$24.0	\$0.2
2010	12	\$24.7	\$0.3
2011	14	\$26.4	\$0.4
2012	16	\$29.1	\$0.5

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China's prices are the lowest in the region with a 150MW costing \$27.3 million in 2008, which represents a CAGR of 9.1% since 2004. Prices are expected to continue increasing at a CAGR of 1.6% from 2008, so that a unit is expected to cost \$29.1 million by 2012.

As China is keen to promote domestic manufacturers, and given the relatively low prices of HRSGs compared to the global market, Chinese companies dominate. Hangzhou Boilers was the largest with 50% of the market in terms of units sold in 2008, although it works in partnership with Nooter Eriksen on units that are for export. Wuxi Huaguang follows with 20% market share and Wuhan Boilers has 10% of the market. Both companies play a more prominent role in the global market by the fact that they are major module manufacturers for some of the leading systems designers.

North America

The 50MW+ HRSG market in North America grew at a CAGR of 6.5% between 2004 and 2008, to be worth 30 units or \$1.1 billion in revenues. The North American market was buoyant in the late 1990s, with massive levels of gas-fired capacity investment, but this demand fell dramatically in 2001. The market is forecast to increase at a CAGR of 2.4% from 2008, to reach 33 units by 2012. However, the market size is forecast to shrink in 2009. Uncertainty over the regulation of coal-fired plants in the United States is driving utilities to invest in gas-fired plants as an alternative. In revenue terms, the market is forecast to grow at a CAGR of 2.6% from 2008 to be worth \$1.2 billion in 2012; lower raw material costs and reduced short-term demand are the key reasons.

North American HRSG Market

Year	Units	Price per 150MW HRSG (\$m)	Revenue (\$bn)
2004	23	\$22.2	\$0.5
2005	24	\$25.2	\$0.6
2006	25	\$28.1	\$0.7
2007	27	\$33.0	\$0.9
2008	30	\$37.0	\$1.1
2009	20	\$32.5	\$0.7
2010	22	\$32.5	\$0.7
2011	28	\$34.5	\$1.0
2012	33	\$37.2	\$1.2

A 150MW HRSG unit cost \$37 million in 2008, which represents an increase at a CAGR of 13.6% since 2004. Prices are forecast to increase at a CAGR of 0.2% from 2008, so that a unit is expected to cost \$37.2 million by 2012. Prices are forecast to fall steepest in 2008, a decline of 12%, before gradually starting to recover in 2011.

In 2008 based on units sold, Nooter Eriksen and Vogt dominated the market with a 40% market share. Alstom and Doosan Heavy Industries lagged behind, with a market share of 7% each, also based on number of units in 2008.

HRSGs (3MW-50MW)

Europe & the CIS

The 3MW-50MW HRSG market in Europe & the CIS grew at CAGR of 4.4% between 2004 and 2008, to reach 26 units or \$214.5 million in revenue. This is set to continue, with demand rising at a CAGR of 3.6% from 2008, to reach 30 units by 2012. In revenue terms, the market is expected to grow at a CAGR of 3.1% from 2008, to be worth \$242.8 million in 2012.

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European & CIS HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 35MW HRSG (\$m)</u>	<u>Revenue (\$m)</u>
2004	22	\$5.7	\$124.8
2005	20	\$5.9	\$117.0
2006	26	\$6.8	\$172.8
2007	32	\$7.5	\$240.0
2008	26	\$8.3	\$214.5
2009	14	\$6.8	\$ 94.7
2010	15	\$6.6	\$ 99.4
2011	20	\$7.2	\$144.5
2012	30	\$8.1	\$242.8

Europe and the CIS have the second highest prices in the region, after the Middle East, with a 35MW HRSG unit costing \$8.3 million in 2008, which represents a CAGR of 9.7% since 2004. Prices are set to decline at a CAGR of 0.5% from 2008, so that a unit is forecast to cost \$8.1 million by 2012. Prices are expected to fall by approximately 20% during 2009 and 2010, but recover by a similar amount by 2012.

In 2008, Innovative Steam Technologies was the market leader in Europe with a 30% market share, based on number of units sold. EM Alliance was the second largest player, with a 25% share of the market, with all sales from Russia. EM Alliance is now offering Nooter Eriksen licenced technology. Foster Wheeler was third with 20% of the market, with Austrian Energy & Environment close behind with 17%, again from sales in Russia, a key market in 2008. NEM accounted for 8% of the market, having chosen to focus on larger sized machines in the past year.

Middle East

The 3MW-50MW HRSG market in the Middle East fell by a CAGR of 9.6% per year from 15 units in 2004 to 10 units in 2008, or \$88 million in revenues. Demand in the Middle East has historically been low because of a lack of industrial demand as HRSGs have not traditionally been used with small gas turbines. Demand is expected to increase by a CAGR of 8.8% per year from 2008, to reach 14 units by 2012. In revenue terms, the market is expected to grow at a CAGR of 8.8% per year from 2008, to be worth \$123.3 million in 2012.

Middle East HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 35MW HRSG (\$m)</u>	<u>Revenue (\$m)</u>
2004	15	\$6.1	\$ 91.2
2005	25	\$6.3	\$158.4
2006	8	\$7.2	\$ 57.6
2007	10	\$8.0	\$ 80.0
2008	10	\$8.8	\$ 88.0
2009	5	\$7.5	\$ 37.4
2010	12	\$7.5	\$ 44.9
2011	20	\$8.0	\$ 96.0
2012	14	\$8.8	\$123.3

The Middle East is the most expensive market in the region, with a 35MW HRSG unit costing \$8.8 million in 2008, representing a CAGR of 9.7% a year since 2004. Prices are expected to remain flat over the period, so that a unit is expected to cost \$8.8 million in 2012.

In 2008 based on units sold, Innovative Steam Technologies and Thermax were the joint market leaders, with 30% of the market each. After these two players Nooter Eriksen and NEM both had 20% of the market. The Middle East is a much smaller market than for larger HRSG units, so many companies do not target the market aggressively.

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Rest of Asia

The 3MW-50MW HRSG market in the Rest of Asia declined at a CAGR of 6.7% between 2004 and 2008, to be worth 12 units or \$85.8 million in revenues. Long delays in getting project approvals in 2006 and 2007 have impacted strongly on demand for this market. Malaysia is the key country market, with Japan, India and Thailand also rating as important. This decline in growth is expected to be reversed from 2008 onwards, with demand rising at a CAGR of 10.3% from 2008, to reach 18 units by 2012. In revenue terms, the market is expected to grow at a CAGR of 10.5% from 2008, to be worth \$127.8 million in 2012.

Rest of Asia HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 35MW HRSG (\$m)</u>	<u>Revenue (\$m)</u>
2004	16	\$5.8	\$ 91.0
2005	21	\$6.0	\$126.1
2006	12	\$6.2	\$ 71.5
2007	11	\$6.5	\$ 71.5
2008	12	\$7.2	\$ 85.8
2009	8	\$6.3	\$ 50.3
2010	11	\$6.3	\$ 69.2
2011	15	\$6.9	\$103.8
2012	18	\$7.5	\$134.5

As with larger sized units, prices vary quite substantially between countries, with Malaysian and Japanese customers paying a premium and other countries such as India and Vietnam charging substantially less. Overall though, the price for a 35MW HRSG unit cost \$7.2 million in 2008, which represents a CAGR of 5.6% since 2004. Prices are expected to increase modestly over the period, at a CAGR of 1.1% a year, such that a unit is expected to cost \$7.5 million by 2012.

In 2008 based on units sold, Austrian Energy & Environment was the clear market leader with 50% market share, having secured a number of orders in Australia in 2008. This takes the company ahead of BHEL who had a 35% share, all of which originated from sales within India, a key market for the future. Nooter Eriksen and Mitsubishi Heavy Industries accounted for the remainder of the market with 8% each.

China

The 3MW-50MW HRSG market in China grew from a low base, but fell back in 2008, so the overall impact was a negative CAGR of 0.2% between 2004 and 2008. In 2008, the market was worth \$39.6 million in revenues. Energy efficiency in China is still at its infancy for smaller projects and in many cases traditional waste heat boilers are preferred because, and although less efficient, they are cheaper. Demand is expected to increase at a CAGR of 17.2% from 2008, with 17 units required in 2012. In revenue terms, the market is expected to grow at a CAGR of 19.7% from 2008, to be worth approximately \$81.3 million in 2012.

Chinese HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 35MW HRSG (\$m)</u>	<u>Revenue (\$m)</u>
2004	9	\$3.1	\$28.0
2005	10	\$3.3	\$32.9
2006	12	\$3.6	\$41.4
2007	13	\$4.0	\$52.0
2008	9	\$4.4	\$39.6
2009	6	\$3.9	\$23.2
2010	10	\$4.0	\$40.3
2011	14	\$4.4	\$62.0
2012	17	\$4.8	\$81.3

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China's prices are the lowest in the region with 3MW-50MW HRSG costing on average \$4.4 million in 2008, which represents a CAGR of 9.3% since 2004. Prices are forecast to decline in 2009, but are expected to start to recover in 2010 and increase at a CAGR of 2.1% from 2008, to reach \$4.8 million in 2012.

As with large HRSGs, the same players feature in this segment of the market. Based on units sold in 2008, Hangzhou Boiler dominated with 45% market share. Wuxi Huaguang was the second largest player with 33% market share, while Wuhan Boilers and the 703 Institute accounted for the remainder of the market with 11% each.

North America

The 3MW-50MW HRSG market in North America declined at a CAGR of 5.7% between 2004 and 2008, based on number of units, to be worth 30 units, or \$214.5 million in revenues. The North American market has declined because of the recession, with orders tailing off significantly in 2008. Demand is expected to fall by 50% in 2009, to 15 units, continuing the 2008 trend. However the market is expected to start to recover in 2010 and increase sharply in 2011, growing at a CAGR of 1.6% from 2008, to reach 32 units in 2012. In revenue terms, the market is expected to increase at a CAGR of 1.1% from 2008, to be worth \$224.5 million in 2012.

North American HRSG Market

<u>Year</u>	<u>Units</u>	<u>Price per 35MW HRSG (\$m)</u>	<u>Revenue (\$m)</u>
2004	38	\$4.4	\$166.2
2005	39	\$5.0	\$196.4
2006	42	\$5.5	\$231.3
2007	45	\$6.5	\$292.5
2008	30	\$7.2	\$214.5
2009	15	\$5.9	\$ 87.9
2010	18	\$5.7	\$103.4
2011	24	\$6.3	\$150.3
2012	32	\$7.0	\$224.5

As with larger sizes, North American prices are slightly below those in Europe and Asia, with a 35MW HRSG unit costing \$7.2 million in 2008, which represents a CAGR of 13.1% since 2004. Prices are set to fall at a CAGR of 0.5% a year from 2008, so that a unit is expected to cost \$7.0 million by 2012.

Based on units sold in 2008, Vogt and Innovative Steam Technologies both had 30% of the market in North America, with 20% being held by Nooter Eriksen and the remaining 20% accounted for by companies such as Kentube and Cleaver Brooks. There are more than three players in North America, but many of them did not make sales in 2008, preferring to focus on other regions or product ranges.

Waste Heat Boilers

Europe & the CIS

The waste heat boiler market for Europe & the CIS declined by 33% in 2008 to reach 31 units and \$646 million in revenues. Falling industrial output and financial constraints on industrial customers has impacted severely on this market. Consistently increasing demand levels seen prior to 2008 are expected to give way to lower order volumes, with a fall in orders forecast for 2009, to 23 units. The market is expected to start to recover in 2010 and further improve in 2011, based on the strong fundamentals of the market. Overall, the market is expected to increase at a CAGR of 6.8% between 2008 and 2012. In revenue terms, the market is expected to increase at a CAGR of 6.1% for same period.

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European & CIS Waste Heat Boiler Market

<u>Year</u>	<u>Units</u>	<u>Price per 20MW WHB (\$m)</u>	<u>Revenues (\$mn)</u>
2004	33	\$15.1	\$495.3
2005	36	\$16.4	\$586.8
2006	39	\$18.2	\$710.7
2007	41	\$20.0	\$820.0
2008	31	\$21.0	\$645.8
2009	23	\$17.9	\$411.7
2010	24	\$18.2	\$440.9
2011	30	\$19.1	\$578.7
2012	40	\$20.5	\$817.3

Europe and the CIS has the highest price levels of all the regions after the Middle East, with a 20MW waste heat boiler unit costing an average of \$21 million in 2008. Prices are expected to decrease over the forecast period at a CAGR of 0.7% from 2008, due to lower demand and lower commodity prices, with a boiler costing \$20.5 million in 2012.

The market leader in this segment was Austrian Energy & Environment in 2008, with 21% of the market, in terms of units sold. Greens has worked with Austrian Energy & Environment in the past and has supplied components and boiler modules for projects that the company has won. The next player was Martin GmbH, with an 11% share of the market and joint third was Fisia Babcock and Zio Podolosc with 9% of the market each.

Rest of Asia

The waste heat boiler market in the Rest of Asia declined by 15% in 2008 from 2007 to reach 95 units and \$617 million in revenues. The economic slowdown has had an impact here, although not as severe as Europe or North America. Going forward, demand is expected to fall in 2009, remain flat in 2010 and then rebound strongly in 2011 and 2012. India has signaled a determination to tackle the issue of energy efficiency, particularly energy that is wasted in the combustion process. Overall the market is expected to grow at a CAGR of 11.5% from 2008 to 2012, the result of the strong recovery. In revenue terms, the market is expected to increase at a CAGR of 13.2% from 2008, to be worth \$1 billion in 2012.

Rest of Asia Waste Heat Boiler Market

<u>Year</u>	<u>Units</u>	<u>Price per 10MW WHB (\$m)</u>	<u>Revenues (\$mn)</u>
2004	99	\$5.1	\$ 509.8
2005	102	\$5.4	\$ 547.0
2006	106	\$5.6	\$ 595.9
2007	112	\$6.0	\$ 672.0
2008	95	\$6.5	\$ 616.9
2009	81	\$5.8	\$ 471.9
2010	81	\$6.1	\$ 490.8
2011	105	\$6.4	\$ 676.3
2012	147	\$6.9	\$1,013.1

The average price in the Rest of Asia is based on a 10MW boiler, which is the popular size for the region. Prices grew at a CAGR of 5.9% between 2004 and 2008, to reach \$6.5 million in 2008. Prices are forecast to increase at a CAGR of 1.5% from 2008, so that a unit is expected to cost \$6.9 million by 2012.

In 2008, based on units sold, BHEL was the market leader with 25% of the market, due to strong order volumes in India. Foster Wheeler, in partnership with ISGEC Thompson, was second with 16% of the market,

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followed closely by Sumitomo Heavy Industries, who is strong in Japan, with 14% of the market. Other notable players are Babcock Hitachi and Thermax.

China

The waste heat boiler market in China grew at a CAGR of 9.6% between 2004 and 2008, to reach 200 units or \$1.1 billion in revenues. China has been strongly promoting the use of waste heat boilers for energy efficiency. In the short term, the economic situation has affected demand, with flat growth in 2008 and only 5% expected in 2009. However from 2010, the market is set to explode with growth of 30% in 2010 and similar levels in 2011 and 2012. This is expected to result in a CAGR of 19.6% between 2008 and 2012, with the market reaching 410 units in 2012. In revenue terms, the market is forecast to increase by a CAGR of 21.6% from 2008, to be worth approximately \$2.4 billion in 2012, with the extra demand offsetting lower unit costs.

Chinese Waste Heat Boiler Market

Year	Units	Price per 10MW WHB (\$m)	Revenues (\$mn)
2004	139	\$3.6	\$ 499.4
2005	155	\$3.9	\$ 607.9
2006	179	\$4.5	\$ 803.6
2007	200	\$5.0	\$1,000.0
2008	200	\$5.4	\$1,080.0
2009	210	\$4.8	\$ 997.9
2010	273	\$5.0	\$1,375.1
2011	328	\$5.3	\$1,749.2
2012	410	\$5.8	\$2,361.4

China's prices are the lowest in the region with a 10MW costing \$5.4 million in 2008, having grown at a CAGR of 10.7% since 2004. Prices are expected to increase at a CAGR of 1.7% between 2008 and 2012, so that a unit is expected to cost \$5.8 million in 2012.

Based on the units sold in 2008, Suzhou Hailu Heavy Industry was the market leader with 40% of the market. The next largest player was Yancheng Boiler with 18% of the market, followed by Hangzhou Boiler, with 12% of the market. Hangzhou Boiler was traditionally stronger in the more technologically advanced HRSG segment. Other notable players are Handan Boiler, Anshan Boiler, Wuxi Taihu Boiler and Greens.

North America

The waste heat boiler market in North America declined at a CAGR of 3.9% between 2004 and 2008, to be worth 38 units or \$636 million in revenues. Falling industrial output in the present economic scenario and the credit crunch are the main restraints for the market in the short term. The economic slowdown has affected both the market and the region, resulting in a decline in orders for 2008 of 25%, and Frost & Sullivan Limited forecasts a further decline of about 25% in 2009. The market is expected to recover and grow from 2010 onwards, up 15% in that year. The new US Administration is committed to improving the US's energy situation, both through improving efficiency and curbing demand. Overall, the market is expected to increase at a CAGR of 3.8% from 2008, to reach 43 units by 2012, and in revenue terms the market value is expected to increase by a CAGR of 5.1% from 2008, to reach \$774.8 million by 2012.

North American Waste Heat Boiler Market

Year	Units	Price per 20MW WHB (\$m)	Revenues (\$mn)
2004	44	\$13.1	\$578.8
2005	45	\$13.8	\$627.5
2006	48	\$14.7	\$701.0
2007	50	\$16.0	\$800.0
2008	38	\$17.0	\$636.0
2009	28	\$15.3	\$429.3
2010	32	\$15.6	\$503.6
2011	36	\$16.5	\$597.8
2012	43	\$17.8	\$774.8

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North American prices are approximately 80% of European ones at \$17 million for a 20MW unit, having risen at a CAGR of 6.6% since 2004. Prices are expected to increase growing by at a CAGR of 1.2% between 2008 and 2012, and average price of a waste heat boiler is expected to have reached \$17.8 million by 2012.

In 2008 based on units sold, Cleaver Brooks was the market leader in North America with a 30% share of the market. They were closely followed by Rentech with a 25% share of the market. Babcock & Wilcox were third with a 15% share of the market. The other notable participant is Indec; beyond that the market is fragmented between a number of small localised players.

Marine Boilers

Europe & the CIS

The marine boiler market in Europe & the CIS declined in 2008 by 33%, as the region plunged into recession. The market size in 2008 was 31 units and \$24 million in revenues. Lower oil prices, falling global trade and financial constraints associated with the credit crunch have severely impacted the market and are major restraints in the short term. Frost & Sullivan Limited forecasts that the market is expected to decline by approximately 75% in 2009. From 2011 and beyond, it is expected that the market is expected to recover based on improved economic prospects and the gradual recovery in global trade. Looking ahead, the market is forecast to grow at a CAGR of 0.9% from 2008, to reach 33 units by 2012 and \$25 million in revenues.

European & CIS Marine Boiler Market

<u>Year</u>	<u>Units</u>	<u>Price Range of Boilers (\$m)</u>	<u>Revenues (\$'000)</u>
2004	36	\$0.5-1.5	\$21,931
2005	41	\$0.5-1.6	\$23,062
2006	45	\$0.5-1.8	\$31,440
2007	47	\$0.6-2	\$38,800
2008	31	\$0.6-2.1	\$24,440
2009	8	\$0.5-1.6	\$ 4,975
2010	15	\$0.48-1.6	\$ 8,101
2011	25	\$0.5-1.6	\$15,914
2012	33	\$0.5-1.7	\$25,092

Europe and the CIS have the highest price levels, with marine boiler prices ranging from \$600,000 for an auxiliary boiler to \$2 million for an FPSO boiler. These prices are set to decrease due to the impact of the economic crisis, resulting in lower demand and lower commodity prices. Prices are expected to decline at a CAGR of 3.4% from 2008, to \$550,000 for an auxiliary boiler, \$1.5 million for a LNG propulsion boiler and \$1.8 million for an FPSO boiler by 2012.

Based on units in 2008, Aalborg dominated the market in Europe, while Saacke was in second place with 15% of the market.

Rest of Asia

The marine boiler market in the Rest of Asia declined at a CAGR of 14% per year between 2004 and 2008 to be worth 169 units or \$105 million in revenues. The economic crisis is severely impacting the market, with a significant reduction in new sales in 2008 and 2009, resulting in a decline in 2008 of about 45% and an estimated further drop of 45% in 2009. The market in the Rest of Asia was at peak levels in 2004 and 2005, but the present economic situation is expected to really hurt the market in the short-term. Overall though, the market size is forecast to improve, increasing at a CAGR of 1% from 2008, to reach 176 units and \$82 million in revenues by 2012.

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Rest of Asia Marine Boiler Market

<u>Year</u>	<u>Units</u>	<u>Price Range of Boilers (\$m)</u>	<u>Revenues (\$'000)</u>
2004	309	\$0.3-1.5	\$130,769
2005	337	\$0.3-1.5	\$150,150
2006	279	\$0.3-1.6	\$148,143
2007	305	\$0.4-1.8	\$155,647
2008	169	\$0.4-1.9	\$104,647
2009	92	\$0.3-1.5	\$ 34,777
2010	126	\$0.3-1.5	\$ 49,182
2011	158	\$0.3-1.5	\$ 69,683
2012	176	\$0.3-1.7	\$ 81,788

The average price for a marine boiler in the Rest of Asia in 2008 varied from \$0.4 million for an auxiliary boiler to \$1.9 million for an FPSO one. Prices are forecast to decrease in the present economic scenario due to reduced demand and lower raw material prices. Looking ahead prices are expected to decline by a CAGR of 3.6% from 2008 to reach about \$365,000 for an auxiliary boiler, \$1.4 million for a LNG propulsion boiler and \$1.7 million for a FPSO boiler by 2012.

Based on units sold in 2008, Aalborg dominated the market in the Rest of Asia with 50% of market share, ahead of Mitsubishi with 20% of the market. Kawasaki is third with a 10% share of the market. Other notable players include Osaka and Miura.

China

The marine boiler market in China grew at a CAGR of 17.5% per year between 2004 and 2008, to be worth 80 units or \$38 million in revenues. China has been keen to challenge the dominance of South Korea in this market. However the current economic slowdown has impacted the market severely and has resulted in a decline of 11.1% in 2008 and an estimated further decline of 60.0% in 2009. The fall in global trade, financing issues and lower investments in oil & gas, due to reduced oil prices, are major restraints in the short term. Looking ahead the market is expected to decline at a CAGR of 6.9% from 2008, to reach 60 units in 2012 and \$24 million in revenues.

Chinese Marine Boiler Market

<u>Year</u>	<u>Units</u>	<u>Price Range of Boilers (\$m)</u>	<u>Revenues (\$'000)</u>
2004	42	\$0.3-1.5	\$11,417
2005	56	\$0.3-1.5	\$18,878
2006	75	\$0.3-1.6	\$23,930
2007	90	\$0.4-1.8	\$32,807
2008	80	\$0.4-1.9	\$37,634
2009	32	\$0.3-1.5	\$10,176
2010	39	\$0.3-1.5	\$12,620
2011	54	\$0.3-1.5	\$20,518
2012	60	\$0.3-1.7	\$23,785

The average price for a marine boiler in China in 2008 varied from \$400,000 for an auxiliary boiler to \$1.9 million for an FPSO boiler. Prices are forecast to decrease due to declining demand and lower raw material prices. Looking ahead, prices are expected to decline at a CAGR of 3.6% from 2008 to \$365,000 for an auxiliary boiler, \$1.3 million for a LNG propulsion boiler and \$1.7 million for a FPSO boiler by 2012.

Based on units in 2008, Aalborg dominated the market in China with 60% of market share, ahead of Saacke which held 18% market share and Hailu which had a 9% share of the market. Other notable players include Greens and Kangrim.

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Boiler Components

China

The boiler components market in China grew at a CAGR of 10.2% per year between 2004 and 2008, to reach approximately 637,000 tonnes or \$2.1 billion in revenues. Demand is expected to increase by a CAGR of 3.7% from 2008 to 2012, with approximately 737,473 tonnes sold in 2012. In revenue terms, the market is expected to grow at a CAGR of 2% from 2008, to be worth approximately \$2.3 billion in 2012.

Chinese Boiler Components Market

<u>Year</u>	<u>Tonnes</u>	<u>Average Price Per Tonne (\$)</u>	<u>Revenues (\$bn)</u>
2004	431,607	\$2,361	\$1.0
2005	476,062	\$2,539	\$1.1
2006	582,224	\$2,730	\$1.5
2007	612,500	\$3,000	\$1.7
2008	637,000	\$3,450	\$2.1
2009	560,560	\$2,760	\$1.5
2010	582,982	\$2,843	\$1.6
2011	670,430	\$2,985	\$1.9
2012	737,473	\$3,224	\$2.3

The average price for a Chinese boiler component was \$3,450 per tonne in 2008, when raw material costs were at their peak. Going forward the price is expected to decline sharply in the short-term, with a 20% fall in 2009, but the price is expected to start recovering in 2010, as the Chinese market conditions improve. Overall, the price per tonne is forecast to decline by a CAGR of 1.7% per year to \$3,224, from 2008 to 2012.

Based on tonnes of components sold in 2008, Shanghai Boilers was the market leader with a 25% share of the market, followed by Dongfang Boilers, which had a 24% share of the market and Harbin Boilers, which had a 23% share of the market.

North America

The boiler components market in North America grew at a CAGR of 7.8% between 2004 and 2008 to be worth 65,075 tonnes or \$400 million in revenues. Going forward, the situation in North America is set to deteriorate sharply, with a lack of new boiler orders from either utilities or industrial customers. Industrial customers have been hit by the recession; the utilities are suffering some issues with financing, but the continued uncertainty over legislation to cap carbon emission and create a trading system is deterring investment. Demand is forecast to come instead from customers upgrading and retrofitting existing boilers. The market is expected to decline at a CAGR of 4.5% from 2008, to be worth 54,182 tonnes in 2012, although a partial recovery is expected to be staged in 2011 and 2012. In revenue terms, the market is forecast to fall at a CAGR of 6.1% from 2008, to be worth \$300 million in 2012.

North American Boiler Components Market

<u>Year</u>	<u>Tonnes</u>	<u>Average Price Per Tonne (\$)</u>	<u>Revenues (\$bn)</u>
2004	48,270	\$3,576	\$0.2
2005	53,241	\$3,973	\$0.2
2006	65,114	\$4,515	\$0.3
2007	68,500	\$5,250	\$0.4
2008	65,075	\$6,038	\$0.4
2009	45,553	\$4,830	\$0.2
2010	40,997	\$4,975	\$0.2
2011	45,917	\$5,224	\$0.2
2012	54,182	\$5,642	\$0.3

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The average price for a North American boiler component was \$6,038 per tonne in 2008. This is forecast to decline by a CAGR of 1.7% from 2008, to 5,642 per tonne in 2012.

Based on tonnes of components sold in 2008, Alstom was the market leader with a 30% share of the market, while Babcock & Wilcox had a 17% share of the market and Foster Wheeler had a 16% share of the market. The other notable player in the market is Babcock Power.

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 27, 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on October 19, 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

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(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

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The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

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(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the

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authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

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The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any register or any share on any register to the principal register or any other register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any register nor may shares on any register be transferred to the principal register or any other register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

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(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from July 21, 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any Hong Kong registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been

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disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company is incorporated in the Cayman Islands under the Companies Law as an exempted Company with limited liability on February 27, 2008. Our Company has established a place of business in Hong Kong at 10th Floor, 10 Harcourt Road, Hong Kong.

We are registered as a non-HK company under Part XI of the Hong Kong Companies Ordinance. Charltons of 10th Floor, 10 Harcourt Road, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As our Company is established in the Cayman Islands, its operation is subject to the relevant laws and regulations of the Cayman Islands and its constitution, which comprises the Memorandum and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in Appendix VI of this document.

2. Changes in share capital of our Company

The authorized share capital of the Company at the date of its incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. On the date of its incorporation, one share was allotted and issued at par, credited as fully paid, to the subscriber to the Memorandum and Articles, Company Secretaries Limited, which was subsequently transferred to GTE on April 9, 2008.

Since the date of incorporation of our Company, the following alterations in its share capital have taken place.

On April 9, 2008, 4,899 shares were further allotted and issued to GTE credited as fully paid and 5,100 shares were allotted and issued to Mr. Ellis credited as fully paid.

On May 28, 2008, 2,450 shares were further allotted and issued to GTE and 2,550 shares were further allotted and issued to Mr. Ellis, making GTE as registered holder of 7,350 shares of the Company and Mr. Ellis as the registered holder of 7,650 shares of the Company.

On May 29, 2008, GTE transferred 4,079.25 shares of the Company to Union Rise for a consideration of US\$4,079.25 and 3,270.75 shares of the Company to Crown Max for a consideration of US\$3,270.75. Following completion of the share transfer, Mr. Ellis remained the register holder of 7,650 shares of the Company, Union Rise became the registered holder of 4,079.25 shares of the Company and Crown Max was the registered holder of 3,270.75 Shares of the Company.

On August 1, 2008, 5,000 shares were allotted and issued to China Fund Limited credited as fully paid. Following completion of the share allotment, Mr. Ellis remained the register holder of 7,650 shares of the Company, Union Rise remained the registered holder of 4,079.25 shares of the Company, Crown Max remained the registered holder of 3,270.75 shares of the Company and China Fund Limited became the registered holder of 5,000 shares of the Company.

On October 19, 2009, each issued and unissued share of a nominal or par value of US\$1.00 in the share capital of the Company was sub-divided into 100 shares of a nominal or par value of US\$0.01 each ("**Share Sub-division**"). As a result of the Share Sub-division, the authorized share capital of the Company was US\$50,000 divided into 5,000,000 Shares of a nominal or par value of US\$0.01 each and the existing issued Shares in the issued share capital of the Company shall become 2,000,000 Shares of a nominal or par value of US\$0.01 each. The authorized share capital of our Company in the amount of US\$50,000 remained unchanged.

On October 19, 2009, the authorized share capital of our Company was increased from US\$50,000 divided into 5,000,000 Shares of US\$0.01 each to US\$24,000,000 divided into 2,400,000,000 Shares of US\$0.01 each

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and the Capitalization Issue was approved pursuant to the written resolutions of our Company's shareholders passed on October 19, 2009, as set out below.

Save as disclosed herein, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital or registered capital of the subsidiaries of our Company

Our subsidiaries are set out in the Accountants' Report in Appendices IA and IB to this document. The following alterations in the share capital of our offshore and PRC subsidiaries took place within the two years immediately preceding the date of this document.

Mega Smart Investments Limited ("Mega Smart")

On March 27, 2008, Mega Smart was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 100 shares at par US\$1.00 was allotted and issued to Mr. Ellis.

On June 6, 2008, 900 shares were further allotted and issued to Mr. Ellis. Following completion of the share allotment, Mr. Ellis remained the sole shareholder of 1,000 shares of Mega Smart holding 100% interest of Mega Smart.

On July 22, 2008, Mr. Ellis transferred all 1,000 shares of Mega Smart to the Company for a consideration of US\$1,300,000. Following completion of the share transfer, Mega Smart became a wholly owned subsidiary of the Company.

Silver Park Holdings Limited ("Silver Park")

On April 2, 2008, Silver Park was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 Shares of US\$1.00 each. On the date of incorporation, 100 shares at par US\$1.00 was allotted and issued to Mr. Ellis.

On July 21, 2008, Mr. Ellis transferred all 100 shares of Silver Park to the Company for a consideration of the Company's issuing 2,550 shares to Mr. Ellis on May 28, 2008. Following completion of the share transfer, Silver Park became a wholly owned subsidiary of the Company.

General Thermal Engineering (China) Limited ("GTE")

Immediately before December 5, 2007, Mr. Xie beneficially owned 55.5% interest and Ms. Chen beneficially owned 44.5% interest in GTE. On December 5, 2007, 2 shares held by a nominee shareholder were transferred back to Mr. Xie for a consideration of US\$2.00 and 1 share held by another nominee shareholder was transferred to Ms. Chen for a consideration of US\$1.00. On December 5, 2007, GTE further allotted 551 shares to Mr. Xie for a consideration of US\$551.00 and 444 shares to Ms. Chen for a consideration of US\$444.00. Following completion of the share transfers and share allotment, Mr. Xie held 555 shares and Ms. Chen held 445 shares of GTE.

On July 21, 2008, Mr. Xie transferred 555 shares of GTE to the Company for a consideration of US\$555 and Ms. Chen transferred 445 shares of GTE to the Company for a consideration of US\$445. Following completion of the share transfer, GTE became a wholly owned subsidiary of the Company.

Greens Marine Engineering (BVI) Limited ("GMBVI")

On April 9, 2008, GMBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of

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incorporation, 50,000 shares at par US\$1.00 were allotted and issued to Mega Smart and GMBVI remained a wholly owned subsidiary of Mega Smart.

Greens Power Equipment (BVI) Limited ("GPBVI")

On April 9, 2008, GPBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 50,000 shares at par US\$1.00 were allotted and issued to Mega Smart and GPBVI remained a wholly owned subsidiary of Mega Smart.

Greens Thermal Equipment (BVI) Limited ("GTBVI")

On April 9, 2008, GTBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 50,000 shares at par US\$1.00 were allotted and issued to Mega Smart.

On July 18, 2008, Mega Smart transferred 50,000 shares of GTBVI to Silver Park for a consideration of US\$50,000. Following completion of the share transfer, GTBVI became a wholly owned subsidiary of Silver Park.

Greens Energy Environmental Holdings Company Limited ("GEBVI")

On May 14, 2008, GEBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 1,000 shares at par US\$1.00 were allotted and issued to Mega Smart and GEBVI remained a wholly owned subsidiary of Mega Smart.

Port Rich International Limited ("PRBVI")

PRBVI was incorporated on April 29, 2008 in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.

On May 14, 2008, GEBVI made investment in and was allotted 1,000 shares representing 100% interest of PRBVI. PRBVI remained a wholly owned subsidiary of GEBVI.

Eagle Speed International Limited ("ESBVI")

On July 3, 2007, ESBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 1 share at par US\$1.00 was allotted and issued to ATC Primasia Nominees Limited.

On May 14, 2008, ATC Primasia Nominees Limited transferred 1 share of ESBVI to GEBVI for a consideration of US\$1.00 and further 999 shares credited as fully paid were allotted and issued to GEBVI. Following completion of the share transfer and allotment, GEBVI remained the sole shareholder of 1,000 shares of ESBVI holding 100% interest of ESBVI.

Nice Bright Limited ("NBBVI")

On April 15, 2009, NBBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 1,000 shares at par US\$1.00 were allotted and issued to GEBVI and NBBVI remained a wholly owned subsidiary of GEBVI.

Greens Overseas Holdings Limited ("GOBVI")

On May 8, 2009, GOBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of

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incorporation, 50,000 shares at par US\$1.00 were allotted and issued to the Company and GOBVI remained a wholly owned subsidiary of the Company.

Greens Singapore (BVI) Limited ("GSBVI")

On May 8, 2009, GSBVI was incorporated in the British Virgin Islands as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, 50,000 shares at par US\$1.00 were allotted and issued to the Company and GSBVI remained a wholly owned subsidiary of GOBVI.

Greens Marine Engineering (HK) Limited ("GMHK")

On April 17, 2008, GMHK was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1 share was allotted and issued to GMBVI credited as fully paid and GMHK remained a wholly owned subsidiary of GMBVI.

Greens Power Equipment (HK) Limited ("GPHK")

On April 17, 2008, GPHK was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1 share was allotted and issued to GPBVI credited as fully paid and GPHK remained a wholly owned subsidiary of GPBVI.

Greens Thermal Equipment (HK) Limited ("GTHK")

On April 17, 2008, GTHK was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1 share was allotted and issued to GTBVI credited as fully paid and GTHK remained a wholly owned subsidiary of GTBVI.

Greens Energy Environmental (Baicheng) Limited ("Baicheng (HK)")

On May 21, 2008, Baicheng (HK) was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1,000 shares were allotted and issued to PRBVI credited as fully paid and Baicheng (HK) remained a wholly owned subsidiary of PRBVI.

Greens Energy Environmental (Pingxiang) Limited ("Pingxiang (HK)")

On May 21, 2008, Pingxiang (HK) was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1,000 shares were allotted and issued to ESBVI credited as fully paid and Pingxiang (HK) remained a wholly owned subsidiary of ESBVI.

Greens New Energy Limited ("GNE (HK)")

On May 18, 2009, GNE (HK) was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, 1 share was allotted and issued to NBBVI credited as fully paid and GNE (HK) remained a wholly owned subsidiary of NBBVI.

Greens Power Limited ("Greens UK")

On June 6, 2008, Mr. Ellis transferred all 491,001 shares of Greens UK to Mega Smart in consideration of allotment and issuance of further 900 shares of Mega Smart to Mr. Ellis. Following completion of the share transfer, Greens UK became a wholly owned subsidiary of Mega Smart.

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Shanghai Greens Marine Engineering Co. Ltd. ("SGME")

On May 19, 2008, Greens UK transferred 100% equity interest in SGME to GMHK for a consideration of US\$140,000. Following completion of equity transfer which took place on June 19, 2008, SGME became a wholly owned subsidiary of GMHK.

Shanghai Greens Thermal Equipment Co. Ltd. ("SGTE")

On May 19, 2008, Greens UK transferred 51% equity interest in SGTE to GTHK for a consideration of US\$918,000. Following completion of the equity transfer which took effect on June 20, 2008, GTHK became the equity owner of 51% equity interest of SGTE and GTE remained the equity owner of 49% equity interest of SGTE.

Greens Power Equipment (China) Co. Ltd. ("GPEL")

On April 25, 2008, Greens UK transferred 100% equity interest in GPEL to GPHK for a consideration of US\$4,520,122.15. Following completion of equity transfer which took place on July 10, 2008, GPEL became a wholly owned subsidiary of GPHK.

Guang'an Guixing Thermal Power Co. Ltd. (廣安桂興熱電有限公司) ("Guang'an Guixing")

On May 8, 2009, Guang'an Guixing was incorporated in the PRC as a wholly foreign owned enterprise with limited liability. The registered capital of Guang'an Guixing was US\$5,000,000 and Pingxiang (HK) was the equity holder holding 100% interest of Guang'an Guixing and Guang'an Guixing remained a wholly owned subsidiary of Pingxiang (HK).

Baicheng Greens Waste-Heat Power Generation Co. Ltd. (拜城格林餘熱發電有限公司) ("Greens Baicheng")

On June 16, 2009, Greens Baicheng was incorporated in the PRC as an wholly foreign owned enterprise with limited liability. The registered capital of Greens Baicheng was US\$5,760,000 and Baicheng (HK) was the equity holder holding 100% interest of Greens Baicheng and Greens Baicheng remained a wholly owned subsidiary of Baicheng (HK).

Greens Marine Engineering (SG) Pte. Ltd.

On 12 June 2009, Greens Marine Engineering (SG) Pte. Ltd. was incorporated as a limited private company in Singapore with 100 shares of S\$1.00 each issued to Greens Singapore (BVI) Limited.

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Tongliao Greens Wind Power Equipment Company Limited (通遼格林風電設備有限公司) (“Tongliao Greens”)

On August 5, 2009, Tongliao Greens was incorporated in the PRC as a sino-foreign joint venture enterprise with limited liability. The registered capital of Tongliao Greens was RMB 60,000,000 and GNE (HK) and Tongliao Boilers Factory Co. Ltd. (通遼鍋爐廠有限責任公司) were the equity holders of Tongliao Greens with their respective equity interest in the proportion of 60% and 40%. Tongliao Greens remained wholly owned by GNE (HK) and Tongliao Boilers Factory Co. Ltd. (通遼鍋爐廠有限責任公司).

Save as set out above and changes in share capital pursuant to the Reorganization as set out in the section headed “Business—History and Reorganisation”, there has been no alteration in the share capital of any of our offshore and PRC subsidiaries within the two years immediately preceding the date of this document.

Information on the PRC subsidiaries

i.	Name:	SGME
	Nature:	Wholly foreign-owned enterprise with limited liability
	Date of Incorporation:	October 30, 2003
	Term:	October 30, 2003 to October 29, 2033
	Total investment as stated in the Certificate of Approval for establishment of Enterprises with Foreign Investment in PRC:	US\$200,000
	Registered capital:	US\$140,000
	Attributable interest of the Group:	100%
	Registered Owner:	GMHK
	Approved Scope of Business:	To repair, test and debug the exhaust desulphurization device, the waste heat recovery system, the spiral finned tube and the pin finned tube of marine boilers.
	Name of Directors:	Mr. Ellis, Andrew Michael Lyon, Ms. Chen
	Legal Representatives:	Mr. Ellis
ii.	Name:	GPEL
	Nature:	Wholly foreign-owned enterprise with limited liability
	Date of Incorporation:	January 17, 2007
	Term:	January 17, 2007 to 16 January 2057
	Total investment as stated in the Certificate of Approval for establishment of Enterprises with Foreign Investment in PRC:	US\$90,000,000
	Registered capital:	US\$30,000,000
	Attributable interest of the Group:	100%
	Registered Owner:	GPHK
	Approved Scope of Business:	To design and manufacture power station boilers and components, the desulphurization and denitration equipments for the industrial boilers, the marine boilers and the pressure vessels (the foregoing mentioned boilers and pressure vessels do not include those eliminated products specified in the “Guidance Note for the Industry Structural Adjustment (Version 2005)”, and to provide the related technical support and after-sale services; to engage in the import and export of goods and technologies (excluding the sub-distribution of imported and exported goods or goods and technologies that are limited or prohibited to be imported and exported).
	Name of Directors:	Mr. Ellis, Andrew Michael Lyon, Ms. Chen, Mr. Xie and Li Qi
	Legal Representatives:	Mr. Ellis

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iii.	Name: SGTE Nature: Wholly foreign-owned enterprise with limited liability Date of Incorporation: April 30, 2003 Term: April 30, 2003 to April 29, 2033 Total investment as stated in the Certificate of Approval for establishment of Enterprises with Foreign Investment in PRC: US\$2,500,000 Registered capital: US\$1,800,000 Attributable interest of the Group: 100% Registered Owner: GTHK (51%) and GTE (49%) Approved Scope of Business: "To manufacture the desulphurization equipments for the thermal power stations, the desulphurization and denitration equipments for the industrial boilers; to sell its own manufactured products and to provide related technical support and the after-sale services". Name of Directors: Mr. Ellis, Andrew Michael Lyon, Ms. Chen, Mr. Xie and Li Qi Legal Representatives: Mr. Ellis
iv.	Name: Guang'an Guixing Nature: Wholly foreign-owned enterprise with limited liability Date of Incorporation: May 8, 2009 Term: May 8, 2009 to February 28, 2039 Total investment as stated in the Certificate of Approval for establishment of Enterprises with Foreign Investment in PRC: US\$7,500,000 Registered capital: US\$5,000,000 Attributable interest of the Group: 100% Registered Owner: Pingxiang (HK) Approved Scope of Business: To construct and operate the new waste heat power generation system for the dry spinning furnace cement production line of Guang'an Guixing Cement Co. Ltd. Name of Directors: Mr. Ellis, Mr. Xie, Ms. Chen and Mr. He Zhendong Legal Representatives: Mr. Ellis
v.	Name: Greens Baicheng Nature: Wholly foreign-owned enterprise with limited liability Date of Incorporation: June 16, 2009 Term: June 15, 2015 Total investment as stated in the Certificate of Approval for establishment of enterprises with Foreign Investment in PRC: US\$14,400,000 Registered capital: US\$5,760,000 Attributable interest of the Group: 100% Registered Owner: Baicheng (HK) Approved Scope of Business: To recycle waste heat, generate power by using waste heat and conduct management business (the foregoing mentioned which requires specific governmental approvals should have obtained such approvals before production or operation, and the actual projects should be in accordance with the specifications stated on the approvals) Name of Directors: Mr. Ellis, Mr. Xie, Ms. Chen and Mr. He Zhendong Legal Representative: Mr. Ellis

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vi. Name:	Tongliao Greens
Nature:	Sino-foreign joint venture enterprise with limited liability
Date of Incorporation:	August 5, 2009
Term:	August 5, 2009 to August 4, 2029
Total investment as stated in the Certificate of Approval for establishment of enterprises with Foreign Investment in the PRC:	RMB 90,000,000
Registered Capital:	RMB 60,000,000
Attributable interest of the Group:	60%
Registered Owner:	GNE (HK) and Tongliao Boilers Factory Co. Ltd. (通遼鍋爐廠有限責任公司)
Approved Scope of Business:	“To manufacture wind towers for wind power generation, to sell its own manufactured products and to provide related technical support and after-sale services, to conduct research and development activities in relation to wind power generation products”.
Name of Directors:	Mr. Ellis, Mr. Xie, Ms. Chen, Ms. He Fengying and Mr. Li Jibing
Legal Representatives:	Mr. Ellis

5. Corporate reorganization

Please refer to the section “Business—History and Reorganization” in this document for details of the Corporate Reorganization.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- (a) a share subscription agreement dated April 25, 2008 entered into between China Fund Limited as investor, Mr. Ellis, Union Rise and Crown Max together as warrantors and the Company, pursuant to which the investor agreed to subscribe for the 5,000 shares of the Company in cash at a total subscription price of HK\$224,000,000, and the Company and the warrantors agreed to give undertakings and warranties under the share subscription agreement in favour of the investor;
- (b) a fixed and floating charge by Greens UK as chargor in favour of China Fund Limited as chargee dated April 25, 2008 whereby Greens UK charged all secured property thereunder in favour of China Fund Limited;
- (c) a fixed and floating charge by GTE as chargor in favour of China Fund Limited as chargee dated April 25, 2008 whereby GTE charged all secured property thereunder in favour of China Fund Limited;
- (d) an equity transfer agreement dated April 25, 2008 entered into between Greens UK and Greens Power Equipment (HK) Limited whereby Greens Power Equipment (HK) Limited acquired 100% equity interest in GPEL from Greens UK for a consideration of US\$4,520,122.15;
- (e) a cooperation agreement dated May 4, 2008 entered into between GPEL and Xinjiang International Coal-burnt Co. Ltd. (新疆國際煤焦化有限責任公司) in relation to power generation project by waste heat in the Xin Jiang province, PRC;
- (f) an equity transfer agreement dated May 19, 2008 entered into between Greens UK and Greens Marine Engineering (HK) Limited whereby Greens Marine Engineering (HK) Limited acquired 100% equity interest in SGME from Greens UK for a consideration of US\$140,000;

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- (g) an equity transfer agreement dated May 19, 2008 entered into between Greens UK and Greens Thermal Equipment (HK) Limited whereby Greens Thermal Equipment (HK) Limited acquired 51% equity interest in SGTE from Greens UK for a consideration of US\$918,000;
- (h) an amended and restated share subscription agreement dated May 23, 2008 entered into between China Fund Limited as investor, Mr. Ellis, Union Rise, Crown Max together as warrantors and the Company, pursuant to which certain amendments were made to the share subscription agreement dated April 25, 2008;
- (i) an agreement dated May 28, 2008 entered into between the Company and Mr. Ellis in relation to the sale and purchase of Silver Park from Mr. Ellis to the Company;
- (j) a mutual cancellation of contract dated July 8, 2008 entered into between Greens UK and Hailu, pursuant to which the parties thereto agreed to terminate a joint venture contract dated November 29, 2002 entered into between the parties for the setting up GSz and Hailu agreed to purchase the shares held by Greens UK for a consideration of RMB 5,000,000;
- (k) a share right transfer agreement dated July 12, 2008 entered into between Greens UK and Hailu in relation to the transfer of 49% equity interest in GSz by Greens UK to Hailu for a consideration of RMB 5,000,000;
- (l) a shareholders' agreement dated August 1, 2008 entered into between Mr. Ellis, Union Rise, Crown Max, China Fund Limited and the Company setting out the rights and obligations of shareholders of the Company;
- (m) a deed of release and discharge by China Fund Limited in favour of Greens UK dated August 1, 2008 in relation to release and discharge of the fixed and floating charge dated April 25, 2008 created by Greens UK;
- (n) a deed of release and discharge by China Fund Limited in favour of GTE dated August 1, 2008 in relation to release and discharge of the fixed and floating charge dated April 25, 2008 created by GTE;
- (o) a supplemental agreement (to amended and restated share subscription agreement dated May 23, 2008) dated December 31, 2008 entered into between China Fund Limited as investor, Mr. Ellis, Union Rise, Crown Max together as warrantors and the Company, pursuant to which certain amendments were made to the amended and restated share subscription agreement dated May 23, 2008;
- (p) a supplemental shareholders' agreement dated December 31, 2008 entered into between Mr. Ellis, Union Rise, Crown Max, China Fund Limited and the Company, pursuant to which certain amendments were made to the shareholders' agreement dated August 1, 2008;
- (q) a cooperation agreement dated April 7, 2009 entered into between Pingxiang (HK) and Sichuan Province Guang'an Guixing Cement Co. Ltd. (四川省廣安桂興水泥有限公司) in relation to the power generation project by waste heat in the Si Chuan province, PRC;
- (r) a tripartite agreement dated April 9, 2009 entered into between Xinjiang International Coal-burnt Co., Ltd (新疆國際煤焦化有限責任公司), GPEL and Baicheng (HK), pursuant to which GPEL transferred all of its rights and obligations under the cooperation agreement dated May 4, 2008 to Baicheng (HK);
- (s) a second supplemental agreement (to amended and restated share subscription agreement dated May 23, 2008) dated May 22, 2009 entered into between China Fund Limited as investor, Mr. Ellis, Union Rise, Crown Max together as warrantors and the Company, pursuant to which certain amendments were made to the amended and restated share subscription agreement dated May 23, 2008;
- (t) a second supplemental shareholders' agreement dated May 22, 2009 entered into between Mr. Ellis, Union Rise, Crown Max, China Fund Limited and the Company, pursuant to which certain amendments were made to the shareholders' agreement dated August 1, 2008;
- (u) a joint venture agreement dated June 5, 2009 entered into between Tongliao Boilers Factory Co. Ltd. (通遼鍋爐廠有限責任公司) and Greens New Energy Limited in relation to the incorporation of Tongliao Greens Wind Power Equipment Co. Ltd. (通遼格林風電設備有限公司);

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- (v) a supplemental agreement dated July 21, 2009 entered into between Baicheng (HK) and Xinjiang International Coal-burnt Co. Ltd. (新疆國際煤焦化有限責任公司), pursuant to which the power generation project by waste heat shall be extended for another half year with a term from February 1, 2009 until July 31, 2015;
- (w) a cancellation agreement dated October 7, 2009 entered into between Pingxiang (HK) and Sichuan Province Guang'an Guixing Cement Co. Ltd. (四川省廣安桂興水泥有限公司) pursuant to which the parties thereto cancelled the cooperation agreement dated April 7, 2009 entered into between the parties thereto in relation to the power generation project by waste heat in the Si Chuan province, PRC;
- (x) a deed of indemnity dated October 19, 2009, executed by Mr. Ellis, Union Rise and Crown Max in favour of the Company (for itself and as trustee for each of its subsidiaries stated therein) containing the indemnities referred to in the paragraph headed “Estate Duty, tax and other indemnities” in this Appendix;

2. Intellectual property rights material to the Group’s business

Trademarks

As of the Latest Practicable Date, the Group has the following registered trademarks

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Items covered</u>	<u>Registration Number</u>	<u>Validity period</u>
Greens Economiser	EU	7, 11, 37	Notes 1, 2 and 4	4933511	February 27, 2007 to February 27, 2016
GREEN’S ECONOMISER	PRC	11	Note 5	4975903	October 14, 2008 to October 13, 2018

As of the Latest Practicable Date, the Group has filed the application of the following trademarks:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Items covered</u>	<u>Registration Number</u>	<u>Date of Application</u>
Green’s Economisers	Japan	11	Note 2	100068755	May 19, 2009
格林省煤器	PRC	11	Note 5	5293386	April 17, 2006 (Note 7)
GREENS	HK	7, 11, 37	Notes 1, 2 and 4	301376749	July 3, 2009

As of the Latest Practicable Date, the Group has acquired the following registered trademark from TEiL and intends to file application for the transfer of such trademark:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Items Covered</u>	<u>Registration Number</u>	<u>Validity Period</u>
Econofin	UK	11	Note 2	B1084468	September 30, 1977 to September 30, 2018
E. Green’s Economisers	UK	11, 18	Notes 2 and 3	73421	March 2, 1888 to March 2, 2010
Econofin	Australia	11	Note 2	314069	December 15, 1977 to December 15, 2018
Green’s Economiser	Italy	11	Note 2	1042349	May 29, 1963 to May 29, 2013
DIESECON	South Korea	12	Note 6	4000802330000	January 12, 1982 to January 12, 2012

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Notes:

1. Class 7 includes machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.
2. Class 11 for trademarks in jurisdictions other than the PRC includes apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
3. Class 18 includes leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and traveling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.
4. Clause 37 includes building construction; repair; installation services.
5. Class 11 for PRC trademarks includes apparatus for heating; apparatus for heating feedwafer for boilers; heat exchangers (non-machinery components); heat exchangers for pre-heating feedwafer for boilers; heat exchangers using heat from exhaust gases.
6. CLASS 12 (Vehicles) Vehicles; apparatus for locomotion by land, air or water.
7. The application for registration of the trademark “格林省煤器” in the PRC was rejected on November 11, 2008, and the Group filed an application on November 27, 2008 for a review of the refusal decision which was accepted by the Trademark Appeal Board of SAIC on February 2, 2009.

C. FURTHER INFORMATION ABOUT DIRECTORS

1. Particulars of Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from November 6, 2009 until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below. Particulars of the service agreements of the executive Directors are in all material respects the same.

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years commencing from November 6, 2009. Each of the independent non-executive Directors is entitled to their respective annual fees set out below. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

2. Remuneration of Directors

The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by the Group during the three years ended 31 December 2008 and the five months ended May 31, 2009 was approximately RMB 206,000, RMB 469,000 RMB 1,785,000 and RMB 1,494,000 respectively. The current annual Director's fees and remuneration of the executive and non-executive Directors are as follows:-

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending 31 December 2009 will be approximately RMB 3,500,000.

Further details of the terms of the above service contracts are set out in the paragraph headed "Particulars of service contracts" in the subsection headed "Directors" in this section.

3. Agency fees or commission

Save as disclosed in this document, within two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

4. Related party transactions

During the two years immediately preceding the date of this document, our Company has engaged in dealings with certain Directors and their associates as described in Notes 24, 27, 28, 33 and Notes 19, 24 and 27 to the "Notes to the Financial Information" section of the Accountants' Report set out in Appendices 1A and 1B to this document respectively.

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D. DISCLAIMERS

Save as disclosed herein:

- (a) none of the Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or experts referred to under the heading "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (c) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of all shareholders of the Company passed on October 19, 2009.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("Eligible Participants"):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:-
 - (aa) contribution to the development and performance of the Group;

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- (bb) quality of work performed for the Group;
- (cc) initiative and commitment in performing his/her duties; and
- (dd) length of service or contribution to the Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of the Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue, being 120,000,000 Shares (the "Scheme Limit"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). The Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the "New Scheme Limit") as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under applicable rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

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(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the "Cancelled Shares")) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required by applicable rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date upon which an offer for an option must be accepted;
 - (cc) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (dd) the number of Shares in respect of which the option is offered;
 - (ee) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
 - (ff) the date of the notice given by the grantee in respect of the exercise of the option;
 - (gg) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (iii) such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme.

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:-

- (i) representing in aggregate over 0.1% of the Shares in issue; and

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- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:-

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information required under applicable rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:-

- (i) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or other interim period; and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period,

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of the Company (the "Adoption Date"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

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(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:-

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with the Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies

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pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price-dilutive element), consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with applicable rules. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:-

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);
- (iii) the date upon which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;

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- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:-

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in applicable rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

F. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Mr. Ellis, Union Rise and Crown Max (the "Indemnifier") have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its subsidiaries stated therein) (being the contract referred to in paragraph (x) of the subsection headed "Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis against, among other things, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by the Company or

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any of its subsidiaries by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or the PRC or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before November 6, 2009 (the "Relevant Date").

The deed of indemnity also contain indemnities given jointly and severally by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received on or before the Relevant Date which might be payable by any member of the Group. The Indemnifiers shall be under no liability under the deed of indemnity in respect of taxation:

- (a) to the extent that provision has been made for such taxation in the combined audited accounts of the Company and Mega Smart as set out in the Accountants' Reports set out in Appendices IA and IB to this document and for each of the three years ended December 31, 2008 and the five months ended May 31, 2009 respectively;
- (b) for which any member of the Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date;
- (c) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Relevant Date or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;
- (d) to the extent that such taxation or liability is discharged by another person who is not the Company or any members of the Group and that the Company or such Group member is not required to reimburse such person in respect of the discharge of the taxation or liability; and
- (e) to the extent that the relevant taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Relevant Date or to the extent that such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

2. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

3. No material adverse change

Save as disclosed in this document, the Directors believe that there has been no material adverse change in our Group's financial or trading position or prospects since May 31, 2009 (being the date on which the latest audited combined financial statements of our Group was made up).

4. Qualification of experts

The qualifications of the experts who have given opinions in this document are as follows:

<u>Name of Expert</u>	<u>Qualification</u>
Deloitte Touche Tohmatsu	Certified public accountants
Jingtian & Gongcheng Attorneys at Law	Qualified PRC lawyers
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
DTZ Debenham Tie Leung Limited	Property valuer
Frost & Sullivan Limited	Industry consultant

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10. Consents of experts

Each of Deloitte Touche Tohmatsu, Jingtian & Gongcheng Attorneys at Law, DTZ Debenham Tie Leung Limited, Conyers Dill & Pearman and Frost & Sullivan Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document:

- i. no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
- ii. no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- iii. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- iv. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;

Save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries that have been issued or agreed to be issued.

None of the persons named in the sub-paragraph headed "Consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since May 31, 2009 (being the date to which the latest audited combined financial statements of the Group were made up);

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by the Companies Ordinance.

13. Promoters

The promoters of our Company are Mr. Ellis, Mr. Xie and Ms. Chen. Save as disclosed in this document, no cash, securities or other benefit had been paid or given within the two immediately preceding years or is intended to be paid or given to any promoter.