GREENS HOLDINGS LTD
格菱控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1318

Interim Report 2010

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

Board

Executive directors:

Mr. Frank Ellis (Chairman and Chief Executive Officer)
Mr. Xie Zhiqing
Ms. Chen Tianyi

Non-executive director:

Mr. Zhu Keming

Independent non-executive Directors:

Mr. Jack Michael Biddison
Mr. Yim Kai Pung
Mr. Ling Xiang

Registered Office

ATC Trustees (Cayman) Limited
George Town,
Grand Cayman KY1-1203
Cayman Islands

Corporate Headquarter

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Shanghai,
the People's Republic of China

Principal Place of Business In Hong Kong

Unit P, 14/F.,
International Industrial Centre,
2-8 Kwei Tei Street, Fotan,
New Territories, Hong Kong

Company Secretary

Mr. Ho Kin-cheong, Kelvin

Authorized Representatives

Mr. Frank Ellis
Mr. Ho Kin-cheong, Kelvin

Audit Committee

Mr. Yim Kai Pung (chairman)
Mr. Jack Michael Biddison
Mr. Ling Xiang

Remuneration Committee

Mr. Jack Michael Biddison (chairman)
Mr. Yim Kai Pung
Mr. Frank Ellis

Nomination Committee

Mr. Ling Xiang (chairman)
Mr. Chen Tianyi
Mr. Yim Kai Pung

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Auditors

Deloitte Touche Tohmatsu
35th Floor
One Pacific Place
88 Queensway, Hong Kong

Hong Kong Legal Advisers

Charltons
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Hong Kong

Shearman & Sterling Hong Kong
13th Floor
Gloucester House
Central, Hong Kong

Compliance Advisor

Quam Capital Limited
32th Floor
Gloucester Tower, The Landmark
11 Pedder Street
Central, Hong Kong

Principal Banker

Bank of China Limited,
Shanghai Branch
Jingjiang Branch
Bank of Communications,
Hong Kong Branch
Nanyang Commercial Bank (China) Limited
Shanghai Branch
Bank of Jianhsu,
Shanghai Branch

Website

www.greensholdings.com

Place of Listing

The Stock Exchange of Hong Kong Limited
(Stock Code: 1318)

Deloitte.
德勤

To the Board of Directors of Greens Holdings Ltd.

Introduction

We have reviewed the interim financial information set out on pages 6 to 26, which comprises the condensed consolidated statement of financial position of Greens Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statements, statements of comprehensive income, and the relevant explanatory notes for the six-month periods ended 30 June 2009 disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Hong Kong, 25 August 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Condensed Consolidated Income Statement
For the six months ended 30 June 2010

	NOTES	Six months ended 30 June **2010** **RMB'000** **(unaudited)**	 2009 RMB'000 (unaudited)
Revenue	4	**256,147**	318,477
Cost of sales/services		**(170,057)**	(230,848)
Gross profit		**86,090**	87,629
Selling and distribution expenses		**(10,475)**	(6,432)
Administrative expenses		**(42,203)**	(39,686)
Other income and other gains and losses	5	**9,841**	3,796
Finance costs	6	**(10,683)**	(1,416)
Profit before tax		**32,570**	43,891
Income tax expense	7	**(1,489)**	(8,748)
Profit for the period	8	**31,081**	35,143
Profit for the period attributable to owners of the Company		**31,081**	35,143
Earnings per share — Basic	10	**RMB0.025**	RMB0.039

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 **RMB'000** **(unaudited)**	2009 RMB'000 (unaudited)
Profit for the period	**31,081**	35,143
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(2,425)**	3,478
Total comprehensive income for the period	**28,656**	38,621
Total comprehensive income for the period attributable to owners of the Company	**28,656**	38,621

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	NOTES	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**272,083**	222,128
Intangible assets		**158,902**	171,536
Prepaid lease payments		**59,089**	59,627
Deposit paid for acquisition of property, plant and equipment		**10,233**	20,591
Deferred tax assets	12	**4,108**	1,108
		504,415	474,990
Current assets			
Inventories		**60,804**	43,518
Amounts due from customers for contract work	13	**94,185**	68,352
Trade and other receivables	14	**361,315**	368,655
Prepaid lease payments		**1,156**	953
Amounts due from shareholders		**—**	2,490
Pledged bank deposits		**18,945**	22,916
Bank balances and cash		**419,888**	509,796
		956,293	1,016,680
Current liabilities			
Trade and other payables	15	**233,908**	233,764
Amounts due to customers for contract work	13	**15,154**	9,746
Tax liabilities		**10,182**	18,491
Bank borrowings	16	**228,229**	260,729
		487,473	522,730
Net current assets		**468,820**	493,950
Total assets less current liabilities		**973,235**	968,940

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	NOTES	**As at 30 June 2010 RMB'000 (unaudited)**	As at 31 December 2009 RMB'000 (audited)
Capital and reserves			
Share capital	17	**85,004**	85,004
Share premium and reserves		**726,883**	721,861
Equity attributable to owners of the Company		**811,887**	806,865
Non-controlling interests		**—**	3,300
Total equity		**811,887**	810,165
Non-current liabilities			
Deferred tax liabilities	12	**22,916**	19,775
Bank borrowings	16	**120,000**	120,000
Deferred income		**18,432**	19,000
		161,348	158,775
		973,235	968,940

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000	**Translation reserve** RMB'000	**Statutory surplus reserve** RMB'000 (note i)	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2009 (audited)	136	196,677	137,935	(8,115)	13,237	114,369	454,239	—	454,239
Profit for the period	—	—	—	—	—	35,143	35,143	—	35,143
Exchange differences arising on translation of foreign operations	—	—	—	3,478	—	—	3,478	—	3,478
Total comprehensive income for the period	—	—	—	3,478	—	35,143	38,621	—	38,621
Dividends recognised as distribution (note 9)	—	(12,054)	—	—	—	(8,746)	(20,800)	—	(20,800)
At 30 June 2009 (unaudited)	136	184,623	137,935	(4,637)	13,237	140,766	472,060	—	472,060
At 1 January 2010 (audited)	85,004	499,072	137,935	(5,066)	21,371	68,549	806,865	3,300	810,165
Profit for the period	—	—	—	—	—	31,081	31,081	—	31,081
Exchange differences arising on translation of foreign operations	—	—	—	(2,425)	—	—	(2,425)	—	(2,425)
Total comprehensive income for the period	—	—	—	(2,425)	—	31,081	28,656	—	28,656
Dividends recognised as distribution (note 9)	—	(23,634)	—	—	—	—	(23,634)	—	(23,634)
Acquisition of additional interest of a subsidiary	—	—	—	—	—	—	—	(3,300)	(3,300)
At 30 June 2010 (unaudited)	85,004	475,438	137,935	(7,491)	21,371	99,630	811,887	—	811,887

Notes:

(i) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "**PRC**"), the PRC subsidiaries 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 fund can be used to make up for prior years' losses, if any, and can be converted into capital by means of capitalisation issue. The statutory surplus reserve is non-distributable other than upon liquidation.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities		
Operating cash flows before movements in working capital	**61,291**	53,904
Increase in inventories	**(17,286)**	(3,660)
Decrease (increase) in trade and other receivables	**11,191**	(1,633)
Increase in amounts due from customers for contract work	**(25,833)**	(20,751)
(Decrease) increase in trade and other payables	**(30,653)**	71,504
Increase (decrease) in amounts due to customers for contract work	**5,408**	(21,922)
Cash generated from operations	**4,118**	77,442
Income taxes paid	**(9,657)**	(3,898)
Net cash (used in) from operating activities	**(5,539)**	73,544
Investing activities		
Interest received	**722**	423
Payments for acquisition and construction of property, plant and equipment	**(43,560)**	(65,664)
Payments for prepaid lease payments	**(16,000)**	(251)
Payments for construction of infrastructure in service concession arrangement	**(2,596)**	(44,015)
Repayment from (advance to) the shareholders	**2,490**	(843)
Government subsidies received	**16,000**	—
Decrease (increase) in pledged bank deposits	**3,971**	(37,839)
Net cash used in investing activities	**(38,973)**	(148,189)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financing activities		
Dividends paid	**–**	(20,800)
New bank borrowings raised	**377,800**	210,000
Repayment of bank borrowings	**(410,300)**	(57,000)
Interest paid	**(10,683)**	(4,832)
Net cash (used in) from financing activities	**(43,183)**	127,368
Net (decrease) increase in cash and cash equivalents	**(87,695)**	52,723
Cash and cash equivalents at 1 January	**509,796**	79,490
Effect of foreign exchange rate changes	**(2,213)**	3,246
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**419,888**	135,459
	419,888	135,459

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with International Accounting Standard 34 (IAS 34), Interim Financial Reporting.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

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 27 February 2008. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 6 November 2009.

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, waste heat power generation, and the manufacture and supply of wind turbine towers.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised IFRSs**") issued by the International Accounting Standards Board ("**IASB**").

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised IFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

IFRS 3 (Revised 2008) Business Combinations

The Group applies IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) is applicable, the application of IFRS 3 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised) and the consequential amendments to the other IFRSs are applicable.

IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

Under IAS 27 (Revised), increases or decreases in ownership interests in subsidiaries of the Group are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The Group has applied the requirements of IAS 27 (Revised) to the acquisition of additional interests in a subsidiary in the current period. Since the consideration and the carrying amount of non-controlling interest acquired is the same, the application of the revised standard has had no financial impact on the Group.

Results of the Group in future periods may also be affected by future transactions for which IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

Amendment to IAS 17 Lease

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in IAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The application of the amendment to IAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Segment revenue and segment results

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Segment revenue Six months ended 30 June		Segment results Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**	2009 RMB'000 (unaudited)
Economisers	**114,036**	85,775	**38,766**	27,322
Waste heat recovery products	**82,255**	80,336	**43,022**	32,369
Boiler components	**14,586**	77,046	**2,980**	21,754
Marine products	**24,177**	13,906	**2,744**	1,247
Waste heat power generation	**10,128**	42,776	**1,550**	1,940
Wind turbine towers	**—**	—	**—**	—
Services and repairs	**10,965**	18,638	**2,008**	2,997
	256,147	318,477	**91,070**	87,629
Unallocated income and other gains and losses			**4,861**	3,796
Unallocated expenses			**(52,678)**	(46,118)
Finance costs			**(10,683)**	(1,416)
Profit before tax			**32,570**	43,891
Income tax expense			**(1,489)**	(8,748)
Profit for the period			**31,081**	35,143

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the results of each operating segment, excluding selling and distribution expenses, administrative expenses, unallocated other income and other gains and losses, finance costs and income tax expense.

4. REVENUE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Revenue from construction contracts	**235,054**	257,063
Revenue from construction under service concession arrangements	**—**	42,776
Revenue from sales of electricity	**10,128**	—
Repairs and maintenance	**10,965**	18,638
	256,147	318,477

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest income on bank deposits	**722**	423
Imputed interest income on retention money receivables	**616**	393
Net foreign exchange losses	**(10,842)**	(2,855)
Subsidy income (note i)	**5,242**	—
Release of investment-related subsidy income (note ii)	**568**	—
Fair value gains for foreign exchange forward contracts	**4,379**	619
Income from cancellation of contracts (note iii)	**8,536**	7,294
Allowance for bad and doubtful debts	**(1,088)**	(1,693)
Others	**1,708**	(385)
	9,841	3,796

Note:

i. The amount includes RMB4,980,000 unconditional government subsidy granted to compensate for the operating loss of a subsidiary in waste heat power generation business in Xinjiang, which is caused by low waste heat supply for the six months ended 30 June 2010. The amount was fully received before the date of this report.

ii. Pursuant to a subsidy notice from the local government, a wholly-owned subsidiary of the Company was granted a subsidy of approximately RMB20,480,000 in November 2009 as a reward for its investment in the wind turbine tower business in Tongliao of Inner Mongolia through its subsidiary, Tongliao Greens Wind Power Equipment Company Limited ("**Tongliao Greens**"). The directors consider the subsidy to be related to the investment in Tongliao Greens and therefore deferred and recognised as income on a systematic basis over the periods in which Tongliao Greens recognises as expenses the related costs for which the subsidies are intended to compensate.

iii. The amount represented the unconditional compensation from certain customers for those orders cancelled during the year ended 31 December 2009.

6. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interests on bank borrowings wholly repayable within five years	**10,683**	4,832
Less: amounts capitalised	**—**	(3,416)
	10,683	1,416

There was no finance costs capitalised during the six month period ended 30 June 2010. Finance costs capitalised during the six months ended 30 June 2009 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.79% per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**8,232**	8,397
Reversal of withholding tax on capital gains arising from the group reorganisation (note)	**(6,818)**	—
The United Kingdom ("**UK**") Corporation Tax	**—**	322
	1,414	8,719
(Over) under provision in prior periods:		
PRC EIT	**(66)**	25
	(66)	25
Deferred tax (note 12)		
Current period	**(697)**	114
Attributable to a change in tax rate	**838**	(110)
	141	4
	1,489	8,748

Note:

Prior to the acquisition of Mega Smart Investments Limited ("**Mega Smart**") by the Company on July 22, 2008, a tax provision of RMB6,818,000 had been made on the potential capital gains arising from the equity transfer of Greens Power Equipment (China) Co., Ltd. ("**GPEL**") as part of the group reorganization under the New Tax law, Implementation Regulations and the Tax Circular entitled "Income Tax Treatment of Enterprise Restructuring" (Caishui [2009] No. 59). In June 2010, the local tax authority of GPEL issued a letter, after reviewing the relevant facts submitted by the Company, which had accepted that the fair market value of GPEL upon the transferring date was the same as the original investment cost of the transferor and hence no capital gain tax was derived by the transferor. Therefore, a reversal of the tax provision has been made to income tax expenses.

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

Group entities incorporated in the British Virgin Islands are not subject to any income tax.

No Hong Kong Profits Tax has been provided for as the group entities incorporated in Hong Kong had no assessable profits for both periods.

Greens Power Limited was incorporated in the UK and is subject to UK corporation tax at a statutory tax rate of 28% for the period ended 30 June 2010 (six months ended 30 June 2009: 28%).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are still entitled to exemption from PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years ("**Tax Holidays**") under a 5-year transitional provision starting from 1 January 2008. Therefore, the tax holidays will expire in 2012.

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to interest 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 off shore 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%. Therefore, withholding income tax has been provided for based on the dividends anticipated to be distributed by the PRC entities in the foreseeable future.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Cost of inventories recognised as expenses	**118,996**	202,007
Depreciation for property, plant and equipment	**10,223**	5,535
Amortisation of intangible assets (included in cost of sales/services and administrative expenses)	**12,621**	3,851
Release of prepaid lease payments	**335**	275
Employee benefits expenses (including directors):		
Salaries and other benefits	**34,364**	27,429
Contributions to retirement benefit schemes	**1,579**	1,235
	35,943	28,664

9. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Dividends recognised as distribution during the period	**23,634**	20,800

The Company declared and paid dividends of US$3,045,000 equivalent to RMB20,800,000 in May 2009 to its shareholders prior to the listing of the Company's shares on the Stock Exchange.

On 8 June 2010, a final dividend of HK$0.0217 per share in respect of the year ended 31 December 2009 has been approved by the shareholders in the annual general meeting, which have been paid on 8 July 2010.

The directors do not recommend the payment of an interim dividend for both periods.

10. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**31,081**	35,143

	Six months ended 30 June	
	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,245,000**	900,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the subdivision and capitalisation issue of shares in October 2009 on the assumption as if they had been issued throughout the period ended 30 June 2009.

No diluted earnings per share are presented as there were no potential ordinary shares in issue.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB60,441,000 (six months ended 30 June 2009: RMB63,316,000) on the construction of the manufacturing plant and acquisitions of machinery mainly in the PRC.

12. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior periods:

Deferred tax assets:

	Tax loss RMB'000	Allowance for doubtful debts RMB'000	Investment-related government subsidy RMB'000	Total RMB'000
At 1 January 2009	—	341	—	341
Credit to profit or loss	—	424	—	424
Effect of change in tax rate	—	110	—	110
At 30 June 2009	—	875	—	875
At 31 December 2009	—	808	300	1,108
Credit to profit or loss	1,348	109	1,543	3,000
At 30 June 2010	**1,348**	**917**	**1,843**	**4,108**

Deferred tax liabilities:

	Income from service concession arrangement RMB'000	Revaluation of intangible assets RMB'000	Recognition of profits of construction contracts RMB'000	Withholding tax on PRC-sourced profits RMB'000	Total RMB'000
At 1 January 2009	584	15,198	-	3,796	19,578
Charge (credit) to profit or loss	180	(419)	151	626	538
At 30 June 2009	764	14,779	151	4,422	20,116
At 31 December 2009	1,093	14,360	3,072	1,250	19,775
Charge (credit) to profit or loss	(176)	(469)	2,614	334	2,303
Effect of change in tax rate	838	-	-	-	838
At 30 June 2010	**1,755**	**13,891**	**5,686**	**1,584**	**22,916**

At the end of the reporting period, the Group has unrecognised tax losses of RMB11,159,000 (31 December 2009: RMB4,519,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB4,814,000 (30 June 2009: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses amounting to RMB3,339,000 due to the unpredictability of future profit streams. Such tax losses will expire in 2014-2015.

At the end of the reporting period, the Group has unrecognised deductible temporary differences of RMB649,000 (31 December 2009: RMB590,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB57,113,000 (31 December 2009: RMB37,126,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**293,660**	439,370
Less: progress billings	**214,629**	380,764
	79,031	58,606
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**94,185**	68,352
Amounts due to customers for contract work	**(15,154)**	(9,746)
	79,031	58,606

As at 30 June 2010, retentions held by customers for contract work amounted to RMB31,774,000 (31 December 2009: RMB38,111,000).

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	**288,486**	304,124
Less: Allowance for doubtful debts	**4,616**	3,528
	283,870	300,596
Bill receivables	**15,582**	15,737
	299,452	316,333
Other receivables	**14,674**	17,503
Other tax receivables	**5,450**	2,271
Deposits	**3,947**	5,151
Prepaid expenses	**1,839**	1,867
Advances to suppliers	**26,498**	6,655
Subsidy receivables	**6,580**	16,000
Receivables on disposal of available-for-sale investment	**2,875**	2,875
Total trade and other receivables	**361,315**	368,655

The Group allows credit periods ranging from 30 to 90 days to its normal trade customers other than some customers with good credit history and relationships, to whom appropriately longer credit terms will be allowed. Moreover, the Group also allows its trade customers to withhold payment of about 5% to 10% of the total contract price (the retention money) until the expiration of a period from one year to three years from the date its products are installed and put into use.

The following is an aged analysis of trade and bill receivables, excluding retention money receivables and net of allowance for doubtful debts, at the end of the reporting period:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
0 to 90 days	**191,403**	102,815
91 to 180 days	**34,731**	60,505
181 days to 1 year	**3,371**	101,359
1 to 2 years	**35,533**	12,065
2 to 3 years	**2,640**	1,478
	267,678	278,222

The following is an aged analysis of retention money receivables, net of allowance for doubtful debts, at the end of the reporting period:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
0 to 180 days	**16,341**	3,634
181 days to 1 year	**6,110**	12,680
1 to 2 years	**8,205**	10,750
2 to 3 years	**1,118**	6,030
Over 3 years	**—**	5,017
	31,774	38,111

15. TRADE AND OTHER PAYABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade payables	**130,768**	161,666
Bill payables	**39,000**	19,340
Other tax payables	**9,190**	4,137
Payables for acquisition of property, plant and equipment and land use rights	**13,009**	22,485
Payables for service concession arrangement	**217**	2,813
Dividend payable	**23,569**	—
Salary and bonus payables	**1,641**	2,926
Accrued expenses	**3,373**	7,917
Social welfare and pension payable	**721**	683
Others (note)	**11,220**	11,797
	232,708	233,764

Note: This amount includes consideration payable amounted to RMB3,300,000 to the then non-controlling shareholder of a subsidiary for the acquisition of additional interest in the subsidiary in the current interim period.

The payment terms with suppliers are mainly on credit within 180 days from the time when services are rendered by or goods received from suppliers.

The following is an aged analysis of trade and bill payables at the end of the reporting period:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
0 to 90 days	**43,787**	82,595
91 to 180 days	**83,173**	23,880
181 days to 1 year	**16,699**	51,317
1 to 2 years	**20,448**	18,991
Over 2 years	**5,661**	4,223
	169,768	181,006

16. BANK BORROWINGS

During the current period, the Group obtained new bank loans amounting to RMB377,800,000 (RMB210,000,000 for the six months ended 30 June 2009). The loans bear interest at fixed or variable market rates and are repayable within one year. The proceeds were used to provide additional working capital for the Group. Repayments of bank loans amounting to RMB410,300,000 (RMB57,000,000 for the six months ended 30 June 2009) were made in line with the relevant repayment terms.

17. SHARE CAPITAL

	Number of shares	**Share Capital** US$'000
Ordinary shares of US$0.01 each (note i)		
Authorised		
At incorporation and June 30, 2009	50,000	50
Increase by subdivision of 1 share of US$1 each into 100 shares of US$0.01 each (note i)	4,950,000	—
Increase in authorised share capital of the Company (note i)	2,395,000,000	23,950
At 31 December 2009 and 30 June 2010	2,400,000,000	24,000
Issued and fully paid		
At 1 January and 30 June 2009	20,000	20
Increase by subdivision of 1 share of US$1 each into 100 shares of US$0.01 each (note i)	1,980,000	—
Capitalisation issue of shares (note ii)	898,000,000	8,980
Issue of shares pursuant to the global offering (note iii)	300,000,000	3,000
Issue of shares upon exercise of the over-allotment option (note iv)	45,000,000	450
At 31 December 2009 and 30 June 2010	1,245,000,000	12,450

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Presented in RMB:		
Share capital	**85,004**	85,004

The movements in the Company's authorised and issued ordinary share capital during the periods are as follows:

(i) On 19 October 2009, the authorised share capital of the Company of US$50,000 was sub-divided into 5,000,000 shares of US$0.01 each. At the same time, the authorised share capital was increased to US$24,000,000 by the creation of an additional 2,395,000,000 shares of US$0.01 each which rank pari passu in all respects with the existing shares of US$0.01 each.

(ii) On 19 October 2009, the directors of the Company issued and allotted 898,000,000 shares of US$0.01 each to the then existing shareholders of the Company in proportion to their then existing shareholdings in the Company as fully paid up at par by way of a capitalisation of an amount of US$8,980,000 (equivalent to RMB61,313,000) standing to the credit of the share premium account of the Company.

(iii) On 6 November 2009, 300,000,000 shares of US$0.01 each of the Company were then issued at HK$1.62 per share by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange.

(iv) On 18 November 2009, an over-allotment option was exercised and a further 45,000,000 shares of US$0.01 each were issued at HK$1.62 per share.

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

18. CAPITAL COMMITMENTS

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition and construction of property, plant and equipment	**33,222**	29,948
Acquisition of land use rights	**13,375**	13,375

19. RELATED PARTY TRANSACTIONS

The remuneration of members of key management during the period was as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Short-term benefits	**6,679**	5,215
Post-employment benefits	**581**	209
	7,260	5,424

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 17 July 2010, the local government where Baicheng Greens Waste-Heat Power Generation Co., Ltd. ("**Baicheng Greens**"), a subsidiary of the Group, was located, issued a notice which tentatively approved a revised electricity tariff of RMB0.287/kwh for the electricity generated by Baicheng Greens and sold to the State Grid, which is RMB0.052/kwh higher than the current approved tariff and shall be applied retrospectively from the commencement of operation of Baicheng Greens. The revised electricity tariff is subject to further approval by the government of the Xinjiang Uygur Autonomous Region of China.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

The International market for some of the Group's product segments is still slow to recover from the ongoing uncertainty among major world economies, although markets in China and India are still very active. This has necessitated a change in the main focus of the Group toward these two key markets and has redirected the concentration of marketing efforts in other parts of south and middle Asia, Eastern Europe and Australasia.

During the Period, Japan, USA and the United Kingdom markets were suffering from a reduction in demand. Moreover, governments and business leaders were hesitant about starting new infrastructure projects. In these regions, investment tends to be directed toward new clean energy projects while upgrading or building conventional power plants has resulted in weakened demand throughout the industry. Renewed business activity did increase by the end of the Period, however, increasing competitiveness among operators in the industry and shorter delivery schedules have posed unique challenges for the Group.

Business results for the Group's core line, which include economisers and waste heat recovery products has remained stable because of market successes in China and Europe (outside the United Kingdom) and the outlook for growth looks encouraging despite intense competition. The gradual expansion of the Group's production facilities in China with the net proceeds (the "**IPO Proceeds**") from the listing of the Company's shares on the Main Board of the Stock Exchange in November 2009 has been especially helpful to the Group's waste heat recovery products division and this has opened up new opportunities with major boiler companies as well as with EPC (Engineering, Procurement and Construction) contracting, a common business practice within the waste-to-energy and biomass industries.

Possible strategic alliances are currently under preliminary negotiations and are set for completion during the second half of the year. If fully realised, these deals will significantly increase turnover and profitability in line with the Group's overall business development strategy.

Progress with the other key segments of the Group's marine boilers division has, however, been less encouraging with major marine projects slowing considerably especially in offshore markets. Despite this, Chinese shipyard operations are now very active and the China market as a whole is expected to remain stable.

Power generation business segment focusing on the China market has been deliberately held back. The Group's existing Xinjiang project (the "**Xinjiang Project**") was still operating below satisfactory level. But compensation in various forms has been successfully negotiated from the local government, which have helped the Group recover the operating losses it suffered as a result of recent consolidation administrative policies applied to the area. Overall, the local government has been very supportive of the Group's concerns. Negotiation of other new power generation projects in various areas of China have been started while commercial terms are being agreed upon. The Group's wind turbine tower product segment is now quite active with orders now on the books and further orders under negotiation.

The Group continues to be a leading supplier of key heat transfer products designed to enhance energy efficiency. It is focused on the manufacture and supply of products and solutions that include: economisers, waste heat recovery products (including heat recovery steam generators or HRSGs), boiler components and marine products as well as related services and repairs. The Group has also leveraged its strengths in engineering and technical knowhow to expand into the alternative energy sector, such as waste heat power generation and the manufacture and supply of wind turbine towers.

The Group's total revenues for the Period shrunk by approximately 19.6% to RMB256.1 million (Six months ended 30 June 2009: approximately RMB318.5 million), firstly, as a direct result of the relatively smaller invoiced amount attached to a substantial free-issue order (the "**Free-Issue Order**") placed by an international power plant design and construction company. While raw materials had to be supplied from within the European Union, by agreement, they were provided by the buyer and purchased at cost and not booked as revenue. As a result, the decreased turnover amount does not fully represent the amount of work performed in its factories, but rather it shows that the Group's gross margin was not affected. Secondly, it is also partly caused by the drop in orders for boiler components division due to the sluggish global demand afore mentioned.

During the Period, sales of the Group's products to China and to international markets accounted for approximately 73.6% and approximately 26.4% of the total turnover of the Group respectively (Six months ended 30 June 2009: approximately 70.2% and approximately 29.8% respectively).

1. Economisers

Economisers, a major product category of the Group, are primarily used in coal-fired power stations and industrial power plants to increase efficiency. China continued to be the major market for the Group's economisers during the Period. Turnover for economisers recorded an increase of approximately 32.9% to approximately RMB114.0 million for the Period (six months ended 30 June 2009: approximately RMB85.8 million).

2. Waste Heat Recovery Products

HRSGs and other waste heat recovery products are primarily used in gas-fired power stations. Other waste heat boilers are used in applications such as cement plants, coking plants and oil refineries to recover waste heat and reduce emissions. Turnover of waste heat recovery products remained at a stable level of approximately RMB82.3 million for the Period (six months ended 30 June 2009: approximately RMB80.3 million). This reported turnover amount for the Period should also take into account the effects of the aforementioned Free-Issue Order matter.

3. Boiler Components

The Group offers to major boiler manufacturers and system designers a variety of boiler components in the pressure and containment sections of a boiler system, including air pre-heaters, super-heaters, and other components such as power station steel structures. Those boiler components are designed for industrial and power generation applications as well as for large boilers in general. Turnover for boiler components decreased approximately 81.1% to approximately RMB14.6 million for the Period (six months ended 30 June 2009: approximately RMB77.0 million), which was due primarily to overall sluggish global demand.

4. Marine Products

The Group supplies a variety of packaged marine boilers, marine exhaust gas boilers and other marine boiler products for customers in China and overseas. During the Period, sales of marine products increased significantly by approximately 73.9% to approximately RMB24.2 million (six months ended 30 June 2009: approximately RMB13.9 million) as the Group's one-stop shop concept of providing self-manufactured products together with outsourced items (bought-out items) for customers has enhanced the Group's position in the market.

The Group's marine products are generally categorised into fired boilers and other marine boilers. Many of the Group's customers in China for marine boilers are shipyards located on the mainland. The Group's products are used in a wide range of marine vessels such as bulk carriers, container ships, tankers, LNG Liquefied Natural Gas Vessels and FPSOs (Floating Production Storage and Offloading).

5. Waste Heat Power Generation

In May 2008, the Group entered into a cooperative agreement with Xinjiang International Coking Company Limited ("**Xinjiang Coke**"), in the Xinjiang Autonomous Region. Based on this agreement, Baicheng Greens, a wholly owned subsidiary of the Group and the project company established by the Group for this Xinjiang Project, will sell electricity generated from the waste heat produced by Xinjiang Coke to the State Grid Corporation of China. The Xinjiang Project structure is based on the build-operate-transfer, or BOT model. During the contract period from May 2008 to July 2015, Baicheng Greens will construct a waste heat power generation plant and provide the equipment for this project in return for profits generated from the project's electricity sales. At the end of the contract period, the Group has agreed to transfer its entire equity interest in Baicheng Greens to Xinjiang Coke. Construction of the waste heat power generation facilities has now been completed, and the Xinjiang Project has been in commercial operation since June 2009.

During the Period, electricity sales from the Xinjiang Project were being affected by the government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. These measures have had a considerable negative effect on coking factories. Restricted operating volumes and frequent halts in production caused by an uneven supply of raw materials have distorted the volume of waste heat generated by Xinjiang Coke. This, in turn, has directly caused the Xinjiang Project to operate at below average capacity and caused the Group to suffer gross losses.

The revenue downturn of waste heat power generation was also due to the construction revenue of the Xinjiang Project recognized in the corresponding period in 2009 but no such revenue recognized in the Period after the completion of the construction of its facilities took place in May 2009. In addition, the revenue of the Xinjiang Project for the Period only represents the operation revenue of electricity sold.

To support efforts toward environmental protection, Baicheng Greens has been awarded with a number of financial benefits by the domestic county government, which has helped compensate for losses suffered by the Group.

6. Wind Turbine Towers

A wholly owned subsidiary of the Group, Tongliao Greens is engaged in the manufacture and sales of wind turbine towers. Located inside one of China's major wind farms, the principal construction of Tongliao Greens' production facilities is completed and the construction and supply of wind turbine towers to regions such as Inner Mongolia, Heilongjiang, Jilin and Liaoning is expected to begin in the second half of 2010. This business has yet to contribute any revenues to the Group during the Period. As mass production has not been started during the Period, the amount recognized during the Period from the deferred subsidy income attained from the domestic government previously is not significant.

7. Services and Repairs

The Group provides a wide range of services, including boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing, and repairs. The Group's service and repair business capitalises on its experience and capabilities in the heat transfer product manufacturing sector. During the Period, revenues from services and repairs decreased by approximately 41.2%, compared to the corresponding period in the previous year, to approximately RMB11.0 million (six months ended 30 June 2009: approximately RMB18.6 million).

8. International Business Platform

The Group's core manufacturing facilities are located in Shanghai and Jiangsu Province on the Yangtze River Delta in China. Moreover, its workshops and office in Wakefield, United Kingdom, continue to provide strong support in the form of technical expertise and international sales coverage. The Group's global sales network covers Europe, China, Japan, South and North America and other parts of Asia. To further strengthen its global outreach, during the Period the Group established a subsidiary in Chennai, India, focusing on sales of economisers and waste heat recovery products in this fast growing powerhouse nation. In addition, another subsidiary within the Group incorporated in Singapore and has started to serve as the Group's major operating arm in the sales and repair of marine boilers throughout the region.

Financial Review

A. Turnover and gross margin

The Group's revenue for the Period amounted to approximately RMB256.1 million, representing a drop of approximately 19.6% (six months ended 30 June 2009: approximately RMB318.5 million). Meanwhile, the gross margin of the Group during the Period increased from approximately 27.5% for the six months ended 30 June 2009 to approximately 33.6% for the six months ended 30 June 2010. It is mainly attributable to the comparatively higher gross margin contribution of the Free-Issue Order for waste heat recovery products placed by an international power plant design and construction company.

A breakdown of the gross margins of the Group's operating segments are as follows:

Gross margin by products	For the six months ended 30 June **2010** %	2009 %
Economisers	**34.0%**	31.9%
Waste heat recovery products	**52.3%**	40.3%
Marine products	**11.3%**	9.0%
Boiler component	**20.4%**	28.2%
Service & repairs	**18.3%**	16.1%
Waste heat power generation#	**15.3%**	4.5%
Wind turbine tower	**N/A**	N/A

Taking into account various forms of compensation

Gross margin for economisers, marine products and service and repairs remained stable during the Period. After adjusting for the subsidy income which compensate the Group for its operating losses in its waste heat power generation, there is a notable growth during the Period.

B. Other income and other gains and losses

The Group recorded other income and other gains and losses of approximately RMB9.8 million for the Period (six months ended 30 June 2009: approximately RMB3.8 million). It mainly comprises of approximately RMB5.0 million being the subsidy to compensate the operating loss suffered by Baicheng Greens as a result of local government's administrative policies (six months ended 30 June 2009: Nil). In addition, other gains and losses include net foreign exchange losses of approximately RMB10.8 million (six months ended 30 June 2009: approximately RMB2.9 million) and a gain in fair value of foreign exchange forward contracts amounted to approximately RMB4.4 million (six months ended 30 June 2009: approximately RMB0.6 million) during the Period, as a result of the notable fluctuation in the foreign exchange market. Moreover, it also included the compensation from customers for cancellation of certain orders in 2009 amounted to approximately RMB8.5 million (six months ended 30 June 2009: approximately RMB7.3 million).

C. Profit attributable to owners of the Company

The Group's profit attributable to equity holders for the Period amounted to approximately RMB31.1 million (six months ended 30 June 2009: approximately RMB35.1 million). Such decrease in profit attributable to owners of the Company was primarily attributable to the increase in borrowings as reported in the Company's annual report for the year ended 31 December 2009 and the smaller amount of finance costs for the corresponding period in 2009 which was reduced by the capitalization of eligible borrowing costs for that period.

D. Liquidity and financial resources

To date, the Group's operations have been primarily financed by cash generated from its operating activities and bank borrowings. During the Period, the major source of financing for the capital expenditure of the Group was the unused portion of the IPO Proceeds. The Group's cash expenditures primarily consist of the purchase of raw materials and components from its suppliers, payments on manufacturing overheads and expenses on wages and salaries. As at 30 June 2010, the Group had approximately RMB419.9 million in cash and cash equivalents, compared to approximately RMB509.8 million as at 31 December 2009.

The decrease in the Group's cash and cash equivalents as at 30 June 2010 was primarily due to the increase in contract work in progress, decrease in bank borrowing between 31 December 2009 and 30 June 2010, the capital expenditure related to enhancement of production facilities, and the establishment of the international sales network during the Period. For details of bank borrowing position of the Group, please refer to Note 16 of the condensed consolidated financial statements for the Period.

E. Capital expenditure

The Group's capital expenditures amounted to approximately RMB60.4 million during the Period (six months ended 30 June 2009: approximately RMB63.3 million). The capital expenditures in the Period were primarily attributable to the construction and the acquisition of other property, plant and equipment for the Group's production base in Xieqiao, Jiangsu and for the Group's wind turbine tower factory in Tongliao, Inner Mongolia.

F. Key financial ratios

The following table sets out the key financial ratios of the Group as at the end of the Period with comparative figures as of 31 December 2009 as reference:

	As of 30 June 2010	As of 31 December 2009
Current ratio	**1.96**	1.94
Net debt to equity ratio	**(11.2%)**	(18.8%)
Gearing ratio	**42.9%**	47.0%

Current ratio = Balance of current assets at the end of the period/ balance of current liabilities at the end of the period

Net debt to equity = (balance of total bank borrowings at the end of the period — balance of bank balances, cash and pledged bank deposits at the end of the period)/ balance of equity attributable to owners of the Company at the end of the period

Gearing ratio = Total debt at the end of the period/balance of equity attributable to owners of the Company at the end of the period

G. Use of IPO Proceeds from the company's initial public offering

The IPO Proceeds amounted to approximately RMB437 million, after deducting related expenses. Up to 30 June 2010, approximately RMB78.6 million have been used in accordance with the proposed use as set out in the prospectus of the Company dated 23 October 2009 (the "**Prospectus**"):

	As per the estimated offer price in the Prospectus RMB million	Actual proceeds, net of expenses RMB million	Utilized Total RMB million
Increase in manufacturing capacity	115	115	23.7
(i) for the purchases of additional machinery for the Xieqiao plant of the Group;	46	46	23.7
(ii) for purchases of additional machinery and improvement of workshops for our the Gushan plant of the Group; and	46	46	—
(iii) for the construction of a new facility adjacent to a port at Jingjiang, China and purchases of machinery, which was planned to use primarily for the assembling of waste heat recovery products and marine products for FPSOs and other large scale applications	23	23	—
Construct waste heat power generation projects*	106	97	—
Expansion of global sales network	88	88	1.9
(i) for development of the Group's India representative office and production facilities;	38	38	0.4
(ii) for development of the Group's Brazil representative office and production facilities;	38	38	—
(iii) for machinery at Greens Marine Singapore; and	8	8	1.5
(iv) for the Group's U.S. sales office	4	4	—
Acquire licenses and technologies	84	84	—
(i) for licensed technologies for the manufacturing of waste heat recovery products for 9F class HRSGs; and	61	61	—
(ii) for technologies relating to power plants design and engineering	23	23	—
Wind turbine towers business at Tongliao Greens, which will include repayment of bank loans used for the construction of manufacturing facilities and working capital	53	53	53.0
Total	446	437	78.6

* Adjusted as the actual offer price is lower than the estimated offer price

The Company will continue to closely monitor the general investment environment so that if any part of the intended use of the IPO Proceeds becomes unavailable or less profitable, the management may take into account all current conditions and in the best interests of the Group and its shareholders, subject to relevant Listing Rules, reallocate the funding to other parts of the Group and/or new projects. In the event of such a circumstance, the Group will make all necessary disclosures in due course and comply with all relevant disclosure requirements under the applicable Listing Rules.

H. Capital structure

The capital structure of the Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to owners of the Company, comprising issued and paid-up share 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 and share buy-backs as well as the issue of new debt or the redemption of existing debt.

During the period under review, there has been no change in the share capital of the Company.

I. Guarantees and contingent liabilities

As at 30 June 2010, there were no guarantees or any contingent liabilities incurred by the Group.

J. Pledge of assets

As at 30 June 2010, the Group had pledged deposits of approximately RMB18.9 million (31 December 2009: approximately RMB22.9 million) to secure certain bank borrowings and banking facilities of the Group.

K. Foreign exchange risk

As at 30 June 2010, the balance of the bank balances and cash maintained and recorded by the Group (including pledged bank deposits) consisted of HK dollars, Renminbi, US dollars and others in the respective proportions of approximately 72.3%, 19.6%, 0.5% and 7.6% (As at 31 December 2009, HK dollars, Renminbi, US dollars and others accounted for approximately 67.7%, 18.8%, 11.3% and 2.2% respectively of the bank balance of the Group).

As the sales, purchase and bank borrowings of the Group during the Period and the corresponding period in 2009 were made mainly in Renminbi, US dollars and Euro and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted mainly in Renminbi, US dollars and Euro, the Group will convert all bank balance currently maintained in HK dollars into Renminbi, US dollars or Euro as soon as possible, and convert all future deposits or receipts in HK dollars into either Renminbi, US dollars or Euro to minimize any foreign exchange risk. To reduce its foreign currency exchange exposure, the Group has entered into a number of forward transactions on, among other currencies, the Renminbi, US dollars and Euro.

L. Interest rate risks

As at 30 June 2010, the majority of the bank borrowings of the Group are fixed rate borrowings and carry interest ranging from 1.5413% to 5.7348% per annum. The interest rate of loans which carry floating interest rates was calculated by reference to the benchmark interest rate prescribed by the People's Bank of China and are denominated in Renminbi. The Group currently does not use any derivative instruments to hedge its interest rate risks.

M. Significant investments held

During the Period, the Group did not have any significant investment.

N. Major acquisition and disposal

The Board announced on 14 January 2010 that Greens New Energy Limited ("**Greens New Energy**", a wholly owned subsidiary of the Company) and Tongliao Boiler Factory Limited ("**Tongliao Boiler**", a private company incorporated and existing under the laws of the PRC) entered into an equity transfer agreement in respect of the sale and purchase of 40% equity interest of Tongliao Greens from Tongliao Boiler to Greens New Energy, and the JV Termination Agreement to terminate the joint venture agreement of Tongliao Greens dated 5 June 2009. Details has been set out in an announcement of the Company dated 14 January 2010.

O. Human resources

As at 30 June 2010, the Group employed a total of 1009 staff (31 December 2009: 884 staff). During the Period, the staff costs of the Group were approximately RMB35.9 million (six months ended 30 June 2009: approximately RMB28.7 million). The staff costs include basic salary, performance salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, public house reserves, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review over the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering a grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with that of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the human resources market.

P. Order backlog

The Group generally recognises revenue on a stage of completion bases. The Group's order backlog represents that portion of the contract value as of a specified date whose associated revenue has not been recognised. Based on supply contracts entered into on or prior to 30 June 2010, the total order backlog as at 30 June 2010 was approximately RMB297.1 million. The following table sets forth, by business segment, the Group's order backlog as of 30 June 2010.

	As of 30 June 2010 To be delivered in		**As of 31 December 2009 To be delivered in**	
	2010 RMB million	2011 RMB million	**2010 RMB million**	2011 RMB million
Economisers	**74.0**	—	**71.6**	—
Waste Heat Recovery Systems	**120.6**	8.9	**143.8**	—
Marine Products	**38.2**	13.1	**40.9**	0.7
Waste Heat Power Station	**–**	—	**–**	—
Service & Repairs	**2.5**	1.7	**2.7**	0.3
Boiler Components	**38.1**	—	**38.2**	—
Wind Turbine Tower	**–**	—	**–**	—
Total	**273.4**	23.7	**297.2**	1.0

PROSPECT, FUTURE PLANS AND STRATEGIES

Subdued international economic conditions continue to prevail despite coordinated efforts by various governments across the globe to rein in spending and pare down debt. The result has been a lower profile in most global markets and hesitation by government leaders to press ahead with investment in new infrastructure projects including power generation projects. There are some exceptions to this trend such as investment for essential power capacity extensions, necessary plant upgrades, or those projects associated with clean fuel technologies to help reduce emissions and meet targets for a healthier environment. Some cutbacks are also appearing in operating and maintenance budgets or life extension programmes due to financial restraints that are generally delaying various project release dates.

While market demand continues to develop in China, Central Asia, South Asia and parts of South America, other markets that had been adversely affected by the global downturn are seeing a renaissance. These include markets in Eastern Europe and the Middle East which are receiving continuous focus from the Group's blue chip customer base.

The market in China has remained relatively stable due to strong support from the government and its policy of investment in major infrastructure projects as well as a commitment to emissions reduction and cost-saving through improved fuel consumption efficiency. This is evident in China's waste heat power generation projects for various industries, equipment retrofitting projects for power plants and new constructions of clean fuel power plants.

In South Asia, India remains 'power thirsty' and the demand for new power plants and energy-saving equipment will remain strong. This trend was highlighted in the Twelfth Five-year Plan of India which placed increased emphasis on private power generation projects, which will create more opportunities for international suppliers.

The Group aspires to be a leading global supplier of creative, high quality and environmental friendly heat transfer and alternative energy products and solutions. The Group is positioned to meet the global trend and demand and is able to secure the best opportunities whenever they arise. To that end, capital expenditure plan with the following key points has been established:

1. Increase production capacity

Production capabilities at existing plants in China will continue to be expanded in a prudent manner to keep pace with demand and anticipate fluctuations in market requirements for each product segment. New facilities adjacent to the port along the Yangzi River remain pending until customers can accept larger module sizes for shipment. The management believes that production capacity expansion will contribute to the continuing growth and the efforts to solidify the Group's market positions in relation to its core products.

2. Seize opportunities to develop new business and technology

In line with the Group's objective of becoming a leading supplier of heat transfer and alternative energy products and solutions, business model and strategy will be adjusted from time to time and seize opportunities to develop new business project opportunities in Waste Heat Power Generation market that meet its return on investment criteria. Negotiations to acquire licenses and technologies for power plant designs and 9F Class HRSGs continue apace as the Group aims for the broader target markets of South Asia and Central Asia rather than just restricting its target market solely to China.

3. Expand global sales network

The Group has set sights on further market expansion in India for Economisers and Waste Heat Recovery Products. While its new Indian subsidiary has received a strong customer response for HRSGs and other waste heat recovery products, the Group will, nonetheless, consider building the first assembly line in India for these products only when turnover continues to grow to more mature and sustained volume levels.

The Group will continue to lay a solid foundation to supply 'green' products to the South Asia market from Singapore through its new Singaporean subsidiary and by using it as a strategic regional sales and marketing hub. Investment in production facilities in Singapore has been postponed in order to place greater emphasis on products and equipment supplied from China as opposed to focusing on service, repair, and retrofitting projects for the offshore oil industry.

Construction of the basic facilities in the Tongliao plant has already been completed and now it aims to fully utilise this newly built production facility to generate healthy revenues and profits.

Conclusion

Given today's macro economic turbulence and low market visibility, the Group will adopt a cautious and careful approach when initiating its corporate strategies. All in all this has been a very challenging period and various new investments in facilities in Waste Heat Power Generation, Singapore and India and the expansion of the global sales network have been re-assessed in consideration of market influences and strategy developments. The management will continue to closely monitor major trends in its markets and look for any profitable business opportunities and possible collaborations, merger and acquisition projects in its industry as and when appropriate.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Share Option Scheme

The Company adopted a share option scheme on 19 October 2009 pursuant to the written resolutions of all shareholders of the Company (the "Share Option Scheme"). As at 30 June 2010, no option has been granted under the Share Option Scheme by the Company. A summary of the principal terms and conditions of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix IV to the Prospectus and the 2009 annual report of the Company

Directors and Chief Executives' Interests and Short Positions in the Company's Issued Shares

Name	Nature of interests	Number of securities held (1)	Approximate percentages to the equity (%)
Frank Ellis	Beneficial owners	344,250,000	27.65
Xie Zhiqing	Controlled corporation (2)	183,566,250	14.74
Chen Tianyi	Controlled corporation (3)	147,183,750	11.82

Notes:

(1) All interest in Shares are long positions.

(2) The interest disclosed represents the interest in the Company held by Union Rise International Limited ("Union Rise"), a company which is directly wholly-owned by Mr. Xie Zhiqing.

(3) The interest disclosed represents the interest in the Company held by Crown Max Investments Limited ("Crown Max"), a company which is directly wholly-owned by Ms. Chen Tianyi.

As at 30 June 2010, save for the directors of the Company mentioned above, none of the other directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model code").

During the Period, save as disclosed above, none of the directors and chief executives of the Company or any of their associates had any interests in any securities of the Company or any of its associated corporations (as defined in the SFO). None of the directors and chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

At no time during the Period was the Company or its holding companies or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in the Company's Issued Shares

As at 30 June 2010, the following persons (other than the directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Nature of interests	Number of shares of interest [1]	Approximate percentage of shareholding
Ann Elizabeth[2]	Family	344,250,000	27.65%
Crown Max[3]	Controlled corporation	147,183,750	11.82%
Union Rise[4]	Controlled corporation	183,566,250	14.74%
Dai Ya Ping[4]	Family	183,566,250	14.74%
China Fund Limited[5]	Controlled corporation	227,520,000	18.27%
Luckever Holdings Limited[5]	Controlled corporation	229,520,000	18.44%
Liu Xuezhong[5]	Beneficial Owner	238,886,000	19.19%
Li Yuelan[5]	Beneficial Owner	238,886,000	19.19%

Notes:

(1) All interests in the Shares are long positions.

(2) Ms. Ann Elizabeth is the spouse of Mr. Frank Ellis, the Chairman and executive director of the Company. Therefore, Ms. Ann Elizabeth is deemed, or taken to be, interested in the 344,250,000 Shares which Mr. Frank Ellis is interested for the purpose of the SFO.

(3) The interest disclosed represents the interest in the Company held by Crown Max, a company which is directly wholly-owned by Ms. Chen Tianyi, the Chief Operations Officer and executive director of the Company. Ms. Chen Tianyi is the sole director of Crown Max.

(4) The interest disclosed represents the interest in the Company held by Union Rise, a company which is directly wholly-owned by Mr. Xie Zhiqing, the Chief Technology Officer and executive director of the Company. Ms. Dai Ya Ping is the spouse of Mr. Xie Zhiqing. Therefore Ms. Dai Ya Ping is deemed, or taken to be, interested in the 183,566,250 Shares which Mr. Xie Zhiqing is interested for the purpose of the SFO. Mr. Xie Zhiqing is sole director of Union Rise.

(5) China Fund Limited is beneficially wholly-owned by Luckever Holdings Limited. Luckever Holdings Limited is directly interested in 2,000,000 Shares and is also regarded as interested in the 227,520,000 Shares owned by China Fund Limited. Luckever Holdings Limited is beneficially owned by Mr. Liu Xuezhong as to 60.87% and Ms. Li Yuelan as to 39.13% respectively. Mr. Liu Xuezhong is also personally interested in 9,366,000 Shares. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed, or taken to be, interested in the 238,886,000 Shares which Mr. Liu Xuezhong and Luckever Holdings Limited are interested in for the purpose of the SFO. Mr. Liu Xuezhong is also the spouse of Ms. Li Yuelan.

Save as disclosed herein, there was no person known to any directors or chief executives of the Company, who, as at 30 June 2010, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for the directors of the Company in their dealings in the Company's securities. The Company, having made specific enquiry on all the directors of the Company, confirmed that all its directors have complied with the Model Code throughout the six months ended 30 June 2010.

Audit Committee

The Company established the audit committee on 19 October 2009 with written terms of reference which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Company as well as nominating and supervising external auditor and offering advices and recommendations to the Board. The audit committee comprises three members, namely Mr. Yim Kai Pung, Mr. Jack Michael Biddison and Mr. Ling Xiang, and all of them are independent non-executive Directors. Mr. Yim Kai Pung is the chairman of the audit committee. It has reviewed the accounting principles and practices adopted by the Company and the unaudited financial results of the Group for the six months ended 30 June 2010. The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the condensed consolidated financial statements and accompanying notes of the Group for the six months ended 30 June 2010.

Corporate Governance

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules during the Period except for the deviation from Code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Frank Ellis is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business development and management of the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and efficiently.

By order of the Board
GREENS HOLDINGS LTD
格菱控股有限公司*
Mr. Frank Ellis
Chairman

Hong Kong, 25 August 2010

** for identification purpose only*