*For identification purposes only

TOGETHER WE GROW

ANNUAL REPORT 2010

格菱控股有限公司*

GREENS HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1318

CONTENT

CORPORATION 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

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)*
Ms. 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

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, 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, Jingjiang Branch
Bank of Communications, Hong Kong Branch

WEBSITE

www.greensholdings.com

PLACE OF LISTING

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

FINANCIAL SUMMARY

PERFORMANCE HIGHLIGHTS

Revenue for 2010 was approximately RMB710,954,000 representing an increase of 28.0% as compared with last year.

Profit attributable to owners of the Company for 2010 was approximately RMB65,311,000 representing a decrease of approximately 4.4% as compared with last year.

Basic earnings per share for 2010 amounted to RMB0.052, representing a decrease of approximately 27.8% as compared with last year.

The Board recommended payment of a final dividend of HK1.54 cents per share for the year ended 31 December 2010.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the consolidated annual results of GREENS HOLDINGS LTD ("Greens" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2010.

Greens has continued to achieve its vision of becoming one of the world's most respected enterprises by providing key heat transfer and alternative energy products and solutions designed to enhance energy efficiency for a greener world.

STABLE PERFORMANCE WITH SOLID ACHIEVEMENTS

The financial performance of the Group is set out in the relevant sections of this annual report. As I have mentioned in the statement last year, the Group has succeeded in further strengthening its core competences in design in strategic locations to support the global network that is being put into place and has further invested in its main production centre in Jingjiang City, Jiangsu Province, China to meet the strong demand for improvement of energy efficiency and environmental enhancement despite the slowdown in the Global economy.

In 2010, it has presented some significant challenges because many established international customers of the Group were affected and so the Group accelerated its plans to focus on new customers, development of the most active markets and successfully identifying projects with more added value and extended scope. This has enabled the Group to substantially increase its turnover in 2010 that is on track to increase again in 2011 but the combination of market entry effect on margins and increased operational expenses as well as the intensity of the competition has affected the Group's profitability in 2010. During the year, many established international customers in Europe, USA and Japan have relied on their order backlogs because of project delays and there is now much more emphasis on waste to energy, retrofitting and clean energy projects where Greens have been focusing its efforts.

I am pleased to report that despite market difficulties some of the key milestones that the Group set itself have been achieved and have demonstrated the Group's capability to supply products and services on time and in compliance to international standard that placed heavy demands on its engineering and production facilities in China. Such rapid growth in output has justified the Group's investment in equipment and skills in the country.

Greens continually demonstrate its ability to react to market changes. Whilst there has been a slowdown in major capital projects, countries like China and India have maintained their strong commitment to meet growth and environmental targets that is where much of the Group's efforts were focused during 2010.

All of this effort and focus to key markets has created opportunities to increase Greens ranking, as a supplier of specialist boilers as well as heat transfer solutions and the Group is now competing with long established companies who have not responded to market changes and focused more on order backlog to await improvement in global investment confidence.

The Group has secured orders for a variety of projects to enhance efficiency and produce power using waste heat or alternative fuel types and has raised its profile as a consequence. This has generated more enquiries and created more opportunities for larger capital value projects as well as shorter delivery high margin retrofitting work particularly in China that was anticipated and targeted. Such achievements has justified the Group's persistent investment in core skills and equipment.

One key objective in China has been the development of the new low temperature economisers and other related heat transfer equipment to enhance the efficiency of existing power boilers to ensure that Government targets for efficiency improvement can be met. The Group now has several orders on hand for this equipment and is already delivering and installing the equipment that involves a new oval-shaped tube heat transfer equipment that has been produced by using the Group's skills in designing and developing specialist production machines. The product can be utilized in other strategic locations around the world as one of the premium product lines of the Group.

The Group has been very successful in partnering with a major developer of Biomass plants and together the partnership is building a 40MW plant in China. Many further projects are due for release in China because of the significant increase in electricity price for power from this alternative fuel source and secure pricing of the fuel itself. Several retrofit projects in China have been started in late 2010 that will mean heavy demand for the Group's steel H economisers through 2011.

A number of significant successes have been achieved in the India market that has been supported by the engineering team of the Group in UK during the establishment of the Chennai sales office and development of the core skills domestically has helped to incorporate the Group's wholly owned subsidiary in India during the year. The subsidiary is now another technical skill centre of the Group supporting the India market and parts of South Asia. A number of economisers were delivered for industrial economisers creating the opportunity for a major breakthrough into the Utility market for the Group's steel H economisers as Greens has done in past years in China, Japan and Europe where most boilermakers have supplied this product. A number of sizable Heat Recovery Steam Generators (HRSGs) have been sold for delivery in 2011 as a result of these initiatives and the Group anticipates continued success in penetrating the waste heat recovery market to supply specialist boilers for many applications such as cement factories and process plants.

The investment by the Group to enter the alternative energy market has brought added success. The Group's newly built wind turbine tower factory in Inner Mongolia began commercial production during the year while the Group's waste heat power generation business in Xinjiang has completed its first full year of operation and generated more than 100 million kilowatt hours of electricity by recovering waste heat from a third-party coking plant.

DEPRESSED EUROPE VS BLOOMING ASIA

The world economy, especially the market for power infrastructure in those developed countries in Europe and America, has experienced a very challenging year during 2010. Various development projects planned to be launched in those countries have been either cancelled or postponed. The Group's sales in Europe has inevitably been affected. Thanks to the Group strong reputation and steady relationship with major customers in the industry, the Group continues to work closely with its existing business partners in such area and is well positioned for seizing any opportunity in the earliest recovery in the European and American markets.

In contrast China remains the largest market for the Group's products during the year. Renewable energy, fuel saving and reduction of emission are all being encouraged by central government policies which, in turn, creates profitable opportunities for the Group's core heat transfer products.

- **Wind turbine tower**

  The new plant, which has been specifically designed for the production of high quality steel towers for wind turbines, has been completed and deliveries of wind turbine towers commenced in the fourth quarter of 2010. Benefitting from the strong demand for steel towers in the largest wind-farm in China, the Inner Mongolia prairie, this innovative, highly efficient and environmentally friendly project is being strongly supported by the municipal government of Tongliao City with encouraging administrative arrangements and financial support. The production hall of the new plant is designed with a ceiling height of 35 metres enabling the fabrication of steel tower parts vertically to ensure production efficiency and fabrication precisions. Those parts will subsequently be assembled at the destination site to form wind turbine towers as tall as 100 metres, and will be able to support 1.5 MW wind turbines, giving Greens a competitive advantage. Since starting commercial operations in the fourth quarter of 2010, orders have begun to be received from leading wind power corporations in northern & western China.

- **Low temperature applications**

  Already very active in high and medium temperature applications (i.e. from 230°C to as high as 1650°C) of heat transfer products, which can aid in the more efficient generation of electricity using sophisticated heat capturing techniques, the Group's latest and more efficient heat transfer solutions can help power plants and other manufacturers to achieve energy savings at lower temperature applications (100°C to 150°C) as well, while at the same time providing both commercial and environmental advantages. The China market has a growing need for more effective heat capturing equipment that ensures even lower temperature exhaust gas emission. Recovering low temperature waste heat with no extra expenses will have great potential for enterprises

- **Biomass equipment**

  According to the "Survey and assessment report on agricultural crop straw resources in the country《全國農作物秸稈資源與評價報告》" released by the Ministry of Agriculture, the total volume of crop straw collected for re-cycling in China is currently 687 million tonnes per annum. The incineration of straw in open spaces among farming villages in China is frequently blamed for creating significant emissions of carbon dioxide and other poisonous gases into the atmosphere. Greens' heat transfer products and its boiler related products can be applied to most biomass power facilities. Fuels such as straw and wood chips are burned in a furnace and the intense heat generated in this process generates significant amounts of steam inside sizable boilers. The steam can then be applied to drive turbines and generate electricity.

- **Marine boilers**

  During the year, the shipbuilding industry in Asia has experienced a significant recovery. Demand for boilers to be applied to medium sized vessels has increased substantially. The Group has a strong reputation and a solid position in such a specialty market and revenue from the Group's marine boiler products has increased significantly. The Group is continuing to cultivate its possible entrance in Southeast Asia to provide boilers for floating production, storage and offloading vessels (FPSOs) in offshore oil exploration industry.

Following its wholly owned subsidiary incorporated in Chennai, India during early 2010, the Group has recorded impressive growth in the country. Chennai has been a services and manufacturing hub for India dating back to the age of the English East India Company. Encouraging government policies during the past five years and the forthcoming five years have created a very positive environment for the Group. In addition, the Group's multinational background with strong British heritage (over 170 years of British brand name), together with its experienced and highly skilled technical support team in 'the Home of the Economiser' in UK, has aroused strong attraction to customers in the heat transfer equipment market in India.

PROSPECT

2011 will be the year for the two fastest developing countries in the world, China and India, to conclude their next five years plans including setting their targets for building additional power generation facilities. It is expected that the two countries will keep on escalating their investments in such area in order to meet their ever-growing demand for electricity from industrial and commercial activities.

Greens will benefit from its direct sales to the local engineering, procurement and construction contract providers (EPCs) in both countries as well as being the qualified equipment suppliers for the three leading boiler manufacturers in China. Those enterprises have received enormous orders with the respective governments for new power generation facilities, and these will be delivered in the next five years.

The Company has set its sights in Japan, where several major utility customers are scheduled to replace steel H economisers originally supplied by Greens in the early 1990's, and in other South Asia markets that have needs for products similar to those being supplied in India and China. Much of the marketing for South Asia is being handled by the Singapore Sales office where the market for marine offshore products is also expected to increase as global oil prices rise.

Development plans for markets in USA and Brazil are still under detailed consideration by the management with the USA plan more advanced and ready to be implemented in the second quarter of 2011. Regarding the plan for Brazil, since the market slowed a little in 2010, the focus may be switched to other markets such as Eastern Europe and Middle East.

For the renewable energy segment, the Group will continue to have joint operations with leading biomass EPCs so as to seize a significant market share in the region in the foreseeable future. As the Group's product can now be applied to lower temperature applications, it is expected to open up new opportunities to further enhance the follow-on sales and retrofit market of the Group as utility operators in China and other Asian countries are now facing more stringent legislation on emission reduction.

According to the latest report from China's power industry watchdog the State Electricity Regulatory Commission (SERC), by the end of June 2010, the installed capacity of wind power on grid facilities amounted to approximately 22 million kilowatt hour while at the same time there is approximately 16 million kilowatt hour under construction. This explains the strong demand in China for the Group's wind turbine towers in the coming years.

The construction of the Group's core production facilities in the past two years have now been completed, and these will continue to generate additional cashflow in the forthcoming periods. The management will, from time to time, review the overall financial position of the Group and gradually and systematically lower its gearing levels to a more satisfactory level.

The management will implement more stringent cost efficiency control of the Group during 2011 while from time to time conducting reviews of production process, possible acquisition of efficiency enhancing equipments and more advanced engineering know-how.

Being a multinational corporation with a long history and proven capabilities in the energy efficiency related field, I am proud of a dedicated work force which shares the same vision as the Group. These provide a sound basis for the creation of core and lasting values for Greens. The Group owes a debt of gratitude to its management team, which is comprised of international and domestic industry experts, top professionals and skilled people of different nationalities and backgrounds. Greens also warmly thank its customers for their loyalty and long-term support in choosing its products to help keep the environment clean. Greens is fully committed to creating a greener and cleaner world. On behalf of the Group, I sincerely look forward to the continued support of its shareholders in helping Greens to fulfill its mission as it shares the fruits of success in its investments and creates a better world for the next generation of mankind.

Frank Ellis
Chairman
15 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the business development of the Group can be summarized as follows:

Overall operations

After the recent two years of construction, the Group completed most of its core development projects during the year for the purpose of enhancing productivity. The construction of its core production base for waste heat recovery products located in Jing Jiang city has been completed. With its two well-equipped workshops now fully operational, the output of products in this segment has been significantly increased during the second half of 2010. Total output of the Group for the year was further strengthened, as the new plant in Inner Mongolia also started its production of wind turbine towers in the fourth quarter of 2010. Such an increase in productivity has strengthened the market development of the Group's products as a whole.

Economisers

Economiser, the traditional products of the Group, are primarily used in coal-fired power stations and industrial power plants to increase efficiency and save fuel consumption. China continued to be the major market for the Group's economisers during the year whilst sales to India also increased significantly. As such, the Group's sales of economisers in the year increased by approximately 3.8% to approximately RMB219.3 million as compared with the previous year.

Waste heat recovery products and boiler components

Heat recovery steam generators (HRSGs), the substantial systems applied in gas-fired and oil-fired power plants, waste heat boilers and other waste heat recovery products are primarily used in clean energy and renewable energy power projects. Other waste heat boilers are also used in industrial applications such as cement plants, coking plants and oil refineries to recover waste heat from daily operations and to reduce emissions. During the year, these products were mainly supplied to customers in China, Europe and India with the revenue from India recording a notable growth. Turnover of waste heat recovery products recorded a significant increase of approximately RMB369.1 million for the year (2009: approximately RMB239.2 million). This segment formed the largest revenue stream and accounted for approximately 51.9% of the Group's total revenue in the year.

Marine boilers

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 can be applied 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). During the year, the segment has benefitted from the recovery of the shipbuilding industry in Asia, as the Group's one-stop shop concept of providing self-manufactured products together with outsourced items for customers has enhanced the Group's position in the market. During the year, sales of marine products increased by approximately 158.7% to approximately RMB37.3 million.

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 Waste Heat Power Generation Co., Ltd. ("Baicheng Greens"), a wholly owned subsidiary of the Group and the company established by the Group for this project, sells electricity generated from the waste heat produced by Xinjiang Coke to the State Grid Corporation of China. The 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 year, electricity sales from the project were 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 breaks 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 caused the project to operate below capacity and caused the Group to suffer gross losses. The revenue downturn of waste heat power generation was also due to the fact that the revenue in 2009 included an element of construction revenue. The power station was completed in May 2009 so there is no construction revenue in 2010. The revenue of the project for the year only represents the operation revenue of electricity sold.

To support efforts toward environmental protection, Baicheng Greens has been awarded a number of financial benefits by the domestic county government, which has helped compensate for losses suffered by the Group. In addition, the Group has entered into a transfer agreement with an independent third party in order to secure the future revenue of the segment in the remaining years.

During the year, the Group has initiated its second project of waste heat power generation in Kunming city, Yunnan province, China (the "Yunnan Project"). The Yunnan Project comprises the technological upgrade of the waste heat power generation system of a chemical factory in consideration of the electricity sales revenue for six years. The Yunnan Project is still in its preliminary stage as at the end of year 2010.

Wind turbine towers

A wholly owned subsidiary of the Group, Tongliao Greens Wind Power Equipment Co., Ltd. ("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. This business has commenced deliveries of products during the fourth quarter of 2010. Turnover of wind turbine towers products has started to generate revenue of approximately RMB41.0 million for the year (2009: Nil).

Service 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 year, the segment's growth was restricted by the unfavourable conditions in the international markets. During the year, revenue from services and repairs decreased by approximately 38.3% as compared to the previous year to approximately RMB22.5 million.

International business platform

The Group's core manufacturing facilities are located in Shanghai city 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 year 2010 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 has started to serve as the Group's major sales office in the southeast asia region.

FINANCIAL REVIEW

1. Revenue

The Group's revenue for the year amounted to approximately RMB711.0 million, representing an approximate 28.0 % increase as compared with last year. This increase was mainly attributable to the growth in the Group's design, engineering, manufacturing and sales of its waste heat recovery products (mainly HRSGs and waste heat boilers). The Group's newly built wind turbine tower factory located in Inner Mongolia also started to generate revenue during late 2010. Moreover, revenue from marine boiler products has sharply increased by 158.7% as the shipbuilding industry recovered.

In 2010, revenue from international markets and from China accounted for approximately 24.4% and 75.6% of the Group's consolidated revenue, respectively. The Group maintained its position as the leading supplier of key heat transfer products in China and international markets in 2010. Demand for the Group's products in China remained strong during the year with revenue of approximately RMB537.8 million (2009: approximately RMB355.5 million). With the continued efforts spent by the Group in expanding its business in overseas markets, international sales amounted to approximately RMB173.1 million (2009: approximately RMB199.9 million) despite experiencing difficult trading conditions in Europe, America and Japan. During the year, the decrease in international sales was principally due to these difficult trading conditions but was offset by the successful opening up of the Group's market in India. Sales to customers in India for the year amounted to RMB75.9 million (2009: Nil).

2. Gross Profit

Although there is significant increase in turnover, there is no increase in gross profit for the year and the gross profit is reported as approximately RMB173.2 million (2009: approximately RMB179.8 million). This is mainly the result of the decrease in revenue contributions from overseas markets as the negative effects of the financial downturn still persist among many developed countries. In addition, initial orders from the fast expansion of the market in India and new orders from the recovering marine boilers market were all at narrower margins in order to maintain the Group's competitiveness. The waste heat power generation segment is still suffering from a gross loss during the year. All such factors have restricted the gross profit in the year even though the new production of wind turbine towers has started to bring contributions. Finally but not least, the total gross profit was affected by the upsurge in raw material prices during the year. Though the Group has worked closely with its suppliers to reduce the fluctuations in the price of steel tubes and steel plates and has been more proactive in passing on these fluctuations to customers during the tendering process, such continued increases in raw material prices have had a negative effect to the gross profit of the Group.

3. Profit before tax

The Group's profit before tax recorded approximately RMB72.7 million for the year ended 31 December 2010 (2009: approximately RMB86.1 million). Besides the effects from gross profit, the change in profit before tax for the year was mainly attributable to the significant increase in finance costs from approximately RMB12.1 million in 2009 to approximately RMB19.9 million in 2010, the modest decrease in administrative expenses from approximately RMB81.2 million in 2009 to approximately RMB80.7 million in 2010 and the increase in selling and distribution expenses for the year as compared with last year. The increase in finance costs was primarily attributable to the increase in borrowings as reported in the Company's 2009 annual report and the smaller amount of finance costs for the first half in 2009 which were reduced by the capitalization of eligible borrowing costs for that period. The reduction in administrative expenses was mainly due to professional fees being expensed during 2009 when the Company applied for the flotation of its shares in that year. The selling and distribution expenses increased approximately 32.5% to approximately RMB19.6 million for the year ended 31 December 2010 as a consequence of the development of the overseas sales network and the business strategy to develop new markets as well as looking at any merger and acquisition opportunities for the year.

4. Net Profit Attributable to Owners of Company

Net profit attributable to owners of the Company decreased approximately 4.4% to approximately RMB65.3 million for the year ended 31 December 2010 as a result of the drop in profit before tax for the year as compared with last year which outweighed the decrease in income tax expenses for the year.

5. Other Income and Other Gains and Losses

The Group recorded a gain of approximately RMB23.7 million for the year ended 31 December 2010 (2009: approximately RMB18.5 million). The amount for 2010 mainly represented the recognised subsidy income of approximately RMB4.98 million to compensate the Group for the operating loss of a subsidiary in waste heat power generation business in Xinjiang, which was caused by domestic emission reduction policies. At the same time, RMB7.9 million unconditional compensation was received from certain customers for orders cancelled during the year ended 31 December 2009 and additional income was accounted for from a transfer agreement as the revenue from electricity sales of waste heat power generation project in Xinjiang, China for the six month ended 21 December 2010 was less than RMB30 million, the independent third party provided a compensation of RMB4 million.

6. Segment Information

With reference to the latest financial reporting standards, the management decided to combine the segments of waste heat recovery products and boiler components in the year so as to better reflect the Group's structural organization and the way the performance of such segments is monitored internally.

Revenue by Operating Segments

	For the year ended 31 December			
	2010		2009	
	RMB'000	**As a % of total revenue**	RMB'000	As a % of total revenue
Economisers	**219,277**	**30.8**	211,284	38.0
Waste heat recovery products and boiler components	**369,141**	**51.9**	239,151	43.1
Marine products	**37,325**	**5.2**	14,426	2.6
Services and repairs	**22,515**	**3.2**	36,492	6.6
Waste heat power generation	**21,716**	**3.1**	54,087	9.7
Wind turbine towers	**40,980**	**5.8**	–	–
Total revenue	**710,954**	**100.0**	555,440	100.0

The following table shows a revenue breakdown by geographical location of the Group's customers for the year:

Revenue by Geographical Markets

	For the year ended 31 December			
	2010		2009	
	RMB'000	**As a % of total revenue**	RMB'000	As a % of total revenue
The PRC	**537,805**	**75.6**	355,544	64.0
Europe	**86,464**	**12.2**	115,201	20.7
India	**75,887**	**10.6**	–	–
America	**4,649**	**0.7**	38,854	7.0
Others	**6,149**	**0.9**	45,841	8.3
Total revenue	**710,954**	**100.0**	555,440	100.0

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

Gross profit margins	For the year ended 31 December **2010 (%)**	2009 (%)
Economisers	**34.5**	39.3
Waste heat recovery products and boiler components	**23.3**	37.7
Marine products	**14.7**	23.7
Services and repairs	**28.5**	12.8
Waste heat power generation*	**16.7**	(2.5)
Wind turbine towers	**11.6**	–
Total revenue	**24.4**	32.4

* Taking into account various forms of compensation

The gross profit margin for the Group's economisers segment remained fairly stable at approximately 34.5%, as compared to approximately 39.3% in 2009. Such decrease was mainly due to the lower contributions from international sales in this segment for the year.

Gross profit margin for waste heat recovery products and boiler component segment decreased from approximately 37.7% in 2009 to approximately 23.3% in the year. Such decrease was mainly attributed to the unfavorable market conditions from market in the developed countries and the initial penetration strategy for the new market in India.

For the marine products segment, gross profit margin for the year was lowered to approximately 14.7% (2009: approximately 23.7%), as the Group intends to remain competitive during the initial recovery of the shipbuilding market.

Gross profit margin for services and repairs segment for the year was approximately 28.5%, as compared to approximately 12.8% in the previous year. Gross profit margin for these services increased while revenue decreased as the previous year included two relatively high value international contracts which were of a comparatively narrow profit margin.

Gross profit margin for the waste heat power generation segment for the year ended 31 December 2010 was approximately 16.7% after taking into account various forms of compensation attained (2009: minus 2.5%). During the year, electricity sales from the Xinjiang Project continued to be 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 breaks 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 segment 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 fact that the revenue of 2009 included an element of construction revenue. The power station was completed in May 2009 so there is no construction revenue in 2010. The revenue of the segment for the year only represents the operation revenue of electricity sold.

To support efforts toward environmental protection, Baicheng Greens has been awarded a number of financial benefits by the domestic county government, which has helped compensate for losses suffered by the Group. In addition, the Group has entered into a transfer agreement with an independent third party where the Group will attain additional proceeds of up to RMB4 million every six months if the segment continues to operate at a lower than agreed level of RMB30 million sales revenue every six months.

Gross profit margin for wind turbine towers for the year was approximately 11.6% (2009: Nil). This is the first year for the Group to produce and sell wind turbine towers. Gross profit margin for this segment would normally be lower than the Group's core heat transfer products as it is a new and different product in the market.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of 1121 staff (31 December 2009: 884 staff). During the year of 2010, the staff costs of the Group were approximately RMB63.3 million (2009: approximately RMB53.7 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 reviews the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary reviews 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.

PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with the applicable laws and regulations of different jurisdictions.

In relation to its employees in the PRC, the PRC government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

The Group's employees in U.K. are covered by a defined contribution pension scheme whereas its staff in Hong Kong and Singapore have joined the respective local provident fund schemes.

During the year, the contribution to the above retirement benefit scheme made by the Group amounted to approximately RMB3.0 million (2009: approximately 2.7 million).

ORDER BACKLOG

The Group generally recognises revenue on a stage of completion basis. 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 31 December 2010, the Group's total order backlog as at 31 December 2010 was approximately RMB312 million. The following table sets forth, by business segment, the order backlog as of 31 December 2010 together with the comparative position for last year.

	As of 31 December 2010		As of 31 December 2009 (Restated)	
	Contract value to be recognised within		Contract value to be recognised within	
	2011	**2012**	2010	2011
	RMB million	**RMB million**	RMB million	RMB million
Economisers	**82**	–	72	–
Waste Heat Recovery Products and Boiler Components	**124**	–	181	–
Marine Products	**68**	**3**	41	1
Waste Heat Power Station	**–**		–	–
Service & Repairs	**17**	–	3	0
Wind Turbine Towers	**18**	–	–	–
Total	**309**	**3**	297	1

LIQUIDITY AND CAPITAL RESOURCES

1. Cash Flows and Working Capital

The Group's operations have been primarily financed by cash generated from its operating activities and additional bank borrowings. To cater for the increase in volume of operations of the Group, in early December 2010, the Group has managed to release approximately RMB112 million as general working capital from the remaining balance of the net proceeds from the issue of new shares as a result of a successful listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2009. The Group's cash expenditures primarily consist of the purchase of raw materials and components from suppliers, payments on manufacturing overheads and expenses on wages and salaries. As at 31 December 2010, the Group had approximately RMB298 million in cash and cash equivalents, as compared to approximately RMB510 million as at 31 December 2009.

2. Capital Expenditure

The Group's capital expenditures amounted to approximately RMB96 million for the year ended 31 December 2010, as compared to approximately RMB186 million in 2009. The capital expenditures in 2010 were primarily attributable to the increase in the production capacity of its core production base in Xieqiao plant, the completion of its wind turbine tower factory in Inner Mongolia and the establishment of its subsidiary in Chennai, India.

3. Capital Structure

The capital structure of the Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to the 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 balances 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 the existing debt.

INDEBTEDNESS

The following table sets forth components of our indebtedness as of 31 December 2010 with comparative figures of the previous year:

As of 31 December	**2010 (RMB'000)**	2009 (RMB'000)
Secured bank borrowings	**–**	5,729
Unsecured bank borrowings	**325,039**	375,000
	325,039	380,729
Unsecured bank overdrafts	**39**	–
Carrying amount repayable on demand or within 1 year	**235,039**	260,729

As at 31 December 2010, the Group's bank borrowings of approximately RMB120 million (as at 31 December 2009: approximately RMB120 million) carry fixed interest rate at 6%. For those bank borrowings made by the Group carrying floating interest rates, of approximately RMB205 million (as at 31 December 2009: approximately RMB261 million) these interest rates were calculated by reference to the benchmark interest rate prescribed by the People's Bank of China.

KEY FINANCIAL RATIOS OF THE GROUP

The following table sets out the key financial ratios of the Group with comparative figures of the previous year as reference:

	2010	2009
Current ratio	**1.78**	1.94
Net debt to equity	**0.9%**	-18.8%
Gearing ratio	**39.0%**	47.2%

Current ratio	=	*Balance of current assets at the end of the year/balance of current liabilities at the end of the year*
Net debt to equity	=	*(Balance of total bank borrowings at the end of the year – balance of bank balances, cash and pledged bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year*
Gearing ratio	=	*Total debt at the end of the year/balance of equity attributable to owners of the Company at the end of the year*

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the issue of new shares upon the listing of the Company on the Stock Exchange on 6 November 2009 amounted to approximately RMB437 million, after deducting related expenses. By the end of September 2010, the Company has applied part of those proceeds in the ways as described in the prospectus of the Company dated 23 October 2009 (the "Prospectus"). In December 2010, the Company has announced to reallocate the remaining balance of such proceeds as of 30 September 2010 of approximately RMB349 million to the following intended applications and the subsequent applications of such sums are as follows:

	Revised use of the remaining net proceeds as of 30 September 2010	Amount use for the three months ended 31 December 2010
	RMB million	RMB million
Increase in manufacturing capacity	20	20
Purchases of additional machinery for the Xieqiao plant of the Group;	20	20
Expansion of global sales network	83	1
(i) for development of India representative office and production facilities;	36	0.5
(ii) for development of Brazil representative office and production facilities;	38	–
(iii) for machinery at Singapore; and	5	0.7
(iv) for sales office in US	4	–
Acquire licenses and technologies	84	–
(i) for licensed technologies for the manufacturing of waste heat recovery products for 9F class HRSGs; and	61	–
(ii) for technologies relating to power plants design and engineering	23	–
Further development of wind turbine tower plant and its working capital	80	30
(i) further expansion of storage and production space on a piece of land adjacent to the existing plant	50	–
(ii) working capital to facilitate new orders for wind turbine towers	30	30
Strengthen working capital for core business of the Group	82	82
(i) working capital to facilitate new orders for heat transfer products	51	51
(ii) general working capital	31	31
Total	349	133

The Company will continue to closely monitor the general investment environment so that if any part of the intended use of those 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 Rules Governing the Listing of Securities on The Stock Exchange ("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.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2010, there were no guarantees nor contingent liabilities incurred by the Group (as of 31 December 2009: Nil).

PLEDGE OF ASSETS

As at 31 December 2010, the Group had pledged deposits of approximately RMB13.5 million (31 December 2009: approximately RMB22.9 million) to secure certain bank borrowings and banking facilities of the Group.

FOREIGN EXCHANGE RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. Approximately 18% (2009: 33%) of the Group's sales were denominated in currencies other than the functional currencies of the subsidiaries making the sale, whilst almost over 99% of costs were denominated in the subsidiaries' functional currencies in both 2009 and 2010. The Group uses forward currency contracts to eliminate the foreign currency exposures on overseas transactions after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

During the year, the Group recorded considerable amount of foreign currency risk in relation to the unutilized portion of the net proceeds from the issue of new shares in 2009. Such risk is significant lowered as the remaining balance being gradually used up.

INTEREST RATE RISKS

As at 31 December 2010, a part of the bank borrowings of the Group are fixed rate borrowings and carry interest at 6% per annum. The interest rates of loans which carry floating interest rates were 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.

DIRECTORS AND SENIOR MANAGEMENT

The Biographical details of the Directors and the senior management as of 31 December 2010 is as follows,

EXECUTIVE DIRECTORS

Mr. Frank ELLIS, aged 63, 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 Thermal Engineering International Limited ("TEiL") in 2004 and 2005. 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 1978 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 & Guildo National Certificate in advanced fuel technology and heat transfer in the United Kingdom.

Mr. XIE Zhiqing, aged 54, is an executive director of our Company appointed on April 9, 2008 and our chief technology officer. Mr. Xie has more than 30 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 Greens Power Equipment (China) Co. Ltd. ("GPEL") since 2007, and the general manager of Shanghai Greens Thermal Equipment Ltd ("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 47, 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 Shanghai Greens Marine Engineering Limited (上海格林船務工程有限公司) 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.

NON-EXECUTIVE DIRECTOR

Mr. ZHU Keming, aged 30, 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 56, is an independent non-executive Director of the Company 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 45, is an independent non-executive Director of the Company 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 and is also a managing director of CCTH CPA Limited. 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 form 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 43, is an independent non-executive Director of the Company 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. Gifford BROWN, aged 40, is a senior vice president of the Company. With nearly 20 years experience in the boiler industry, Mr. Brown is responsible for the management of Greens Power Limited in UK. Mr. Brown has served as director and general manager of Greens Power Limited in 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. HE Zhendong, aged 46, is a senior vice president of the Company. 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.

Mr. Ho Kin-cheong, Kelvin, aged 43, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in business administration from Hong Kong Baptist College (now known as Hong Kong Baptist University). Mr. Ho has over 20 years of experience in finance and accounting. Prior to joining the Company, Mr. Ho was responsible for accounting, finance and company secretarial matters for several listed companies in Hong Kong. Mr. Ho has joined the Company and responsible for its investor relations since April 2010 and is being re-designated as company secretary and group financial controller of the Company on 25 August 2010.

DIRECTORS' REPORT

The Directors of the Company is pleased to present the Directors' report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the Group is principally engaged in production and sale of heat transfer products, wind turbine towers and the services of waste heat power generation.

Details of the principal activities of the subsidiaries of the Company are set out in note 17 to the consolidated financial statements.

OPERATION RESULTS

The operation results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 40 of the annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended payment of a final dividend of HK1.54 cents per share for the year ended 31 December 2010 (2009: HK2.17 cents per share) to be paid on around 29 July 2011 to shareholders whose names appear on the register of members of the Company on 28 April 2011 subject to shareholders' approval. The register of members of the Company will be closed from Thursday, 21 April 2011 to Thursday, 28 April 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and to attend the forthcoming annual general meeting to be held on 28 April 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 20 April 2011.

RESERVES

Movements in the reserves of the Company and the Group for the year ended 31 December 2010 are set out on page 44 of the annual report.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2010 was approximately RMB459.1 million (as restated 2009: RMB475.4 million).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2010 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the registered and issued share capital of the Company are set out in note 29 to the consolidated financial statements.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not engage in any material acquisition or disposal of its subsidiaries or associated Companies in 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY

As at 31 December 2010, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities (2009: 345,000,000 shares).

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. As at 31 December 2010, no option has been granted under the Share Option Scheme by the Company. A summary of the principal terms of the Share Option Scheme is set out below.

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Share Option Scheme

Any Directors (including non-executive Directors and independent non-executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2010

120,000,000 shares (9.67%)

Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not exceed 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

The period within which the shares must be taken up under an option

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 10 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 10 years after it has been granted.

The amount payable on application or acceptance of the option

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.

The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

The remaining life of the scheme

Up to 19 October 2019

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2010, the purchase amount of the Group's five major suppliers and the largest supplier were approximately RMB166,488,000 and RMB45,303,000, representing approximately 41.8% and 11.4% of the total purchase amounts respectively. Besides, the revenue amount of the Group's five major customers and the largest customer for the year were approximately RMB331,535,000 and RMB131,992,000, representing approximately 46.6% and 18.6% of the total revenue amounts respectively. All transactions between the Group and relevant suppliers and customers were carried out on normal commercial terms.

To the best knowledge of the Directors, none of the Directors and any shareholders holding over 5% of the Company's shares or their associates (within the meanings of the Listing Rules) had any interests in the above five major suppliers and/or customers for 2010.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company with a term of three years starting from the Listing Date or the date of re-election.

Under the Cayman Companies Law, at every annual general meeting of the Company no less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years and eligible to offer themselves for re-election.

None of the Directors or Directors intending to seek re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S REMUNERATION

For the year ended 31 December 2010, the total directors' emoluments were RMB4,350,000, details of which are disclosed at the note 8 to the consolidated financial statements. The Directors' fees and other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group and market rate of a director of other Hong Kong listed companies.

DIRECTORS AND THEIR TERMS

Directors in office and their terms for the year and up to the date of this report were:

Executive Directors:

Mr. Frank Ellis	Three years from 6 November 2009
Mr. Xie Zhiqing	Three years from 6 November 2009
Ms. Chen Tianyi	Three years from 6 November 2009

Non-executive Directors:

Mr. Zhu Keming	Three years from 6 November 2009

Independent non-executive Directors:

Mr. Jack Michael Biddison	Three years from 6 November 2009
Mr. Yim Kai Pung	Three years from 6 November 2009
Mr. Ling Xiang	Three years from 6 November 2009

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting date or at any time during the year.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 31 December 2010, the interests of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the ''SFO'')) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the ''Model Code'') were as follows:

Name	Nature of interests	Number of securities held[(1)]	Approximate percentages to the equity (%)
Mr. Frank Ellis	Beneficial owner	347,250,000	27.89
Mr. Xie Zhiqing	Controlled corporation[(2)]	185,566,250	14.90
Ms. Chen Tianyi	Controlled corporation[(3)]	149,183,750	11.98

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 held and 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 held and wholly-owned by Ms. Chen Tianyi.

As at 31 December 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 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 contained in the Listing Rules.

During the year, 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 year 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 31 December 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
Substantial shareholders			
Ann Elizabeth[2]	Family	347,250,000	27.65%
Crown Max[3]	Beneficial Owner	149,183,750	11.98%
Union Rise[4]	Beneficial Owner	185,566,250	14.90%
Dai Ya Ping[4]	Family	185,566,250	14.90%
China Fund Limited[5]	Beneficial Owner	224,520,000	18.03%
Luckever Holdings	Interest of controlled corporation	224,520,000	18.03%
Limited[5]	Beneficial Owner	2,352,000	0.19%
Mr. Liu Xuezhong[5]	Interest of controlled corporation	226,872,000	18.22%
	Beneficial Owner	9,366,000	0.75%
Ms. Li Yuelan[5]	Interest of controlled corporation	226,872,000	18.22%
	Family	9,366,000	0.75%

Notes:

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

(2) Ann Elizabeth is the spouse of Mr. Frank Ellis. Therefore, she is deemed, or taken to be, interested in the 347,250,000 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 held and wholly-owned by Ms. Chen Tianyi. Ms. Chen Tianyi is sole director of Crown Max.

(4) The interest disclosed represents the interest in the Company held by Union Rise, a company which is directly held and wholly-owned by Mr. Xie Zhiqing. Dai Ya Ping is the spouse of Mr. Xie Zhiqing. Therefore Dai Ya Ping is deemed, or taken to be, interested in the 185,566,250 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 owned by Luckever Holdings Limited as to 100%. Luckever Holdings Limited is regarded as interested in 100% of the 224,520,000 Shares owned by China Fund Limited and direct shareholding of 2,352,000 Shares. Luckever Holdings Limited is beneficially owned by Liu Xuezhong as to 60.87% and Li Yuelan as to 39.13% respectively. Therefore, they are deemed, or taken to be, interested in the 226,872,000 Shares which Luckever Holdings Limited is interested in for the purpose of the SFO. Liu Xuezhong beneficially owns 9,366,000 Shares and is also the spouse of Li Yuelan. Li Yuelan is deemed, or taken to be, interested in the 9,366,000 Shares which Liu Xuezhong is interested for the purpose of the SFO.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

No contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders and their subsidiaries as at the end of the reporting date or at any time during the year.

CONNECTED TRANSACTIONS

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 for the consideration of RMB3.3 million in cash to be paid within 30 days following a grant and issue of the renewed business licence of Tongliao Greens, and the JV Termination Agreement to terminate the joint venture agreement of Tongliao Greens dated 5 June 2009. Details have been set out in an announcement of the Company dated 14 January 2010.

Details of the related party transactions of the Group for the year ended 31 December 2010 are set out in note 35 to the consolidated financial statements. The Directors of the Company (including our independent executive Directors) believe that the related party transactions set out in note 35 to the consolidated financial statements are carried out in the ordinary course of business and on normal commercial terms.

For the purpose of the related party transactions set out in note 35 to the consolidated financial statements, the Board of the Company confirms that, none of them constituted non-exempt continuing connected transactions under the Listing Rules.

Save as disclosed above, transactions listed in note 35 to the consolidated financial statements do not constitute discloseable connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

As at 31 December 2010, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PRE-EMPTION RIGHT

There is no restriction on the pre-emption right under the Cayman Laws.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the Listing Rules during the year.

AUDITOR

On 4 November 2010, Deloitte Touche Tohmatsu ("Deloitte") has tendered its resignation as auditors of the Company. The Board has resolved to appoint Ernst & Young as the new auditors of the Company to fill the casual vacancy following the resignation of Deloitte, and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

A resolution to re-appoint the retiring auditor, Ernst & Young will be put forward at the forthcoming annual general meeting of the Company.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 17 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 26 to the consolidated financial statements.

During the year under review, all of the bank borrowing of the Group were denominated in Renminbi.

TAXATION

Details of the taxation of the Group are set out in note 10 to the consolidated financial statements.

There are no concessionary taxation measures granted by government to shareholders of the Company by reason of their holding of the listed shares of the company.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the year, the Group had no material litigations and arbitrations.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period date are set out in note 39 to the financial statements.

By order of the Board
Frank Ellis
Chairman

Hong Kong, 15 March 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance practice to the success of a listed company. The Company is committed to achieving high standard of corporate governance in the interest of the shareholders of the Company.

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 from the date of Listing to 31 December 2010 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors and the staff. Having made specific enquiries of all directors by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2010.

COMPOSITION AND PRACTICES OF THE BOARD

The Board collectively takes responsibility to all the shareholders in respect of managing and supervising the business of the Group so as to enhance value for our shareholders.

The Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Board held twelve (12) meetings for the year ended 31 December 2010. The attendance of the Directors at Board meetings during the year is as follows:

	Attendance during the year
Mr. Frank Ellis (Chairman)	12/12
Mr. Xie Zhiqing (Executive Director)	12/12
Ms. Chen Tianyi (Executive Director)	12/12
Mr. Zhu Keming (Non-Executive Director)	12/12
Mr. Jack Michael Biddison (Independent Non-Executive Director)	12/12
Mr. Yim Kai Pung (Independent Non-Executive Director)	12/12
Mr. Ling Xiang (Independent Non-Executive Director)	12/12

The Board is responsible for the management and control of the Company as well as supervision of the business, decision and performance of the Group. The Board has respectively granted and delegated the power and responsibility to the management for the management of the daily operations of the Group. The Directors have also specifically granted the management the general authorization to handle major corporate matters, including the preparation of interim reports, annual reports and announcements for the approval by the Board before publishing, execution of business strategies and measures adopted by the Board, implementation of proper internal control and risk management procedures and compliance with relevant statutory and regulatory requirements, rules and laws.

There is no financial, business, family or other major/related relationships among the members of the Board.

Pursuant to Rule 3.13 of the Listing Rules, each of the independent non-executive Directors has confirmed his independence to the Company. Therefore, the Company considers that all independent non-executive Directors are independent parties. The Company has also complied with the requirements in respect of independent non-executive directors under the Rule 3.10 of the Listing Rules.

To encourage every Director's active participation in the management decision-making process and the effective contribution to the Board. The Company has purchased appropriate liability insurance for every Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Frank Ellis is the Chairman and Chief Executive Officer of the Company. He is responsible for formulating the overall strategies and policies of the Company for the smooth operation and performance of duties of the Board. The Board believes that appointing the same person as the Chairman and the Chief Executive Officer, particularly in view of the expertise, experience, leadership and a long history and record of service in the relevant industry of Mr. Frank Ellis, is favorable to the development and management of the business of the Group and the Board believes that it enables the Company to formulate and implement decisions in a rapid and efficient manner.

NON-EXECUTIVE DIRECTORS

The non-executive Director of the Company has entered into a service contract for a term of three years provided that the non-executive Director shall be subject to retirement by rotation at least once every three years and eligible to offer themselves for re-election and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

REMUNERATION COMMITTEE

The Company established the remuneration committee on 19 October 2009. The remuneration committee comprises Mr. Jack Michael Biddison, Mr. Yim Kai Pung and Mr. Frank Ellis, among which two of them are independent non-executive Directors. Mr. Jack Michael Biddison is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and determine the specific remuneration packages of all executive Directors and senior management. The Directors' fees and other emoluments shall be determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group and market rate of a director of other Hong Kong listed companies. The remuneration committee shall consider various factors, such as the fee payable by the comparable companies, the time devoted, the experience and the duties of the directors, other terms of appointment offered by the Group and whether the remuneration shall be determined by performance.

During the year, the remuneration committee held one (1) meeting to review the policy for the remuneration of executive directors, assessing performance of executive directors and their respective service contracts. The attendance of the members of the remuneration committee at the meetings is as follows:

Member	Attendance
Mr. Jack Michael Biddison	0/1
Mr. Yim Kai Pung	1/1
Mr. Frank Ellis	1/1

NOMINATION COMMITTEE

The nomination committee of the Company is empowered to nominate, consider and make recommendations to the Board on the appointment of Directors, with the aim of appointing proper individuals with relevant professional expertise and experience into the Board to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

The Company established the nomination committee on 19 October 2009 with written terms of reference in compliance with the Code. The primary duties of the nomination committee include but not limited to reviewing the Board structure, size and composition, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment of Directors. The nomination committee comprises one executive Director, namely Ms. Chen Tianyi, and two independent non-executive Directors, namely Mr. Ling Xiang and Mr. Yim Kai Pung. Mr. Ling Xiang is the chairman of the nomination committee.

The Company has not appointed any new Director during the year.

The attendance of the members of the nomination committee at the meeting is as follows:

Member	Attendance
Mr. Ling Xiang	1/1
Mr. Yim Kai Pung	1/1
Ms. Chen Tianyi	1/1

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 of the Company.

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.

During the year, the audit committee held three (3) meetings to review the 2010 interim report, 2009 annual report and the appointment of independent auditors of the Group and review and approve relevant accounting policy and related process of internal control. The attendance of Directors at the meeting is as follows:

Member	Attendance
Mr. Yim Kai Pung	3/3
Mr. Jack Michael Biddison	2/3
Mr. Ling Xiang	3/3

REMUNERATION OF AUDITOR

For the year ended 31 December 2010, the Group is required to pay approximately RMB1,350,000 to the external auditor Ernst & Young for the audit services and paid approximately RMB981,000 to Deloitte Touche & Tohmatsu, the previous external auditor, for other non-audit service fees.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTS

All Directors of the Company acknowledge their responsibility for the preparation of the financial reports of the Group. They also ensure the preparation is in compliance with the relevant laws, regulations and accounting principles and its publication are made in due course.

Reporting responsibility statement with respect to the financial reports of the Group made by the auditor of the Company is set out in the Independent Auditor's Report on pages 38 and 39.

INTERNAL CONTROL

The Board takes full responsibility to maintain a sound and efficient internal control system for the Group to protect the shareholders' investment and the Group's assets, which is in the interests of the shareholders.

For the year 2010, the Company has conducted comprehensive internal control over the Group, including:

(1) Environment of Control

We ensured that an active and devoted Board, effective human resource policies and a well-established organisational structure and management system are in place in the Company, laying a solid foundation to create an environment of control of the Group.

(2) Risk Assessment

We fully analysed business risks, financial risks, non-compliance risks and operation and other risks in the course of our operation, based on the development strategies and corporate goals of the Group. We appointed an independent consultant to conduct in depth review on concerned areas of risks exposure. The Company has actively responded to the opinions of the independent consultant with follow-up work.

(3) Control Activities

The Company implemented various policies and procedures, including the formulation of appropriate management process, regular review on transaction data, undertaking physical controls and segregation of duties among staff. The Company has continuously assessed its performance to ensure the effective running of the internal control system.

(4) Financial Management Mechanism

We have reviewed the financial structure, management reports, disclosure procedures and the preparation of budget of the Group to effectively understand and monitor the financial and trading conditions of the Group.

(5) Compliance Control

The Company has set up an internal procedure of information disclosure and has designated personnel to be responsible for the compliance with the Listing Rules. Meanwhile, the Company also engages external professional advisors to provide sustainable and professional services to the Company.

In 2010, the audit committee of the Company has reviewed the internal control system of the Group. Such review covered all critical aspects of the control, including financial control, operational control, compliance control and risk management functions. The Board confirmed that existing internal control system was efficient.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING

To protect the Company from any potential or actual conflict of interests, Mr. Frank Ellis, being an executive director of the Company and a Shareholder holding approximately 27.89% interest of the Company's issued share capital as of 31 December 2010, has given a deed of non-competition undertaking (the "Non-compete Undertaking") in favour of the Company on 19 October 2009, pursuant to which Mr. Ellis has undertaken, subject to the exceptions mentioned in the Prospectus, that he would not, and would procure that neither he nor his associate and/or companies controlled by him (other than the Company and 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 the Prospectus, in the PRC and any other area in which the Group carries on business. Details of the Non-compete Undertaking have been set out in the paragraph headed "Non-Compete Undertaking" of the section headed "Relationship With The Controlling Shareholder" of the Prospectus.

Mr. Frank Ellis has confirmed in respect of his compliance with the terms of the Non-compete Undertaking. Each of the independent non-executive directors of the Company has reviewed the compliance with and enforcement of the terms of the Non-compete Undertaking, and based on the confirmation of Mr. Frank Ellis, is of the view that the terms of the Non-compete Undertaking have been complied with and enforced.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GREENS HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greens Holdings Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street, Central,
Hong Kong
15 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
REVENUE	5	**710,954**	555,440
Cost of sales		**(537,755)**	(375,644)
Gross profit		**173,199**	179,796
Other income and gains	5	**23,747**	18,459
Selling and distribution costs		**(19,586)**	(14,781)
Administrative expenses		**(80,667)**	(81,237)
Other expenses		**(4,140)**	(4,016)
Finance costs	7	**(19,870)**	(12,130)
PROFIT BEFORE TAX	6	**72,683**	86,091
Income tax expense	10	**(7,372)**	(17,774)
PROFIT FOR THE YEAR		**65,311**	68,317
Attributable to:			
Owners of the parent	11	**65,311**	68,317
Non-controlling interests		**–**	–
		65,311	68,317
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		**RMB0.052**	RMB0.072

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR	**65,311**	68,317
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(15,548)**	3,049
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,763**	71,366
Attributable to:		
Owners of the parent	**49,763**	71,366
Non-controlling interests	**–**	–
	49,763	71,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**312,538**	242,719
Prepaid land lease payments	15	**58,130**	59,627
Other intangible assets	16	**146,370**	171,536
Deferred tax assets	27	**1,826**	1,108
Total non-current assets		**518,864**	474,990
CURRENT ASSETS			
Inventories	18	**30,244**	43,518
Construction contracts	19	**267,439**	68,352
Trade receivables	20	**299,128**	316,333
Prepayments, deposits and other receivables	21	**109,701**	53,275
Due from directors	35 (b)	**–**	2,490
Pledged deposits	23	**13,550**	22,916
Cash and cash equivalents	23	**298,442**	509,796
Total current assets		**1,018,504**	1,016,680
CURRENT LIABILITIES			
Trade and bills payables	24	**286,990**	181,006
Construction contracts	19	**1,988**	9,746
Other payables and accruals	25	**34,660**	52,758
Derivative financial instruments	22	**322**	–
Interest-bearing bank and other borrowings	26	**235,039**	260,729
Tax payable		**14,229**	18,491
Total current liabilities		**573,228**	522,730
NET CURRENT ASSETS		**445,276**	493,950
TOTAL ASSETS LESS CURRENT LIABILITIES		**964,140**	968,940

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**964,140**	968,940
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**90,000**	120,000
Deferred tax liabilities	27	**23,738**	19,775
Deferred income	28	**17,408**	19,000
Total non-current liabilities		**131,146**	158,775
Net assets		**832,994**	810,165
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**85,004**	85,004
Reserves	30 (a)	**731,676**	698,227
Proposed final dividends	12	**16,314**	23,634
		832,994	806,865
Non-controlling interests		**–**	3,300
Total equity		**832,994**	810,165

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	136	196,677	137,935	(8,115)	13,237	114,369	–	454,239	–	454,239
Profit for the year	–	–	–	–	–	68,317	–	68,317	–	68,317
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	3,049	–	–	–	3,049	–	3,049
Total comprehensive income for the year	–	–	–	3,049	–	68,317	–	71,366	–	71,366
Dividend declared*	–	(49,797)	–	–	–	(106,003)	–	(155,800)	–	(155,800)
Capitalisation issue of new shares	61,313	(61,313)	–	–	–	–	–	–	–	–
Issue of shares	23,555	468,837	–	–	–	–	–	492,392	–	492,392
Share issue expenses	–	(55,332)	–	–	–	–	–	(55,332)	–	(55,332)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	3,300	3,300
Proposed final 2009 dividend*	–	(23,634)	–	–	–	–	23,634	–	–	–
Transfer from retained profits	–	–	–	–	8,134	(8,134)	–	–	–	–
At 31 December 2009	85,004	475,438	137,935	(5,066)	21,371	68,549	23,634	806,865	3,300	810,165

* Pursuant to the article of association of the Company, dividends were declared and paid from share premium account.

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	85,004	475,438	137,935	(5,066)	21,371	68,549	23,634	806,865	3,300	810,165
Profit for the year	-	-	-	-	-	65,311	-	65,311	-	65,311
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	(15,548)	-	-	-	(15,548)	-	(15,548)
Total comprehensive income for the year	-	-	-	(15,548)	-	65,311	-	49,763	-	49,763
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(3,300)	(3,300)
Final 2009 dividend declared	-	-	-	-	-	-	(23,634)	(23,634)	-	(23,634)
Proposed final 2010 dividend*	-	(16,314)	-	-	-	-	16,314	-	-	-
Transfer from retained profits	-	-	-	-	3,293	(3,293)	-	-	-	-
At 31 December 2010	85,004	459,124	137,935	(20,614)	24,664	130,567	16,314	832,994	-	832,994

* Pursuant to the article of association of the Company, dividends were declared and paid from share premium account.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**72,683**	86,091
Adjustments for:			
Finance costs	7	**19,870**	12,130
Interest income	5	**(3,151)**	(3,271)
Reversal of impairment loss of available-for-sale investments		**–**	(5,000)
Depreciation	14	**25,225**	14,678
Fair value losses, net:			
Derivative financial instruments	6	**322**	1,572
Recognition of prepaid land lease payments	15	**1,225**	609
Amortisation of other intangible assets	16	**25,252**	16,475
(Reversal)/provision for impairment of receivables	20	**(1,025)**	1,780
Recognition of amortised investment-related subsidy income	28	**(1,592)**	(1,480)
		138,809	123,584
Decrease in inventories		**13,274**	6,072
Increase in construction contracts		**(206,845)**	(84,097)
(Increase)/decrease in trade receivables		**18,230**	(35,456)
Increase in prepayments, deposits and other receivables		**(72,426)**	(10,356)
Increase in trade and bills payables		**105,984**	52,793
Increase/(decrease) in other payables and accruals		**(24,160)**	11,451
Cash generated from operations		**(27,134)**	63,991
Income taxes paid		**(8,389)**	(17,220)
Net cash flows from/(used in) operating activities		**(35,523)**	46,771

	2010 RMB'000	2009 RMB'000 (Restated)
Net cash flows from/(used in) operating activities	**(35,523)**	46,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	**3,151**	2,334
Purchase of items of property, plant and equipment	**(89,392)**	(118,632)
Proceeds from disposal of items of property, plant and equipment	**179**	–
Additions to prepaid lease payments	**–**	(8,407)
Receipt of government grants	**16,000**	4,480
Additions to other intangible assets	**(44)**	(48,598)
Proceeds on disposal of an available-for-sale investment	**–**	2,125
Advances to directors	**–**	(2,380)
Collection from directors	**2,490**	–
Decrease in pledged bank deposits	**9,366**	(12,609)
Net cash flows used in investing activities	**(58,250)**	(181,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	492,392
Share issue expenses	**–**	(55,332)
New bank loans	**502,739**	400,729
Repayment of bank loans	**(558,429)**	(92,000)
Repayment of amount due to directors	**–**	(15,302)
Contribution from non-controlling shareholders	**–**	3,300
Acquisition of non-controlling interests	**(3,300)**	–
Interest paid	**(19,870)**	(15,546)
Dividends paid	**(23,634)**	(155,800)
Net cash flows from/(used in) financing activities	**(102,494)**	562,441
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(196,267)**	427,525
Cash and cash equivalents at beginning of year	**509,796**	79,490
Effect of foreign exchange rate changes, net	**(15,087)**	2,781
CASH AND CASH EQUIVALENTS AT END OF YEAR	**298,442**	509,796
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**201,222**	470,796
Non-pledged time deposits with original maturity of less than three months when acquired	**97,220**	39,000
Cash and cash equivalents as stated in the statement of financial position	**298,442**	509,796
Cash and cash equivalents as stated in the statement of cash flows	**298,442**	509,796

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**9,242**	9,242
Total non-current assets		**9,242**	9,242
CURRENT ASSETS			
Prepayments, deposits and other receivables		**168**	30,574
Due from subsidiaries	17	**595,130**	235,432
Due from directors		**–**	785
Cash and cash equivalents	23	**5,698**	340,869
Total current assets		**600,996**	607,660
CURRENT LIABILITIES			
Other payables and accruals		**300**	142
Due to subsidiaries	17	**39,595**	18,806
Total current liabilities		**39,895**	18,948
NET CURRENT ASSETS		**561,101**	588,712
TOTAL ASSETS LESS CURRENT LIABILITIES		**570,343**	597,954
NET ASSETS		**570,343**	597,954
EQUITY			
Issued capital	29	**85,004**	85,004
Reserves	30 (b)	**469,025**	489,316
Proposed final dividends	12	**16,314**	23,634
Total equity		**570,343**	597,954

Frank Ellis
Director

Chen Tianyi
Director

1. CORPORATE INFORMATION

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 "Main Board of HKEx") since 6 November 2009. The registered office of the Company is ATC Trustees (Cayman) Limited, 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, wind turbine towers, marine products and boiler components as well as related services and repairs and waste heat power generation.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Frank Ellis, Xie Zhiqing and Chen Tianyi.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by this revised standard are applied prospectively and affect the accounting of transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes – *Deferred Tax: Recovery of Underlying Assets* [5]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations from 1 January 2010 (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Buildings	4.5%
Plant and machinery	9%-18%
Computer and office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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.

The Group has the following intangible assets that are amortised on the straight-line basis over their estimated useful lives. The principal annual amortisation rates used are as follows:

Software	20%
Trade name	5%-10%
Customer relationships	7%-14%
Technology	5%
Service concession arrangement	16.4%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged deposits, trade receivables and prepayments, deposits and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 7% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2010 was nil (2009: Nil). The amount of unrecognised tax losses at 31 December 2010 was RMB454,000 (2009: RMB558,000). Further details are contained in note 27 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Outcome of construction contracts

When a contract for the sale of goods upon completion of construction is judged to be a construction contract, revenue is recognised using the percentage of completion method as construction progresses. The percentage of completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Significant judgement 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 judgement, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction contracts is disclosed in note 5 to the financial statements. The stage of completion of each construction contract is assessed on a cumulative basis in each accounting period. Changes in estimates 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.

4. OPERATING SEGMENT INFORMATION

During the current year, the Group changed the structure of its internal organization in a manner that caused a change in the composition of its reportable segments. The following corresponding amounts for earlier periods were properly restated.

(a) Economiser – key heat transfer equipment typically installed in boiler systems for power plants;

(b) Waste heat recovery products and boiler components – 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, air-preheaters, superheaters, and other components such as power station steel structures and finned tubes;

(c) Marine products – packaged marine boiler products generally categorised into fired boilers and other marine boilers;

(d) Waste heat power generation – construction and operation of waste heat power generation facilities;

(e) Wind turbine towers – tubular steel structure which holds the nacelle that includes the generator; and

(f) Services and repairs – boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs.

4. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, the amount due to directors, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2010

	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Service and repairs RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	219,277	369,141	37,325	21,716	40,980	22,515	710,954
Intersegment sales	-	-	-	-	-	-	-
	219,277	369,141	37,325	21,716	40,980	22,515	710,954
Reconciliation:							
Elimination of intersegment sales							-
Revenue							710,954
Segment results	69,395	81,555	4,618	2,933	3,361	6,425	168,287
Reconciliation:							
Elimination of intersegment results							-
Interest income							3,151
Unallocated gains							10,022
Corporate and other unallocated expenses							(88,907)
Finance costs							(19,870)
Profit before tax							72,683

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010

	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Service and repairs RMB'000	Total RMB'000
Segment assets	188,223	223,812	30,021	106,102	103,989	3,093	655,240
Reconciliation:							
Elimination of intersegment receivables							-
Corporate and other unallocated assets							882,128
Total assets							1,537,368
Segment liabilities	175,656	5,471	895	23,676	7,770	-	213,468
Reconciliation:							
Elimination of intersegment payables							-
Corporate and other unallocated liabilities							490,906
Total liabilities							704,374
Other segment information:							
Impairment losses recognised in the income statement	-	-	-	-	-	1,609	1,609
Impairment losses reversed in the income statement	(1,296)	(479)	(859)	-	-	-	(2,634)
Depreciation and amortisation	314	3,142	20,743	22,102	4,453	948	51,702
Capital expenditure*	1,982	41,157	30	-	47,117	5,217	95,503

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2009

	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Service and repairs RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	211,284	239,151	14,426	54,087	–	36,492	555,440
Intersegment sales	–	–	–	–	–	–	–
	211,284	239,151	14,426	54,087	–	36,492	555,440
Reconciliation:							
Elimination of intersegment sales							–
Revenue							555,440
Segment results	82,937	90,120	3,414	132	–	4,673	181,276
Reconciliation:							
Elimination of intersegment results							–
Interest income							2,334
Unallocated gains							14,645
Corporate and other unallocated expenses							(100,034)
Finance costs							(12,130)
Profit before tax							86,091
Segment assets	199,284	160,608	1,182	126,827	72,401	14,985	575,287
Reconciliation:							
Elimination of intersegment receivables							–
Corporate and other unallocated assets							916,383
Total assets							1,491,670
Segment liabilities	177,412	617	3	24,174	40,112	–	242,318
Reconciliation:							
Elimination of intersegment payables							–
Corporate and other unallocated liabilities							439,187
Total liabilities							681,505

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2009

	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Service and repairs RMB'000	Total RMB'000
Other segment information:							
Impairment losses recognised in the income statement	340	1,440	–	–	–	–	1,780
Impairment losses reversed in the income statement	–	–	–	–	–	–	–
Depreciation and amortisation	1,048	12,274	8,734	9,307	–	399	31,762
Capital expenditure*	25,201	24,630	20,222	74,059	40,495	924	185,531

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payment.

Geographical information

(a) Revenue from external customers

	2010 RMB'000	2009 RMB'000
The PRC	**537,805**	355,544
Europe	**86,464**	115,201
India	**75,887**	–
America	**4,649**	38,854
Other countries	**6,149**	45,841
	710,954	555,440

The revenue information above is based on the location of the customers.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2010 **RMB'000**	2009 RMB'000
The PRC	**462,891**	414,424
The UK	**54,147**	59,458
	517,038	473,882

The non-current asset information above is based on the location of assets and excludes deferred tax assets.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

Revenue of approximately RMB131,992,000 (2009: RMB52,941,000) was derived from sales by the economisers segment and the waste heat recovery products and boiler components segment to customer A, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB82,500,000 (2009: RMB86,241,000) was derived from sales by the economisers segment and the waste heat recovery products and boiler components segment to customer B, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Revenues			
Construction contracts		**666,723**	464,861
Sale of goods		**21,716**	54,087
Rendering of services		**22,515**	36,492
		710,954	555,440
Other income and gains			
Bank interest income		**3,151**	2,334
Other interest income		**–**	937
Release of investment-related subsidy income		**1,592**	1,480
Income from cancellation of contracts	i	**7,908**	7,294
Reversal of impairment loss of proceeds receivable on disposal of an available-for-sale investment		**–**	5,000
Government reward for energy conservation and emission reduction	ii	**4,982**	–
Income from transfer agreements	iii	**4,000**	–
Others		**2,114**	1,414
		23,747	18,459

Notes:

i. It represented contract cancellation fee net of any cost of sales incurred from cancellation of contracts during the year.

ii. In 2010, the local government of Xinjiang granted Baicheng Greens Waste-Heat Power Generation Co., Ltd. ("Baicheng Greens") incentive and subsidies of RMB4,982,000 to reward its energy conservation and emission reduction in the production process. There are no unfulfilled conditions or contingencies attaching to these grants.

iii. In June 2010, in order to stabilise the revenue from electricity sales of Baicheng Greens, the Group began negotiations with an independent third party to seek to guarantee Baicheng Greens' annual revenue of RMB60 million for the five year period starting on 22 June 2010. On 30 December 2010 Baicheng Greens and the independent third party entered into various trust agreements through Shanghai AJ Trust & Investment Co. Ltd. These trust agreements provide that, for each of the six month periods starting from 22 June 2010 until 21 June 2015, if the revenue from electricity sales of Baicheng Greens is less than RMB30 million, the independent third party will compensate Baicheng Greens for the shortfall up to RMB4 million. If the revenue exceeds RMB30 million in any six month period, Baicheng Greens will pay the independent third party the excess of the revenue above RMB30 million. It is agreed that both Baicheng Greens and the independent third party have the option to terminate the trust agreements at the start of each six month period.

Baicheng Greens' revenue during mid June 2010 to mid of December 2010 was lower than the target of RMB30 million, thus Baicheng Greens had rights to collect RMB4 million from the third party and had no obligation due to this third party, so it recorded it in the other income in this first six-month period, which was paid in full by the third party through AJ Trust in February 2011.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Cost of inventories sold		**521,665**	343,825
Cost of services provided		**16,090**	31,819
Depreciation	14	**25,225**	14,678
Amortisation of other intangible assets	16	**25,252**	16,475
Minimum lease payments under operating leases:			
Land and buildings		**7,531**	8,625
Recognition of prepaid land lease payments	15	**1,225**	609
Auditors' remuneration		**2,331**	1,551
Employee benefit expense (excluding directors' remuneration (note 8):			
Wages and salaries		**60,278**	51,031
Pension scheme contributions		**3,012**	2,691
		63,290	53,722
Foreign exchange differences, net		**4,614**	222
Impairment of accounts receivable/(reversal), net		**(1,025)**	1,780
Fair value losses, net:			
Derivative financial instruments at fair value through profit or loss		**322**	1,572
Bank interest income	5	**(3,151)**	(2,334)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 RMB'000	2009 RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**20,479**	15,546
Less: Interest capitalised	**(609)**	(3,416)
	19,870	12,130

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Fees	**362**	52
Other emoluments:		
Salaries, allowances and benefits in kind	**3,852**	3,626
Pension scheme contributions	**136**	129
	3,988	3,755
	4,350	3,807

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010	2009
	RMB'000	RMB'000
Mr. Jack Michael Biddison	**128**	22
Mr. Yim Kai Pung	**128**	22
Mr. Ling Xiang	**50**	8
	306	52

There was no other emolument payable to the independent non-executive directors during the year (2009: Nil)

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2010				
Executive directors:				
Mr. Frank Ellis	**–**	**1,796**	**80**	**1,876**
Mr. Xie Zhiqing	**–**	**1,027**	**28**	**1,055**
Ms. Chen Tianyi	**–**	**1,029**	**28**	**1,057**
	–	**3,852**	**136**	**3,988**
Non-executive directors:				
Mr. Zhu Keming	**56**	**–**	**–**	**56**
	56	**3,852**	**136**	**4,044**
2009				
Executive directors:				
Mr. Frank Ellis	–	1,574	79	1,653
Mr. Xie Zhiqing	–	1,026	25	1,051
Ms. Chen Tianyi	–	1,026	25	1,051
		3,626	129	3,755
Non-executive directors:				
Mr. Zhu Keming	–	–	–	–
	–	3,626	129	3,755

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,904**	2,218
Pension scheme contributions	**20**	52
	2,924	2,270

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
HK$1,000,001 to HK$1,500,000	**2**	2

10. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2010 (2009: Nil).

Greens Power Limited (UK), E Green & Son Limited, Senior Green Limited, TEI Greens Limited, Greens Economisers Limited are incorporated in the UK and are subject to UK corporation tax at a statutory tax rate of 28% for the year ended 31 December 2010 (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 Group entities registered in the PRC is 25% from 1 January 2008 onwards.

10. INCOME TAX (Continued)

Shanghai Greens Marine Engineering Limited ("SGME"), being a foreign investment enterprise registered in Pudong New Area, Shanghai, the PRC, was 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's first profit making year was 2005 and it was entitled to and enjoyed tax exemption in 2005 and 2006 and a 50% tax relief from 2007 to 2009. The applicable income tax rates of SGME for the years ended 31 December 2010 and 2009 were 25% and 12.5% respectively.

Greens Power Equipment (China) Limited ("GPEL"), being a foreign investment enterprise registered in Jingjiang Economic Development Zone, Jiangsu, the PRC, was 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 from 2009 to 2011. Therefore, the applicable income tax rate of GPEL for the years ended 31 December 2010 and 2009 were both 12.5%.

	2010	2009
	RMB'000	RMB'000
		(Restated)
Group:		
Current – Mainland China		
Charge for the year	**10,485**	13,326
Under/(over) provision in prior years	**(4,623)**	210
Current – UK		
Charge for the year	**(2,053)**	4,608
Underprovision in prior years	**318**	200
Current – Others	**–**	–
Deferred (note 27)	**3,245**	(570)
Total tax charge for the year	**7,372**	17,774

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the majority of Group subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2010

	Mainland China RMB'000	%	The UK RMB'000	%	Hong Kong RMB'000	%	Other countries RMB'000	%	Total RMB'000	%
Profit before tax	88,352		(10,236)		632		(6,065)		72,683	
Tax at the statutory tax rate	22,088	25.0	(2,866)	28.0	104	16.5	–	–	19,326	26.6
Lower tax rate(s) enacted by local authority	(10,237)	(11.6)	–	–	–	–	–	–	(10,237)	(14.1)
Reversal of withholding tax at 5% to 10% on the distributable profits of the Group's PRC subsidiaries	(1,250)	(1.4)	–	–	–	–	–	–	(1,250)	(1.7)
Adjustments in respect of current tax of previous periods	(4,623)	(5.2)	318	(3.1)	–	–	–	–	(4,305)	(5.9)
Expenses not deductible for tax	3,942	4.5	–	–	–	–	–	–	3,942	5.4
Tax losses utilised from previous periods	–	–	–	–	(104)	(16.5)	–	–	(104)	(0.1)
Tax losses not recognised	–	–	–	–	–	–	–	–	–	–
Tax charge/(credit) at the Group's effective rate	9,920	11.2	(2,548)	24.9	–	–	–	–	7,372	10.1

10. INCOME TAX (Continued)

Group – 2009

	Mainland China RMB'000 (Restated)	%	The UK RMB'000 (Restated)	%	Hong Kong RMB'000 (Restated)	%	Other countries RMB'000 (Restated)	%	Total RMB'000 (Restated)	%
Profit before tax	78,839		13,855		(1,093)		(5,510)		86,091	
Tax at the statutory tax rate	19,710	25.0	3,879	28.0	(180)	16.5	–	–	23,409	27.2
Lower tax rate(s) enacted by local authority	(11,587)	(14.7)	–	–	–	–	–	–	(11,587)	(13.5)
Effect of withholding tax at 5% to 10% on the distributable profits of the Group's PRC subsidiaries	1,250	1.6	–	–	–	–	–	–	1,250	1.5
Effect on opening deferred tax of increase in rates	–	–	(109)	(0.8)	–	–	–	–	(109)	(0.1)
Adjustments in respect of current tax of previous periods	210	0.3	200	1.4	–	–	–	–	410	0.5
Income not subject to tax	–	–	–	–	–	–	–	–	–	–
Expenses not deductible for tax	3,843	4.9	–	–	–	–	–	–	3,843	4.5
Tax losses utilised from previous periods	–	–	–	–	–	–	–	–	–	–
Tax losses not recognised	378	0.5	–	–	180	(16.5)	–	–	558	0.6
Tax charge/(credit) at the Group's effective rate	13,804	17.5	3,970	28.7	–	–	–	–	17,774	20.6

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of RMB3,977,000 (2009: RMB3,326,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Special dividend	**–**	155,800
Proposed final-HK1.54 cents (2009: HK2.17 cents) per ordinary share	**16,314**	23,634
	16,314	179,434

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forth coming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,245,000,000 (2009: 951,452,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings per share is based on:

	Group	
	2010 **RMB'000**	2009 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**65,311**	68,317

	Number of shares	
	2010 **'000**	2009 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,245,000**	951,452

The Group had no potentially dilutive ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010							
At 31 December 2009 and at 1 January 2010:							
Cost or valuation (restated)	309	141,300	80,508	4,099	1,835	39,609	267,660
Accumulated depreciation and impairment (restated)	(117)	(4,177)	(19,084)	(975)	(588)	–	(24,941)
Net carrying amount (restated)	192	137,123	61,424	3,124	1,247	39,609	242,719
At 1 January 2010, net of accumulated depreciation and impairment (restated)	192	137,123	61,424	3,124	1,247	39,609	242,719
Additions	566	5,289	29,728	7,116	1,493	51,267	95,459
Exchange realignment on cost or valuation	(29)	–	(48)	(176)	(26)	(116)	(395)
Disposals	–	–	–	–	(178)	(1)	(179)
Depreciation provided during the year	(120)	(6,948)	(16,391)	(1,422)	(344)	–	(25,225)
Transfers	–	54,306	11,483	–	–	(65,789)	–
Exchange realignment on accumulated depreciation and impairment	15	–	24	95	25	–	159
At 31 December 2010, net of accumulated depreciation and impairment	624	189,770	86,220	8,737	2,217	24,970	312,538
At 31 December 2010:							
Cost or valuation	846	200,895	121,671	11,039	3,124	24,970	362,545
Accumulated depreciation and impairment	(222)	(11,125)	(35,451)	(2,302)	(907)	–	(50,007)
Net carrying amount	624	189,770	86,220	8,737	2,217	24,970	312,538

At 31 December 2010, certain of the Group's buildings with a net carrying amount of approximately RMB144 million are still in the process of applying for the property ownership certificates.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009							
At 1 January 2009:							
Cost or valuation (restated)	280	24,723	65,797	2,712	1,826	53,700	149,038
Accumulated depreciation and impairment (restated)	(31)	(322)	(9,270)	(380)	(211)	–	(10,214)
Net carrying amount (restated)	249	24,401	56,527	2,332	1,615	53,700	138,824
At 1 January 2009, net of accumulated depreciation and impairment (restated)	249	24,401	56,527	2,332	1,615	53,700	138,824
Additions	–	1,382	7,452	1,265	–	108,238	118,337
Exchange realignment on cost or valuation	29	–	33	122	9	92	285
Disposals	–	–	–	–	–	–	–
Depreciation provided during the year	(79)	(3,855)	(9,805)	(566)	(373)	–	(14,678)
Transfers	–	115,195	7,226	–	–	(122,421)	–
Exchange realignment on accumulated depreciation and impairment	(7)	–	(9)	(29)	(4)	–	(49)
At 31 December 2009, net of accumulated depreciation and impairment (restated)	192	137,123	61,424	3,124	1,247	39,609	242,719
At 31 December 2009:							
Cost or valuation (restated)	309	141,300	80,508	4,099	1,835	39,609	267,660
Accumulated depreciation and impairment (restated)	(117)	(4,177)	(19,084)	(975)	(588)	–	(24,941)
Net carrying amount (restated)	192	137,123	61,424	3,124	1,247	39,609	242,719

At 31 December 2009 and 2010, none of the Group's property, plant and equipment was pledged to secure general banking facilities granted to the Group (note 26).

15. PREPAID LAND LEASE PAYMENTS

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Carrying amount at 1 January	**60,580**	36,782
Additions during the year	**–**	24,407
Recognised during the year	**(1,225)**	(609)
Carrying amount at 31 December	**59,355**	60,580
Current portion included in prepayments, deposits and other receivables	**(1,225)**	(953)
Non-current portion	**58,130**	59,627

The leasehold land is situated in Mainland China and is held under a long term lease.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Trade name RMB'000	Customer relationships RMB'000	Technology RMB'000	Service concession arrangement RMB'000	Total RMB'000
31 December 2010						
Cost at 1 January 2010, net of accumulated amortisation	13	16,831	25,958	13,008	115,726	171,536
Additions	44	–	–	–	–	44
Amortisation provided during the year	(13)	(916)	(2,343)	(939)	(21,041)	(25,252)
Exchange realignment	–	–	–	42	–	42
At 31 December 2010	44	15,915	23,615	12,111	94,685	146,370
At 31 December 2010:						
Cost	67	18,124	28,903	14,357	128,000	189,451
Accumulated amortisation	(23)	(2,209)	(5,288)	(2,246)	(33,315)	(43,081)
Net carrying amount	44	15,915	23,615	12,111	94,685	146,370

16. OTHER INTANGIBLE ASSETS (Continued)

	Software	Trade name	Customer relationships	Technology (Note i)	Service concession arrangement (Note ii)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009						
Cost at 1 January 2009, net of accumulated amortisation	5	17,747	28,301	13,915	85,224	145,192
Additions	11	–	–	–	42,776	42,787
Amortisation provided during the year	(3)	(916)	(2,343)	(939)	(12,274)	(16,475)
Exchange realignment	–	–	–	32	–	32
At 31 December 2009	13	16,831	25,958	13,008	115,726	171,536
At 31 December 2009:						
Cost	23	18,124	28,903	14,357	128,000	189,407
Accumulated amortisation	(10)	(1,293)	(2,945)	(1,349)	(12,274)	(17,871)
Net carrying amount	13	16,831	25,958	13,008	115,726	171,536

Notes:

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

(ii) Baicheng Greens entered into a cooperation agreement with Xinjiang International Coking Company Limited ("Xinjiang Coke") in Xinjiang Autonomous Region, pursuant to which Xinjiang Coke granted its Waste Heat Power Generation Project to Baicheng Greens.

Pursuant to the cooperation agreement, Baicheng Greens is responsible for the construction of the infrastructure and equipment of the power station for the project. Baicheng Greens 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 has been completed, i.e., by 31 July 2015. Baicheng Greens 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 is provided for over the operation period on a straight-line basis when the power station commences its operation.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**9,242**	9,242

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB595,130,000 (2009: RMB235,432,000) and RMB39,595,000 (2009: RMB18,806,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Company Name	Place and date of incorporation registration	Percentage of equity interest attributable to and operations		Paid-up capital/ registered ordinary the Company share capital	Principal activities
		Direct	Indirect		
上海格林熱能設備有限公司 Shanghai Greens Thermal Equipment Limited	PRC/Mainland China 30 April 2003	–	100	US$1,800,000	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 Co., Ltd.	PRC/Mainland China 30 October 2003	–	100	US$140,000	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) Co., Ltd.	PRC/Mainland China 17 January 2007	–	100	US$30,000,000	Manufacture and supply of waste heat recovery products, marine products, boiler components and economisers
拜城格林餘熱發電有限公司 Baicheng Greens Waste-Heat Power Generation Co., Ltd.	PRC/Mainland China 16 June 2009	–	100	US$2,877,773	Waste heat power generation
通遼格林風電設備有限公司 Tongliao Greens Wind Power Equipment Company Limited	PRC/Mainland China 5 August 2009	–	100	RMB60,000,000	Manufacture and supply of wind turbine towers

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Company Name	Place and date of incorporation registration	Percentage of equity interest attributable to and operations		Paid-up capital/ registered ordinary the Company share capital	Principal activities
		Direct	Indirect		
Greens Power Limited (UK)	UK 13 December 2004	–	100	GBP491,001	International sales, engineering design and provision of after-sales services
Greens Power Equipment India Private Ltd.	India 25 January 2010	–	100	INR100,000	International sales, engineering design and provision of after-sales services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVENTORIES

	2010 **RMB'000**	2009 RMB'000
Raw materials	**30,244**	43,518

At 31 December 2010, none of the Group's inventories was pledged as security for the Group's bank loans (2009: Nil).

19. CONSTRUCTION CONTRACTS

	2010 RMB'000	2009 RMB'000 (Restated)
Gross amount due from contract customers	**267,439**	68,352
Gross amount due to contract customers	**(1,988)**	(9,746)
	265,451	58,606
Contract costs incurred plus recognised profits less recognised losses to date	**293,512**	112,981
Less: Progress billings	**(28,061)**	(54,375)
	265,451	58,606

20. TRADE RECEIVABLES

	2010 RMB'000	2009 RMB'000 (Restated)
Trade receivables	**301,631**	319,861
Impairment	**(2,503)**	(3,528)
	299,128	316,333

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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, excluding retention money receivables and net of provisions, is as follows:

	2010 RMB'000	2009 RMB'000
Within 3 months	**127,365**	102,815
3 to 6 months	**119,202**	60,505
6 months to 1 year	**12,529**	101,359
1 to 2 years	**8,662**	12,065
2 to 3 years	**85**	1,478
	267,843	278,222

20. TRADE RECEIVABLES (Continued)

An aged analysis of retention money receivables as at the end of the reporting period, net of provisions, is as follows:

	2010 RMB'000	2009 RMB'000
Within 3 months	**3,869**	3,634
3 to 6 months	**6,156**	12,680
6 months to 1 year	**5,585**	10,750
1 to 2 years	**2,413**	6,030
2 to 3 years	**13,262**	5,017
	31,285	38,111

The movements in the provision for impairment of trade receivables are as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	**3,528**	1,748
Impairment losses recognised	**1,609**	1,780
Impairment losses reversed	**(2,634)**	–
	2,503	3,528

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,503,000 (2009: RMB3,528,000) with a carrying amount before provision of RMB6,250,940 (2009: RMB7,464,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	**299,128**	316,333

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

20. TRADE RECEIVABLES (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	RMB'000
		(Restated)
Prepayments	**63,979**	8,522
Deposits and other receivables	**45,722**	28,753
Subsidy receivables	**–**	16,000
	109,701	53,275

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2010	2009
	RMB'000	RMB'000
Forward currency contracts	**322**	–

The above derivative financial instruments at 31 December 2010 were, upon initial recognition, designated by the Company as financial assets as at fair value through profit or loss.

The fair values of foreign currency forward contracts are measured based on quoted prices in active markets.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**201,222**	532,712	**5,698**	340,869
Time deposits	**110,770**	–	**–**	–
	311,992	532,712	**5,698**	340,869
Less: Pledged time deposits:				
Pledged for bank guarantee letter and bank accepted draft	**(13,550)**	(22,916)	**–**	–
Cash and cash equivalents	**298,442**	509,796	**5,698**	340,869

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB95,950,000 (2009: RMB106,884,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	RMB'000	RMB'000
		(Restated)
Within 3 months	**226,968**	82,595
3 to 6 months	**47,539**	23,880
6 months to 1 year	**9,641**	51,317
1 to 2 years	**1,606**	18,991
Over 2 years	**1,236**	4,223
	286,990	181,006

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

25. OTHER PAYABLES AND ACCRUALS

	2010 RMB'000	2009 RMB'000 (Restated)
Other payables	**31,316**	44,841
Accruals	**3,344**	7,917
	34,660	52,758

Other payables are non-interest-bearing.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010			2009		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured	**N/A**	**On demand**	**39**	N/A	N/A	–
Bank loans – unsecured	**4-6**	**2011**	**205,000**	2-6	2010	255,000
Bank loans – secured	**N/A**	**N/A**	**–**	2-6	2010	5,729
Current portion of long term bank loans – unsecured	**6**	**2011**	**30,000**	N/A	N/A	–
			235,039			260,729
Non-current						
Bank loans – unsecured	**6**	**2012-2013**	**90,000**	6	2011-2013	120,000
			325,039			380,729

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2010 RMB'000	2009 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**235,039**	260,729
In the second year	**30,000**	30,000
In the third to fifth years, inclusive	**60,000**	90,000
Beyond five years	**–**	–
	325,039	380,729

Notes:

(a) All of the Group's bank loans as of 31 December 2010 were unsecured.

(b) All borrowings are denominated in RMB.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2010				
	Income from service concession arrangement RMB'000	Revaluation of intangible assets RMB'000	Recognition of profits of construction contracts RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2010	1,093	14,360	3,072	1,250	19,775
Deferred tax charged/(credited) to the income statement during the year (note 10)	487	(937)	5,663	(1,250)	3,963
Gross deferred tax liabilities at 31 December 2010	1,580	13,423	8,735	–	23,738

27. DEFERRED TAX (Continued)

Deferred tax assets

	2010 Allowance for doubtful debts RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2010	**808**	**300**	**1,108**
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(723)**	**1,441**	**718**
Gross deferred tax assets at 31 December 2010	**85**	**1,741**	**1,826**

Deferred tax liabilities

	Income from service concession arrangement RMB'000	Revaluation of intangible assets RMB'000	2009 Recognition of profits of construction contracts RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2009	584	15,198	–	3,796	19,578
Deferred tax charged/(credited) to the income statement during the year (note 10)	509	(838)	3,072	(2,546)	197
Gross deferred tax liabilities at 31 December 2009	1,093	14,360	3,072	1,250	19,775

27. DEFERRED TAX (Continued)

Deferred tax assets

		2009	
	Allowance for doubtful debts RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2009	341	–	341
Deferred tax credited/(charged) to the income statement during the year (note 10)	467	300	767
Gross deferred tax assets at 31 December 2010	808	300	1,108

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2010 **RMB'000**	2009 RMB'000 (Restated)
Tax losses	**454**	558

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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 Mainland China. At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. DEFERRED INCOME

	Government subsidy RMB'000
At 1 January 2009	–
Addition	20,480
Release during the year (note 5)	(1,480)
At 31 December 2009	19,000
At 1 January 2010	**19,000**
Addition	**–**
Release during the year (note 5)	**(1,592)**
At 31 December 2010	**17,408**

Pursuant to a subsidy notice from the local government, Greens New Energy Limited, 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 it in profit or loss on a systematic basis over the periods in which Tongliao Greens recognises as expenses the related costs for which the subsidy is intended to compensate. RMB4,480,000 was received in November 2009 and the remaining RMB16,000,000 was received by late March 2010.

29. SHARE CAPITAL

Shares

	2010 US$'000	2009 US$'000
Authorised:		
2,400,000,000 (2009: 2,400,000,000) ordinary shares of US$ 0.01 each	**24,000**	24,000
Issued and fully paid:		
1,245,000,000 (2009: 1,245,000,000) ordinary shares of US$ 0.01 each	**12,450**	12,450
Presented in RMB	**85,004**	85,004

29. SHARE CAPITAL

During the two years, the movements in share capital were as follows:

(a) 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. As 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.

(b) 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.

(c) 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 HKEx.

(d) 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.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2009	20,000	136	196,677	196,813
Subdivision of shares	1,980,000	–	–	–
Capitalisation issue of shares	898,000,000	61,313	(61,313)	–
Issue of shares pursuant to the global offering	300,000,000	20,482	407,684	428,166
Issue of shares upon exercise of the over-allotment option	45,000,000	3,073	61,153	64,226
Dividend declared	–	–	(49,797)	(49,797)
Proposed final 2009 dividend	–	–	(23,634)	(23,634)
Share issue expenses	–	–	(55,332)	(55,332)
At 31 December 2009 and 1 January 2010	1,245,000,000	85,004	475,438	560,442
Proposed final 2010 dividend	–	–	(16,314)	(16,314)
At 31 December 2010	**1,245,000,000**	**85,004**	**459,124**	**544,128**

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 44 to 45 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 2008 over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

(b) Company

	Share premium account RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009	196,677	(101)	196,576
Total comprehensive income for the year	–	119,982	119,982
Capitalisation issue of new shares	(61,313)	–	(61,313)
Issue of shares	468,837	–	468,837
Share issue expenses	(55,332)	–	(55,332)
Dividend declared	(49,797)	(106,003)	(155,800)
Proposed final 2009 dividend	(23,634)	–	(23,634)
At 31 December 2009	475,438	13,878	489,316
Total comprehensive income for the year	**–**	**(3,977)**	**(3,977)**
Proposed final 2010 dividend	**(16,314)**	**–**	**(16,314)**
At 31 December 2010	**459,124**	**9,901**	**469,025**

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

There was no material non-cash transaction during the year (2009: Nil).

32. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2010, the Company did not have any operating lease and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 RMB'000	2009 RMB'000
Within one year	**1,643**	5,043
In the second to fifth years, inclusive	**–**	1,580
After five years	**–**	–
	1,643	6,623

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
Contracted, but not provided for:		
Prepaid land lease payments	**–**	29,948
Plant and machinery	**21,600**	13,375
	21,600	43,323

At the end of the reporting period, the Company did not have any significant commitments.

35. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	2010 RMB'000	2009 RMB'000
Short term employee benefits	**11,960**	10,560
Pension scheme contributions	**295**	398
Total compensation paid to key management personnel	**12,255**	10,958

Further details of directors' emoluments are included in note 8 to the financial statements.

(b) Outstanding balances with related parties:

As disclosed in the consolidated statement of financial position, the Group had no outstanding balance due from directors (2009: RMB 2,490,000) as at the end of the reporting period. The amounts due from directors are unsecured, bearing interests at LIBOR or the benchmark interest rate prescribed by People's Bank of China, and to be settled on demand.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 **Group**

Financial assets

	Loans and receivables RMB'000
Trade receivables	**299,128**
Financial assets included in prepayments, deposits and other receivables	**45,722**
Pledged deposits	**13,550**
Cash and cash equivalents	**298,442**
	656,842

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss-designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	286,990	286,990
Financial liabilities included in other payables and accruals	–	31,316	31,316
Derivative financial instruments	322	–	322
Interest-bearing bank and other borrowings	–	325,039	325,039
	322	643,345	643,667

2009 Group

Financial assets

	Loans and receivables RMB'000
Trade receivables	316,333
Financial assets included in prepayments, deposits and other receivables	44,753
Pledged deposits	22,916
Cash and cash equivalents	509,796
Amount due from directors	2,490
	896,288

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	181,006
Financial liabilities included in other payables and accruals	44,841
Interest-bearing bank and other borrowings	380,729
	606,576

Company

Financial assets

	2010 Loans and receivables RMB'000	2009 Loans and receivables RMB'000
Investments in subsidiaries	**9,242**	9,242
Financial assets included in prepayments, deposits and other receivables	**168**	30,574
Due from subsidiaries	**595,130**	235,432
Due from directors	**–**	785
Cash and cash equivalents	**5,698**	340,869
	610,238	616,902

Financial liabilities

	2010 Loans and receivables RMB'000	2009 Loans and receivables RMB'000
Financial liabilities included in other payables and accruals	**300**	142
Due to subsidiaries	**39,595**	18,806
	39,895	18,948

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**298,442**	509,796	**298,442**	509,796
Pledged deposits	**13,550**	22,916	**13,550**	22,916
Trade receivables	**299,128**	316,333	**298,673**	316,133
Financial assets included in prepayments, deposits and other receivables	**45,722**	44,753	**45,722**	44,753
Amount due from directors	**–**	2,490	**–**	2,490
	656,842	896,288	**656,387**	896,068
Financial liabilities				
Trade and bills payables	**286,990**	181,006	**286,292**	180,736
Financial liabilities included in other payables and accruals	**31,316**	44,841	**31,316**	44,841
Derivative financial instruments	**322**	–	**322**	–
Interest-bearing bank borrowings	**345,630**	410,376	**344,160**	407,336
	664,258	636,223	**662,090**	632,913

37. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Investments in subsidiaries	**9,242**	9,242	**9,242**	9,242
Cash and cash equivalents	**5,698**	340,869	**5,698**	340,869
Financial assets included in prepayments, deposits and other receivables	**168**	30,574	**168**	30,574
Due from subsidiaries	**595,130**	235,432	**595,130**	235,432
Due from directors	**–**	785	**–**	785
	610,238	616,902	**610,238**	616,902
Financial liabilities				
Financial liabilities included in other payables and accruals	**300**	142	**300**	142
Due to subsidiaries	**39,595**	18,806	**39,595**	18,806
	39,895	18,948	**39,895**	18,948

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, and an amount due from directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, i.e., forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates curves. The carrying amounts of forward currency contracts are the same as their fair values.

37. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Group did not have any financial assets measured at fair value as at 31 December 2010 and 2009.

Liabilities measured at fair value:

Group

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	322	–	322

The Group did not have any financial liabilities measured at fair value as at 31 December 2009.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2010, approximately 63% (2009: 68%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2010	**25**	**485**
	(25)	**(485)**
2009	25	1,237
	(25)	(1,237)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. Approximately 18% (2009: 33%) of the Group's sales were denominated in currencies other than the functional currencies of the subsidiaries making the sale, whilst almost over 99% of costs were denominated in the subsidiaries' functional currencies in both 2009 and 2010. The Group uses forward currency contracts to eliminate the foreign currency exposures on overseas transactions after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2010			
If RMB weakens against US dollar	**5**	**2,744**	**–**
If RMB strengthens against US dollar	**5**	**(2,744)**	**–**
If RMB weakens against Hong Kong dollar	**5**	**5,364**	**8,107**
If RMB strengthens against Hong Kong dollar	**5**	**(5,364)**	**(8,107)**
If GBP weakens against US dollar	**5**	**187**	**–**
If GBP strengthens against US dollar	**5**	**(187)**	**–**
If GBP weakens against Euro	**5**	**119**	**–**
If GBP strengthens against Euro	**5**	**(119)**	**–**
2009			
If RMB weakens against US dollar	5	3,911	–
If RMB strengthens against US dollar	5	(3,911)	–
If RMB weakens against Hong Kong dollar	5	2,341	–
If RMB strengthens against Hong Kong dollar	5	(2,341)	–
If GBP weakens against US dollar	5	939	–
If GBP strengthens against US dollar	5	(939)	–
If GBP weakens against Euro	5	1,539	–
If GBP strengthens against Euro	5	(1,539)	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. 85% of the Group's debts would mature in less than one year as at 31 December 2010 (2009: 79%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2010					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	39	86,983	158,240	100,368	–	345,630
Trade and bills payables	214,840	72,150	–	–	–	286,990
Other payables and accruals	34,660	–	–	–	–	34,660
Derivative financial instruments	–	322	–	–	–	322
	249,539	159,455	158,240	100,368	–	667,602

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (continued)

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	109,087	162,857	138,432	–	410,376
Trade and bills payables	161,666	19,340	–	–	–	181,006
Other payables and accruals	52,758	–	–	–	–	52,758
Derivative financial instruments	–	–	–	–	–	–
	214,424	128,427	162,857	138,432	–	644,140

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2010					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Due to subsidiaries	**39,595**	**–**	**–**	**–**	**–**	**39,595**
Other payables and accruals	**300**	**–**	**–**	**–**	**–**	**300**
	39,895	**–**	**–**	**–**	**–**	**39,895**

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	18,806	–	–	–	–	18,806
Other payables and accruals	142	–	–	–	–	142
	18,948	–	–	–	–	18,948

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010 **RMB'000**	2009 RMB'000
Interest-bearing bank and other borrowings	**325,039**	380,729
Trade and bills payables	**286,990**	181,006
Other payables and accruals	**34,660**	52,758
Less: Cash and cash equivalents	**(298,442)**	(509,796)
Pledged deposits	**(13,550)**	(22,916)
Net debt	**334,697**	81,781
Equity attributable to owners of the parent	**832,994**	806,865
Adjusted capital and net debt	**1,167,691**	888,646
Gearing ratio	**29%**	9%

39. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2011, a new subsidiary Kunming Greens Energy Comprehensive Utilization Co., Ltd. ("Greens Malong") was established in Kunming with main business scope focusing on power generation, heat supplement and energy saving technology service. The registered capital of Greens Malong was RMB5,000,000.

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2011.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Result					
Revenue	189,817	231,750	431,073	555,440	**710,954**
Profit before tax	41,167	36,592	72,039	86,091	**72,683**
Income tax expense	(5,570)	(5,003)	(11,984)	(17,774)	**(7,372)**
Profit for the year	35,597	31,589	60,055	68,317	**65,311**
Attributable to owners of the Company	35,597	31,589	60,055	68,317	**65,311**

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Assets and Liabilities					
Total assets	172,657	247,986	816,975	1,491,670	**1,537,368**
Total liabilities	(116,762)	(165,502)	(362,736)	(681,505)	**704,374**
	55,895	82,484	454,239	810,165	**832,994**
Equity attributable to owners of the Company	55,895	82,484	454,239	806,865	**832,994**
Minority interests	—	—	—	3,300	**–**
	55,895	82,484	454,239	810,165	**832,994**

Note: The Company was incorporated in the Cayman Islands on 27 February 2008 and became the holding company of the Group on 21 July 2008. The results and assets and liabilities for 2006, 2007 and 2008 have been prepared on a combined basis as if the current group structure had been in existence throughout those years, except for the Mega Smart Group of which the result has been consolidated since 22 July 2008, and have been extracted from the Prospectus.