格菱控股有限公司*

GREENS HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1318

Annual Report 2011

TOGETHER
WE GROW

**For identification purposes only*

CONTENT

CORPORATE INFORMATION

BOARD

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

Non-executive director:
Mr. Zhu Keming

Independent non-executive Directors:
Mr. Jack Michael Biddison
Mr. Yim Kai Pung
Mr. Ling Xiang

REGISTERED OFFICE

ATC Trustees (Cayman) Limited
Clifton House, P.O. Box 1350, 75 Fort Street,
George Town, Grand Cayman KY1-1108,
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. Chow Tung Ming

AUTHORIZED REPRESENTATIVES

Mr. Frank Ellis
Ms. Chen Tianyi

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

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Wanchai
Hong Kong

AUDITORS

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22nd Floor, CITIC Tower
1 Tim Mei Avenue
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 2011 was RMB623,479,000, representing an reduction of 12% as compared with last year due to challenging trading conditions in the second half of 2011.

Loss attributable to owners of the Company for 2011 was approximately RMB79,860,000, representing a significant decrease as compared with last year.

Basic loss per share for 2011 amounted to RMB0.064, representing a decrease of approximately 223% as compared with last year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

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 2011.

The financial performance of the Group is set out in the relevant sections of this annual report.

CHALLENGING MARKET CONDITIONS BUT CONTINUED DEVELOPMENT OF GREENS

In common with many other businesses and sectors of the economy, market conditions have been difficult for the Group in 2011. Macroeconomic uncertainties and new restrictions in financing capital projects have meant that our customers have re-examined their requirements for heat transfer products and investment plans which have led to sales activity remaining below 2010 levels, despite high expectations coming into the year and at the half year end.

So disappointedly 2011 has been a year of significant challenge for the Company as it has been for many of our customers and competitors . We entered the Year very confidently encouraged by the progress made in 2010 with new business partners and our firm order book. We expected to secure several major international projects for large capacity boilers in the process industry totaling some USD50 million where we were preferred bidders and had also in most cases received letters of intent or client approval. We had been promised a number of large retrofit economiser projects, several cement projects in support of a partner in India, biomass projects with an international partner for the China market and new projects for waste heat boilers (WHB's) associated with refuse firing technology in United Kingdom and China. We had purchased technology early in the Year to enable us to be accepted as a first tier supplier of Heat Recover Steam Generators ("HRSG's") in China for rapidly expanding cogeneration projects and we were shortlisted on several projects against strong competitors, we expected a proportion of these planned projects to be committed in 2011. Some projects were awarded to our competitors and others were delayed or declined by us due to unacceptable payment terms or very short delivery terms. Some customers had used the delays to project release to seek alternative lower cost suppliers which created intense competition in the market place during the second part of 2011. In China a large number of small competitors were developing in the area supplying our core product of economisers, where repeat orders were being placed and the jobs did not require expert design input. This affected our market share and margins. As a result of all these factors our anticipated growth subsided in the second half of the year and sales were less then forecasted even though the market became more active again right at the end of the year. Projects were then starting to be released where financing was re-established. So we have seen significant pressure on the business as it continued its focus on growth whilst our costs increased as the business entered new markets where additional skills and technical resources were needed to supplement those that were in place. Many projects were being pursued placing heavy demands on our technical sales staff so we tried to balance fixed overhead and sub-contract support services. Early in 2011, we sought to increase turnover and profit through acquisitions that would allow us to establish new customers in the international market particularly the Middle East, Central Asia, Eastern Europe and Northern America but we could not complete the acquisitions in the required timescales due to reporting requirements. In the Year we made a key appointment of a Group Overseas Operations Director who will be responsible to drive our overseas business development strategy.

UNDERLYING NEED FOR OUR PRODUCTS IN THE DEVELOPING MARKET IS STILL STRONG

We have spent a lot of time developing relationships and working with experienced partners or potential partners focusing on markets that are most active where our products are in demand and in countries where investment is being committed. Whilst China and India are still seen as strong long term drivers of our business because of their thirst for power and need to generate this efficiently and meet emissions targets, we are also focusing on other parts of Asia through our Singapore Office, North and South America through our USA office and other parts of Europe and the Middle East through our UK office where our efforts are expected to bear fruit in 2012. Whilst in the second half of 2011 our traditional customers have relied upon their order backlog they have had difficulty in securing major projects that are frequently delayed due to lack of investor confidence, tightening control of bank lending or public protest against coal fired technology even though modern equipment meets the latest more stringent legislation. We have found customers deferring orders but in the markets we are focusing our priority attention towards confidence is returning and the development work we did in 2011 is now creating new opportunities. In some of our core product areas competition has been intensified but at the same time we have been very successful to become qualified as a supplier of higher value, higher margin projects with much more medium and long term added value for the Company. This has been a difficult task since we had to avoid competing against existing customer base so it has not been a fast process and has needed managing very carefully so that we prove our experience and capability and can provide references. This development has led to some significant expenditure due to the focus on technical development as well as increased levels of sales and tendering support and audits for quality and Health and Safety so that we are qualified as a bidder.

Our international customer base supplied from China has also been affected in 2011 by countries favoring domestic supply through stimulus packages or as import conditions tightened in their own countries reducing our competitiveness. Sometimes Chinese materials have also been prohibited even though the manufacturing codes are the same as in USA, Europe and Japan. These factors put greater demands on us to promote our technical advantages and overcome obstacles presented to provide advantage for domestic supply. This was a reason to accelerate our plans to focus on new customers, new markets and to extend our product range. During 2011 as in the latter part of 2010, many established international customers in Europe, USA and Japan have faced their own pressures and switched emphasis towards retrofit and after market activities. Work required at the enquiry stage has increased with many more steps before orders are placed with greater support costs. We have therefore adapted by standardizing our products and quotations as much as possible and focused attention to build relationships at various levels.

As we have indicated there is now much more emphasis on the markets where Greens has strong track record and particularly waste to energy, retrofitting and clean energy projects where Greens have focused their efforts.

The order input through our USA and Singapore operations has been slower than anticipated because of our target to use these companies to support the acquisitions that we had targeted so these businesses recorded startup losses but with our strategy change (key recruitment rather than acquisition) they are now developing their own order books.

Because of the Group's 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 and renewable energy, gas fired cogeneration projects, floating production, storage and offloading vessels (FPSO's), waste heat recovery for industrial and process applications, low temperature economisers for coal fired power stations and other means of fuel saving and reduction of emission. All are all being encouraged by China's central government policies which, in turn, creates profitable opportunities for the Group's core heat transfer products.

Greens will continually demonstrate its ability to react to market changes. All of this effort and focus on key markets has created long term 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.

CHANGES WITHIN OUR BUSINESS STRUCTURE

Managing changing factors and redefining our business strategy has been a continued focus of our management in the Year with a number of significant changes implemented as follows:

- We have analysed the market for our core products in conjunction with our managers and key account sales staff and set clear targets with frequent reviews.
- We have reviewed our core competencies and product range to pinpoint our competitive advantages and redefined our strategy in all of our business units.
- Under the direction of the new Group Overseas Operations Director, we have identified the priority markets and key products and services required and decided where we will focus our resources and efforts.
- We have set up systems to regularly monitor our performance and review strategy at regional and Group level.
- We've focused more attention to measure financial performance, meet delivery commitments to customers avoiding delays and ensure we achieve targeted margins and rate of progress in line with forecasts. We will continually measure percentage of completion and gross margins that are the key driver for revenue and profit.

Already these initiatives have resulted in the following actions:

- Cost rationalisation across all business units, including the restructure of our China business into four new reporting lines empowering greater management control over the business units and cost control.
- Renewed focus on optimizing head office expenditure and overhead costs in each separate business unit.
- Increased emphasis on niche market areas in the United Kingdom and Europe and aftersales where margins can be maintained.
- Development of our International business group in Singapore focusing on larger turnkey projects, using this centre of excellence to drive cost efficiencies and quality integrated service.
- Development of extended packages of supply to meet customer targets to reduce their own overheads.
- Continued focus on cost control systems and procurement across the Group.
- Automated production processes and more advanced engineering know how through hiring experienced core skills.

We will continue to adjust business structures so as to promote our technologies and intend to take further actions to improve the financial position, aimed at improving sales, profitability, cash flow and lowering indebtedness.

OUR LONG TERM FOCUS ON CORE COMPETENCIES IS NOW MORE IMPORTANT THAN EVER BEFORE

We believe that we have successfully navigated the most significant market and operational challenges and that our staff fully understand our customers requirements. As a backdrop we have been sure to keep focus on our core strategic objectives of:

- Further maintaining and developing core competences of design and supply quality (on time, in compliance and in accordance with stringent customer demands). Added to this we will continue to focus on our strong commitment to meet environmental targets.

- Remain innovative with new products and widen our capability to supply products and services.

- Commitment to expand into India and continue to bid for contracts in new locations and explore new revenue streams.

DESIGN AND SUPPLY QUALITY – The Group has already succeeded in further strengthening its core competences and we are well placed to meet the developing World's continuing demand for improvement of energy efficiency, environmental enhancement and heat transfer products either directly, in partnership or as a subcontractor despite the slowdown in the Global economy. We have designed and developed a range of products and services to meet fluctuating demands of our customers.

INNOVATIVE PRODUCTS AND SERVICES – We will continue to optimize our product portfolio and promote sustainable development for the industry and enhance maturity of our industry capability to maintain our position and increase capacity. We will adopt an open minded attitude to new products which are integrated to our resources.

- Despite the reduced revenue, the Group secured several orders of strategic significance orders in the Year for a variety of waste heat projects to enhance efficiency and produce power using alternative fuel types (such as biomass) and has raised its profile as a consequence. Greens expect to capitalize on these opportunities and generate more enquiries and create more opportunities for larger capital value projects and extend this to refuse firing projects for which China and UK has great demand. In addition shorter delivery high margin retrofitting projects have been targeted, particularly in China.

- Development of the new speciality heat exchangers to enhance the efficiency of existing power boilers to ensure that Government targets for efficiency improvement can be met. The Group has now completed numerous orders that involve specially developed heat transfer tubes that has been produced by using the Group's skills in designing and developing specialist production machines.

- Development of high efficiency external superheater design of boilers for the petrochemical and offshore industries.

EXPANSION INTO INDIA – Our commitment to entering the Indian market has now been undertaken and we now have two operational centres in Chennai (Tamil Nadu) and Bhilai (Chhattisgarh) with 31 employees. In 2011 Greens India unveiled our first significant Indian HRSG project and many more such projects are at various stages of development. During the year we continued to benefit from the continued acceptance of our Steel H economizer technology in this growing marketplace by proven operation of our industrial size units supplied in 2010 that has led to a utility size project in 2011. Once operational the scope for our product for retrofit and new build projects will increase significantly as it did in China.

LIMITED FURTHER INVESTMENT REQUIRED

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 profit and cash flow in the forthcoming periods.

The management will continue to review the overall capital position of the Group and gradually and systematically lower its gearing levels to a more satisfactory level.

PROSPECT, FUTURE PLANS AND STRATEGIES

2012 will be the year for the further expansion of the installed power generation base in the two fastest developing countries in the world, China and India. These countries continue to target increases in efficiency and reductions to emissions of their installed base as well as new investment in clean combustion technology, gas fired power stations, FPSO's for the offshore market and in the disposal of waste through incineration. Many production processors of cement, steel, coke and chemicals face the challenge of reducing heat loss and emissions that require various waste heat recovery solutions where Greens are now approved suppliers.

It is expected that India and China, in particular, will keep escalating their investments in such areas in order to meet their ever-growing demand for electricity from industrial and commercial activities.

The Group 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. It is our understanding that these leading boiler manufacturers have received significant numbers of orders with the respective governments for new power generation facilities, and these will be delivered in the next five years.

The Company has further set its sights on a wider range of products for the Japanese market, with a new agent, where several major customers are seeking support and co-operation to overcome the pressures of lack of competitiveness and high domestic cost.

In other South Asia markets there is continued need for products similar to those being supplied in India and China. Much of the marketing for South Asia is being handled by our Singapore sales office where the market for marine offshore products is starting to increase again with a significant number of new projects being released as a result of the rise in global oil prices. We have recently set up our International Group in Singapore to deal with the larger international projects worldwide where we can harmonise our technical resource skills in UK, India and China and centralise our intellectual property.

Greens have now re-entered the US market, an albeit at a smaller scale than expected based on the aborted acquisition during 2011 and a number of projects have already been won to date. Several major HRSG projects have recently been released to USA companies who manufacture in Asia as confidence returns in this important market. Development plans for markets in Brazil are still under detailed consideration by the management, since the market slowed a little in 2011, the focus may be switched to other markets such as Eastern Europe, Central Asia and the Middle East.

For the renewable energy segment, the Group will continue to have joint operations with leading biomass Engineering Procurement and Construction contractors so as to seize a significant market share in the region in the foreseeable future. As the Group's products 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.

The Group will continue to focus on its cost reduction plans, from the head office down to its operating units. To date in 2012 we have identified significant cost savings in the China businesses in respect of overhead costs and employee number reductions and re-allocation.

Based on our strong and established history, our proven capabilities in the heat transfer sector and our international sales network developed since the date of the IPO, I believe that despite the changeable market conditions we have a sound basis for the future development and shareholder value of Greens. Many of the additional costs incurred in 2011 have been related to the development of new markets, new customers and new applications, most of which have been written off against profit in the Year.

The Group is grateful 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 thank its customers for their loyalty and long-term support in choosing our products.

On behalf of the Group, I sincerely look forward to the continued support of its shareholders in helping Greens to fulfill its development strategy.

Frank Ellis
Chairman
29 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Overall operations

Our markets showed signs of fragility, as market demand reduced and major projects slowed down affecting many of our customers. The Group is confident to continue with its strategy of focusing its core product range of heat transfer products in niche specialist markets which require engineered solutions for environmental and efficiency enhancement. Our concentration is on locations that are least affected by the ongoing turbulence in the global economy, with focus placed on emerging markets as well as those markets which may provide the earliest opportunity for recovery. Production facilities of the Group are now complete and we have capacity to facilitate such increases in demand as they arise.

The Asia markets, particularly China, our largest market, and India were more stable in the first half of the year compared to other international markets, but in the second half of 2011 these have been impacted by lower customer demand due to lower end user infrastructure investment and difficult market conditions.

Poor European market conditions have impacted our United Kingdom business where sales have been lower than expected and have been influenced by public objections and public enquiries related to many coal and waste to energy projects, thereby affecting our customer orders. During the Year, we have allocated a considerable amount of resources in our business in the United Kingdom to these potential projects, which has affected our sales and margins in the European market.

The Group has continued to expand its business activities in locations where there have been opportunities for experienced suppliers who provide environmentally friendly heat transfer solutions. The Group continues to expand its operations in supplying wind turbine towers from its plant in Tongliao, Inner Mongolia where investment in this alternative energy power continues although at lower levels than anticipated by the Group when our investment was initially made.

International business platform

The Group now has a fully integrated international business platform with manufacturing facilities in China, Europe and India where we have direct access to key markets and are situated close to major transportation routes to serve both overseas and domestic markets. Our development into two locations in India, Chennai and Chhattisgarh, provides significant coverage and skills in the form of technical expertise, manufacturing and international sales coverage. During the Year our focus on the international market expanded further with the establishment of our newly formed international business group based in Singapore which serves major projects worldwide. This centre of excellence adds further expertise to our global sales and project delivery capability. In February 2011, the Group established a subsidiary in the United States of America to focus on sales in this significant marketplace. Finally, our Singapore office has been selected as the main sales office for South Asia due it housing our international business team plus the strong marine market in this country and importantly its continued encouragement to trading companies and close links to China, United Kingdom, United States of America and India, all key regions of the Group.

Economisers

Economisers, a core and mature product of the Group, has had sales which remained relatively stable in the Year based on continued orders and continued support and preference from major equipment suppliers and utility operators. As with prior years our extensive operating reference list (of already installed Economisers from the Group) has been used for significant on-going promotion of our products in other countries that still rely on coal as the prime fuel for power generation. Since these are products which enhance efficiency of coal-fired power stations and industrial power plants and reducing emissions thereof, the demand for the Group's Steel-H extended surface solution has been strong, particularly in China and more lately from its introduction and acceptance in India. This continues to create even more opportunity for on-going projects and after-sales and maintenance projects. European and Japanese markets have been slower than anticipated in the Year, however pent up demand from Japan is expected to be released in 2012 and 2013 and European sales are seeing some demand increases in recent months.

The Group's sales of economisers in the Year reduced by 4% to approximately RMB210.0 million (for the year ended 31 December 2010: RMB219.3 million) as compared with last year. Whilst part of the reason was due to the slowdown in upgrading of coal-fired power plants in China, the major reason was the loss of market share with major customers opting for low cost supply using their own in-house designs compared to last year. This was offset to some extent, as targeted, by the growth in the Group's low temperature heat transfer products that has created further opportunities in other locations. A number of industrial size economisers have been supplied with the first utility size unit successfully installed in India during the Year, showing our commitment and positive introduction into this market.

Waste heat recovery products and boiler components

Waste heat recovery products cover a number of applications such as HRSGs, systems applied in gas-fired and oil-fired power plants, waste heat boilers and other waste heat recovery sectors which are primarily used in clean energy and Waste-to-Energy power solutions. 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 a majority of these products were supplied to customers in China, India and Europe. Turnover of waste heat recovery products recorded a reduction in sales of 47% as compared with 2010 to RMB197.0 million for the Year (for the year ended 31 December 2010: RMB369.1 million). The reduction in sales was a result of one of our key customers exiting the market in 2010 and challenging market conditions with lower order levels in China and Europe.

Marine products

Marine products are generally waste heat boilers, economisers, composite boilers and fired boilers for shipping applications. Many of the Group's customers in China and Singapore for marine products are shipyards located on the mainland. During the Year, sales of Marine products increased by 69% to approximately RMB63.1 million (for the year ended 31 December 2010: RMB37.3 million). Greens has positioned itself well to take advantage of the growing markets in Asia. This segment has benefitted significantly from the recovery of the shipbuilding industry in Asia, particularly in China which is now the largest shipbuilding nation in the world where much more emphasis is expected to occur on larger vessels that require our Deisecon waste heat boilers that are well proven in this market. Demand for boilers to be applied to medium sized vessels has increased substantially but we remain selective and avoid the competitive small boiler projects where competition is more intense. 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 initial success in 2010 to enter the Southeast Asia market now accelerating because of high gas prices, to provide boilers for floating production, storage and offloading vessels in offshore oil exploration industry.

Waste heat power generation

Baicheng Greens Waste Heat Power Generation Co., Ltd. ("Baicheng Greens"), a wholly owned subsidiary of the Company has continued to sell electricity generated from the waste heat produced by Xinjiang International Coking Company Limited ("Xinjiang Coke") to the State Grid Corporation of China. The project structure is based on the build-operate-transfer, or BOT model and the contract period from May 2008 to July 2015.

Consistent with last year, electricity sales of Baicheng Greens has been affected by the domestic government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. Electricity sales revenue for the Year amounted to approximately RMB20.7 million (for the year ended 31 December 2010: RMB19.7 million) representing 5% increase as compared with last year.

A transfer agreement with an independent third party in order to secure the future revenue of the segment was still in effect during the Year, which contributed to RMB8.0 million received during the Year.

The Group's second waste heat power generation project in Kunming city, Yunnan province, China (the "Yunnan Project") has successfully completed its construction in the Year. 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 waste heat power generation facilities of the Yunnan Project is operational and has contributed approximately RMB28.3 million of construction revenue during the Year. The operation rights of the Yunnan Project has been recorded as a financial asset and an intangible asset in the consolidated financial statements of the Group for the Year. Part of the accompanying guaranteed revenue to be paid by the chemical factory to the Group has been recorded as a financial asset for the Year. Except for the guaranteed revenue mentioned above, the Yunnan Project is recorded on a similar basis to that of the Group's existing Baicheng project. This project has not yet generated any of its own revenues but is expected to contribute during 2012 following final commissioning.

Wind turbine towers

Tongliao Greens manufactures and sells wind turbine towers. Turnover of wind turbine towers commenced deliveries of products in the fourth quarter of 2010 and recorded approximately RMB96.7 million for the Year an increase of 136% compared to the prior year (for the year ended 31 December 2010 of RMB41.0 million). We continue to look at securing new wind turbine tower orders for this facility in the short term but have also qualified this factory for supply of pressure vessels and steel structures to extend its product range and take advantage of the low production costs.

Service and repairs

These include boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs. The Group's service and repair business has capitalised on its significant experience. During the Year this small segment was impacted by poor market conditions and turnover reduced where projects were delayed. Revenue from services and repairs of approximately RMB7.6 million decreased by approximately 14.9 million, 66% as compared to the corresponding period last year (for the year ended 31 December 2010: RMB22.5 million). This is because almost all of the revenue is associated with smaller service and repair projects and no larger value projects were secured in 2011 so much more focus will be placed on this segment in 2012 to expand the whole of our aftersales business in the UK, Singapore and China. This is to some extent related to delay by customers with budget pressures. It is expected to change in 2012 since many of the delayed projects are likely to move forward again. Additional sales support will be allocated to this segment to focus on large service and repair contracts and replacement of key parts that are worn out and affect operating efficiency and shutdown/maintenance costs.

FINANCIAL REVIEW

Turnover

As discussed above the Group's revenue for the Year has decreased to RMB623 million, representing a decrease of approximately RMB88 million or 12% (for the year ended 31 December 2010: approximately RMB711 million).

Gross profit margin

Meanwhile, the reported gross profit of the Group during the Year reduced significantly from RMB173 million for the year ended 31 December 2010 to RMB69 million for the Year. The Group's reported gross margin for the Year has decreased to 11% from 24% for last year. This is mainly attributable to Economiser and Waste heat recovery segments where product margins have decreased. This has been driven mainly by added costs on projects in the Year (increased design costs, materials costs and labour costs), our entrance into new markets and customers with lower margin projects, significantly increased competitive pricing pressures and a number of projects with negative margins. In addition, the increased mix of wind tower business with lower margins has reduced overall margins. The comparatively higher gross margin contribution of large international projects, Japanese projects and projects with the free-issue orders last year compounds this marked reduction. The effect of some higher value initial orders to the new market in India has also had some effect on lowering gross margins but has facilitated the Group's successful and timely entry into this new market.

Gross profit margin decreases have been further analysed and attributed to the following:

- Lower levels of sales to International customers in the Year due to project delays or preference for domestic supply. In the past on International projects have delivered higher levels of gross profit due to additional levels of engineering and design.

- Projects with extended scope of supply having less margin on bought out items.

- Additional overhead to support projects and expand technical skill base.

- Hiring of specialist technical design houses to supplement and train our in house staff.

- Increased competitive pressures in our Chinese market as the market matured and became significantly more competitive in the period where demand has slowed since 2010. Lower gross margins have been used to win new customers and projects.

- Increased costs of raw materials and direct labour costs in the Year based primarily on steel price increases and wage inflation.

- A significant level of sales into India where lower margins were used to enter and access the market at the outset. These were further eroded by customer design changes with added costs, installation delay issues and the cost of ensuring and establishing the highest possible quality and service on our first significant project in this market.

- Increased emphasis on Health and Safety and customer service audits.

- The opening of new market entry projects in the waste to energy market where turnkey projects incurred overruns on costs at the latter stages of the projects.

- Our mix of products being towards our lower margin wind tower and waste to energy products as opposed to traditional heat transfer products.

- The lack of throughput through our new factory in Jingjiang City, China where fixed manufacturing costs have not been fully absorbed in the period.

A breakdown of sales and the gross margins of the Group's operating segments (as adjusted by various forms of compensation received from the waste heat power generation segment) is as follows:

Revenue by operating segment	For the year ended 31 December 2011		For the year ended 31 December 2010	
	RMB'000	As a % of total revenue	RMB'000	As a % of total revenue
Economisers	**209,984**	**33.7**	219,277	30.8
Waste heat recovery products and boiler components	**197,011**	**31.6**	369,141	51.9
Wind turbine towers	**96,747**	**15.5**	40,980	5.8
Marine products	**63,082**	**10.1**	37,325	5.2
Services and repairs	**7,641**	**1.2**	22,515	3.2
Waste heat power Generation	**49,014**	**7.9**	21,716	3.1
Total revenue	**623,479**	**100**	710,954	100

Gross profit margin by Operating Segment	For the year ended 31 December 2011	For the year ended 31 December 2010
Economisers	**24.9%**	34.5%
Waste heat recovery products and boiler components	**11.9%**	23.3%
Wind turbine towers	**(12.7%)**	11.6%
Marine products	**11.8%**	14.7%
Services and repairs	**7.9%**	28.5%
Waste heat power generation*	**10.9%**	16.7%
Total gross margin	**12.3%**	24.4%

* Taking into account various forms of compensation which is separately disclosed in other income.

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

Revenue by region	**For the year ended 31 December 2011**		For the year ended 31 December 2010	
	RMB'000	**As a % of total revenue**	RMB'000	As a % of total revenue
The PRC	**449,761**	**72.1**	537,805	75.6
India	**117,034**	**18.8**	75,887	10.6
Europe	**54,692**	**8.8**	86,464	12.2
Others	**1,992**	**0.3**	10,798	1.6
Total revenue	**623,479**	**100.0**	710,954	100.0

Sales movements are commented upon in the review above, gross profit margins are commented on as follows:

Economiser – gross profit margin for the Group's economisers segment reduced to 24.9%, as compared to 34.5% for last year. Decreases were due to the lower mix of international sales and the increase of lower value simple build to print projects in China (rather than specific design). We focused on lower value low temperature economiser sales in China as a strategy where our specialist design skills and experience is not so easy for competitors to challenge.

Waste heat recovery and boiler components – gross profit margin for waste heat recovery products and boiler component segment decreased significantly from approximately 23.3% for last year to approximately 11.9% in the Year. This decrease was mainly attributed to the slowdown in infrastructure project in China and competitive pricing for the remaining projects, the lower level of sales to Europe compared to 2010 (which in 2010 contributed to significantly higher margins), building project experience and references in the HRSG and WHB sector where newer customers and projects were won at lower margins to enter the market. In addition we entered the market in India where our projects were undertaken at lower margins at the outset, with increased design costs and other costs as the customer specifications changed (these costs have not been passed on to the customers).

Marine products – Marine product gross profit margin for the Year decreased marginally from 14.7% to 11.8% for the year ended 31 December 2010. This remained relatively stable based on the continued demand and sales in these markets and benefitting from the continued recovery to the shipbuilding market in the Asia region.

Services and repairs – this segment recorded a decrease in gross profit margin for the Year to 7.9% compared to 28.5% in 2010. The revenue of this segment includes repair, service and spare parts selling. The decrease of gross margin was due to the decrease of sales in our higher margin repair service.

Waste heat power generation – gross profit margin for the waste heat power generation segment for the Year was approximately 10.9% (for the year ended 31 December 2010: 16.7%) after taking into account various forms of compensation from the third party transfer agreement amounting to RMB8 million (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).

The gross profit margin of the segment for the Year included the construction revenue generated in relation to the Yunnan Project of RMB5.3 million. The waste heat power facilities were completed in June 2011 and became operational in late November 2011. To date no sales or revenues have been generated from this projects due to final completion of commissioning.

Wind turbine towers – gross profit margin for wind turbine towers was negative in the year at (12.7)% (for the year ended 31 December 2010: 11.6%). Gross profit margin for this segment has reduced based on lower throughput at the Tongliao factory. Gross profit margins have suffered in the Year based on lower factory throughput, quality and remedial costs and higher material costs in the year.

Overheads

Overhead levels have increased during the Year, primarily to support growth in the China business (staff costs), Group costs (staff costs and aborted acquisition costs) and new business initiatives. These have been due to the business gearing up for turnover growth and further investment in the Group infrastructure, including early years investment costs and market development (with limited levels of sales in 2011) in USA, Singapore and Japan and through developing our new international operations group. In addition the emphasis towards design and supply of boiler projects and turnkey supply instead of boiler components and traditional economisers has led to greater overhead costs. There has been significant focus on these costs with a number of cost saving plans developed in the second half of 2011 and into 2012.

Other Income and other gains and losses

The Group recorded other gains of approximately RMB21.9 million for the Year (for the year ended 31 December 2010: approximately RMB23.7 million). The amount represented income of RMB8 million in Baicheng Greens in respect of the transfer agreement in place plus subsidy income of RMB9.8 million in Tongliao Greens in respect of amounts received from the local government, amortised over the licence period. The amount in 2010 mainly represented recognised subsidy income, customer compensation for cancelled orders and income from transfer agreements.

Net loss attributable to owners of the Company

The Group's net loss attributable to equity holders for the Year amounted to approximately RMB79.9 million (for the year ended 31 December 2010: approximate profit of RMB65.3 million). Such reduction was primarily attributable to the decrease in turnover and significant reduction in gross profit for the Year, at the same time expected sales increases led to increases in overhead costs primarily administration expenses. The increase in administration expenses resulted from the expansion to operations in China as the business geared up to new capacity levels, with lower than expected revenues in the Group's new subsidiaries in India, Singapore and the USA together with the one-off professional fees incurred amounting to approximately RMB4.0 million in relation to a number of merger and acquisition opportunities which have been pursued to accelerate growth strategies in the USA and Europe but have not gone through. These opportunities were not completed based on the extended period of return of capital investment after further assessing the opportunities in detail and the impact of global market condition where the projected revenue forecasts we were presented with were deemed challenging.

ORDER BACKLOG

The Group generally recognises revenue on a stage of completion basis. The Group's order backlog represents that portion of the contract value as of a specified date whose associated revenue has not been recognised. Based on supply contracts entered into on or prior to 31 December 2011, the total order backlog as at 31 December 2011 was approximately RMB263 million (as at 31 December 2010: RMB312 million). The following table sets forth, by business segment, the Group's order backlog as of 31 December 2011 and 31 December 2010.

	As 31 December 2011		As 31 December 2010	
	To be delivered in		To be delivered in	
	2012	**2013**	2011	2012
	RMB million	**RMB million**	RMB million	RMB million
Economisers	**84**	**–**	82	–
Waste Heat Recovery Systems and boiler components	**85**	**–**	124	–
Marine Products	**54**	**–**	68	3
Wind Turbine Towers	**11**	**–**	18	–
Service and Repairs	**29**	**–**	17	–
Total	**263**	**–**	309	3

LIQUIDITY, FINACIAL RESOURCES AND CAPITAL STRUCTURE

Cashflows and working capital

To date, the Group's operations have been primarily financed by cash generated from its operating activities and bank borrowings. During the Year, the major source of financing for the capital expenditure of the Group was the unused portion of the proceeds from initial public offering in 2009. The Group's cash expenditures primarily consist of the purchase of raw materials and components from its suppliers, payments on manufacturing overheads and expenses on wages and salaries. As at 31 December 2011, the Group had approximately RMB60 million in cash and cash equivalents, compared to approximately RMB298 million as at 31 December 2010 (excluding pledged balances). The reduction in cash and cash equivalents in the Year was due to increases in working capital balances, capital expenditure costs and trading losses incurred by the Group.

Capital expenditure

The Group's capital expenditures amounted to approximately RMB97.5 million during the Year (for the year ended 31 December 2010: approximately RMB95.5 million). The capital expenditure in the Year was primarily attributable to acquisition of property, plant and equipment at our Tongliao wind tower facility and our Jing Jiang factory.

Capital structure

The capital structure of the Group consists of net debt (which includes bank borrowings), cash and cash equivalents and equity attributable to owners of the Company, comprising issued and paid-up share capital, reserves and retained profits. The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Indebtedness

The following table sets forth components of our indebtedness as of 31 December 2011 with comparative figures of the previous year:

	As at 31 December 2011 (RMB'000)	As at 31 December 2010 (RMB'000)
Secured bank borrowings	**42,500**	–
Unsecured bank borrowings	**310,000**	325,039
Unsecured bank overdrafts	**–**	39
Carrying amount repayable on demand or within 1 year	**292,500**	235,039
Amount payable after more than one year	**60,000**	90,000

As at 31 December 2011, the Group's bank borrowings of approximately RMB353 million (as at 31 December 2010: RMB325 million) carry interest rate at 6-9%.

KEY FINANCIAL RATIOS OF THE GROUP

The following table sets out the key financial ratios of the Group as at the end of the Year with comparative figures as of 31 December 2010 as reference:

	As at 31 December 2011	As at 31 December 2010
Current ratio	**1.45**	1.78
Net debt to equity	**28.6%**	1.6%
Gearing ratio	**48.2%**	39.0%

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 of Hong Kong Limited (the "Stock Exchange") on 6 November 2009 amounted to approximately RMB437.0 million, after deducting the 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. In December 2010, the Company announced that it planned to reallocate the remaining balance of such proceeds as of 30 September 2010 of approximately RMB349 million to other intended applications. Later in June 2011, the Company further announced that it planned to reallocate and revise the use of the remaining balance of such proceeds as of 31 May 2011 of RMB194 million to other intended applications. As of 31 December 2011, the subsequent applications of such sums are as follows:

	Revised use of the remaining Net Proceeds RMB million	Unutilized total as of 31 December 2011 RMB million
Further development of wind turbine tower plant	**50**	**14**
Further expansion of storage and production space on a piece of land adjacent to the existing plant	50	14
Strengthen working capital for core business of the Group	**144**	**–**
(i) working capital to facilitate orders for heat transfer products	60	–
(ii) working capital to facilitate orders for wind turbine towers	64	–
(iii) partial repayment of bank loans	20	–
Total	**194**	**14**

The Company will continue to closely monitor the general investment environment so that if any part of the intended use of the proceeds from initial public offering becomes unavailable or less profitable, the management may take into account all current conditions and in the best interests of the Group and its shareholders, subject to relevant Listing Rules Governing the Listing of Securities on the Stock Exchange (the "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.

HUMAN RESOURCES

Employees

As at 31 December 2011, the Group employed a total of 1,089 staff (as of 31 December 2010: 1,121 staff). During the Year, the staff costs (excluding the directors) of the Group were approximately RMB81.9 million (for the year ended 31 December 2010: approximately RMB63.3 million). The staff costs include basic salary, performance salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, public house reserves, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts reviews over the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in the annual salary review for considering a grant of an 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 a 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 UK 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 providing to the employees (excluding the directors) amounted to approximately RMB5.8 million (2010: approximately RMB3.0 million).

OTHER

Guarantees and contingent liabilities

As at 31 December 2011, there were no guarantees or any contingent liabilities incurred by the Group (as of 31 December 2010: Nil).

Pledge of assets

As at 31 December 2011, the Group had pledged cash and bank deposits of approximately RMB83.1 million (as of 31 December 2010: approximately RMB13.6 million to secure certain bank borrowings and banking facilities of the Group).

Foreign exchange risk

As at 31 December 2011, the balance of the bank balances and cash maintained and recorded by the Group (including pledged bank deposits) consisted of HK dollars, Renminbi, US dollars and others in the respective proportions of approximately 2.3%, 25.1%, 67.2% and 5.4% (as at 31 December 2010, HK dollars, Renminbi, US dollars and others accounted for approximately 54.7%, 33.5%, 10.7% and 1.1% respectively of the bank balance of the Group).

The sales, purchases and bank borrowings of the Group during the Year and in 2010 were made mainly in Renminbi, US dollars and Euro and it is expected that the majority of future development and transactions carried out by the Group will be made mainly in Renminbi, US dollars and Euro, the Group will actively convert bank balance currently maintained in HK dollars into Renminbi, US dollars or Euro. To reduce its foreign currency exchange exposure, the Group enters into forward transactions on, among other currencies, the Renminbi, US dollars and Euro from time to time.

Interest rate risks

As at 31 December 2011, the majority of the bank borrowings of the Group are floating rate borrowings and carry interest ranging from 6% to 9% per annum. The interest rate of loans which carry floating interest rates was calculated by reference to the benchmark interest rate prescribed by the People's Bank of China and are denominated in Renminbi. The Group currently does not use any derivative instruments to hedge its interest rate risks.

Significant investments held

During the Year, the Group did not have any significant investment. Investment in the Year included further set up costs in the Indian subsidiary and the initial set-up of the USA subsidiary, however in both cases these principally included additional employee costs and funding to the businesses as they were developed.

DIRECTORS AND SENIOR MANAGEMENT

The Biographical details of the Directors and the senior management as of 31 December 2011 is as follows,

EXECUTIVE DIRECTORS

Mr. Frank ELLIS, aged 64, is an executive Director appointed on 9 April 2008. Mr. Ellis is our Chairman of the Board of Directors and chief executive officer. Mr. Ellis has more than 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 & Guilds National Certificate in advanced fuel technology and heat transfer in the United Kingdom.

Mr. XIE Zhiqing, aged 55, is an executive Director of our Company appointed on 9 April 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 48, is an executive Director of our Company appointed on 9 April 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 31, is a non-executive Director nominated by China Fund Limited and appointed on 1 August 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 58, is an independent non-executive Director of the Company appointed on 19 October 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 46, is an independent non-executive Director of the Company appointed on 19 October 2009. Mr. Yim has nearly 20 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 from the City Polytechnic of Hong Kong with a bachelor's degree of accountancy. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom.

Mr. LING Xiang, aged 44, is an independent non-executive Director of the Company appointed on 19 October 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. Michael Frederic WIGNALL, aged 53, is the Group Overseas Operations Director. He joined the Company in October 2011. He has extensive international experience in the energy, petrochemical and marine industries, with proven successful experience in leading and managing similar sized businesses in aligned markets to those of the Group, through a growth transition phase. Mr. Wignall completed a graduate apprenticeship with British Oxygen Company, then joining Foster Wheeler Power Products and latterly Rolls Royce Power and Process, achieving senior technical and commercial roles in both organizations, before becoming a main board Director in Sheffield Forge Masters, responsible for sales and marketing. For the last 17 years, Mr. Wignall was a Group Executive Director for the Hamworthy Combustion Group of Companies, and has been a major driver of the growth and success of this business in the international energy, marine and petrochemical markets for sales of capital goods products and services, achieving double digit growth of the profit over the past 7 years. Mr. Wignall graduated from Sussex University in 1976, with a Bachelor of Science (Hons) degree in Engineering and Applied Science.

Mr. Matthew CREWE, aged 40, is the Chief Financial Officer of the Company. He joined the Company in June 2011. Mr. Crewe has over 14 years of experience working in the range of financial and accounting roles both within practice and within industry focusing on the industrial products and construction sectors. In 2005, Mr. Crewe had a nine month secondment to Pilkington Plc with time spent working in its Chinese and Hong Kong businesses. During the last 10 years, Mr. Crewe has worked for Ernst & Young LLP and KPMG LLP. Mr. Crewe is a member of the Institute of Chartered Accountant in England and Wales. Mr. Crewe graduated from the University of Teesside in 1993, with a BA (Hons.) degree in Business Communication.

Mr. Gifford BROWN, aged 41, 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 47, 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.

COMPANY SECRETARY

Mr. HO Kin-cheong, Kelvin, aged 44, 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 was 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.

The Company terminated the employment with Mr. Ho with effect from 7 March 2012. This was due to the Company's focus on reducing head office costs, part of our overall cost and efficiency savings measures across the Group. Mr. Chow Tung Ming has been appointed as the company secretary of the Company under the Listing Rules with effect from 7 March 2012.

Mr. CHOW Tung Ming, aged 28, is a practising solicitor in Hong Kong. Mr. Chow is an assistant solicitor in Li & Partners. Mr. Chow holds a Bachelor of Business Administration (Law), a Bachelor of Laws and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Chow was admitted to practise as a solicitor of the High Court of Hong Kong in 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 2011.

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 2011 are set out in the consolidated income statement on page 41 of the annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board does not recommend payment of a final dividend for the year ended 31 December 2011 (2010: HK1.54 cents per share).

The register of members of the Company will be closed from Thursday, 10 May 2012 to Wednesday, 16 May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend the forthcoming annual general meeting to be held on 16 May 2012, 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, 9 May 2012.

RESERVES

Movements in the reserves of the Company and the Group for the year ended 31 December 2011 are set out in note 31 to consolidated financial statements.

DISTRIBUTABLE RESERVE

The distributable reserve of the Company as at 31 December 2011 was approximately RMB 459.1 million (as stated 2010: RMB459.1 million).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2011 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 30 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 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY

As at 31 December 2011, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities (2010:Nil).

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 2011, 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 2011

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 2011, the purchase amount of the Group's five major suppliers and the largest supplier were approximately RMB173,300,000 and RMB63,400,000, representing approximately 47% and 17% 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 RMB305,700,000 and RMB122,200,000, representing approximately 49% and 20% 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 2011.

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 2011, the total directors' emoluments were RMB4,689,000, 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 2011, 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 percentage 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 interests in Ordinary shares of the Company ("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 2011, 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 2011, 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 shareholders	Nature of interests	Number of shares of interest[1]	Approximate percentage of shareholdings (%)
Substantial shareholders			
Ms Ann Elizabeth Ellis[2]	Family	347,250,000	27.89
Crown Max[3]	Beneficial owner	147,183,750	11.82
Union Rise[4]	Beneficial owner	183,566,250	14.75
Ms Dai Yaping[4]	Family	185,566,250	14.90
China Fund Limited[5]	Beneficial owner	225,000,000	18.07
Luckever Holdings Limited[5]	Controlled corporation	225,000,000	18.07
Mr Liu Xuezhong[5]	Controlled corporation	225,000,000	18.07
	Beneficial owner	11,238,000	0.90
Ms Li Yuelan[5]	Controlled corporation	225,000,000	18.07
	Family	11,238,000	0.90

Notes:

(1) All interests in Ordinary shares of the Company ("Shares") are long positions.

(2) Ann Elizabeth Ellis 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. Ms Dai Yaping is the spouse of Mr. Xie Zhiqing. Therefore Ms Dai Yaping 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 225,000,000 Shares owned by China Fund Limited. Luckever Holdings Limited is beneficially owned by Mr Liu Xuezhong as to 60.87% and Ms Li Yuelan as to 39.13% respectively. Therefore, they are deemed, or taken to be, interested in the 225,000,000 Shares which Luckever Holdings Limited is interested in for the purpose of the SFO. Mr Liu Xuezhong beneficially owns 11,238,000 Shares and is also the spouse of Ms Li Yuelan. Ms Li Yuelan is deemed, or taken to be, interested in the 11,238,000 Shares which Mr 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

Details of the related party transactions of the Group for the year ended 31 December 2011 are set out in note 36 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 36 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 36 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.

The related party transactions listed in note 36 to the consolidated financial statements do not constitute discloseable connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

As at 31 December 2011, 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

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 27 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

No significant event took place subsequent to 31 December 2011.

By order of the Board
Frank Ellis
Chairman

Hong Kong, 29 March 2012

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 2011 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 2011.

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 seven (7) meetings for the year ended 31 December 2011. The attendance of the Directors at Board meetings during the year is as follows:

	Attendance during the year
Mr. Frank Ellis *(Chairman)*	7/7
Mr. Xie Zhiqing *(Executive Director)*	7/7
Ms. Chen Tianyi *(Executive Director)*	7/7
Mr. Zhu Keming *(Non-Executive Director)*	7/7
Mr. Jack Michael Biddison *(Independent Non-Executive Director)*	7/7
Mr. Yim Kai Pung *(Independent Non-Executive Director)*	7/7
Mr. Ling Xiang *(Independent Non-Executive Director)*	7/7

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 DIRECTOR

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 meeting is as follows:

Member	Attendance
Mr. Jack Michael Biddison	1/1
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 two (2) meetings to review the 2011 interim report, 2010 annual report and review and approve relevant accounting policy and related process of internal control. Subsequent to the Year end, the Audit Committee reviewed the annual report and annual results announcement for the year ended 31 December 2011 for the recommendation to the Board for approval. The attendance of Directors at the meetings is as follows:

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

REMUNERATION OF AUDITOR

For the year ended 31 December 2011, the Group is required to pay approximately RMB2,660,000 to the external auditor Ernst & Young for the audit services.

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 Auditors' Report on pages 39 and 40.

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 2011, 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.

(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 2011, 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 2011, 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 LTD

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greens Holdings Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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 the 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, 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 2011, and of the Group's loss 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

22nd Floor, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong
29 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**623,479**	710,954
Cost of sales		**(554,609)**	(537,755)
Gross profit		**68,870**	173,199
Other income and gains	5	**21,892**	23,747
Selling and distribution costs		**(31,706)**	(19,586)
Administrative expenses		**(105,659)**	(80,667)
Other expenses		**(5,804)**	(4,140)
Finance costs	7	**(23,864)**	(19,870)
PROFIT/(LOSS) BEFORE TAX	6	**(76,271)**	72,683
Income tax expense	10	**(3,589)**	(7,372)
PROFIT/(LOSS) FOR THE YEAR		**(79,860)**	65,311
Attributable to:			
Owners of the parent	11	**(79,860)**	65,311
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit/(loss) for the year		**(RMB0.064)**	RMB0.052

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 2011

	2011 RMB'000	2010 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**(79,860)**	65,311
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(4,939)**	(15,548)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(84,799)**	49,763
Attributable to:		
Owners of the parent	**(84,799)**	49,763

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**319,295**	312,538
Prepaid land lease payments	15	**88,565**	58,130
Other intangible assets	16	**141,268**	146,370
Financial assets – amount due from a grantor	18	**20,839**	–
Deferred tax assets	28	**4,203**	1,826
Total non-current assets		**574,170**	518,864
CURRENT ASSETS			
Inventories	19	**61,044**	30,244
Construction contracts	20	**287,002**	267,439
Trade and bills receivables	21	**307,256**	299,128
Prepayments, deposits and other receivables	22	**99,835**	109,701
Financial assets – amount due from a grantor	18	**4,167**	–
Pledged deposits	24	**83,146**	13,550
Cash and cash equivalents	24	**60,238**	298,442
Total current assets		**902,688**	1,018,504
CURRENT LIABILITIES			
Trade and bills payables	25	**267,695**	286,990
Construction contracts	20	**–**	1,988
Other payables and accruals	26	**48,204**	34,660
Derivative financial instruments	23	**60**	322
Interest-bearing bank and other borrowings	27	**292,500**	235,039
Tax payable		**13,359**	14,229
Total current liabilities		**621,818**	573,228
NET CURRENT ASSETS		**280,870**	445,276
TOTAL ASSETS LESS CURRENT LIABILITIES		**855,040**	964,140

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**855,040**	964,140
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**60,000**	90,000
Deferred tax liabilities	28	**24,447**	23,738
Deferred income	29	**38,712**	17,408
Total non-current liabilities		**123,159**	131,146
Net assets		**731,881**	832,994
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**85,004**	85,004
Reserves	31(a)	**646,877**	731,676
Proposed final dividend	12	**–**	16,314
Total equity		**731,881**	832,994

Frank Ellis
Director

Chen Tianyi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	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 articles of association of the Company, dividends were declared and paid from the share premium account.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Continued)

Year ended 31 December 2011

	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 2011	85,004	459,124	137,935	(20,614)	24,664	130,567	16,314	832,994	-	832,994
Loss for the year	-	-	-	-	-	(79,860)	-	(79,860)	-	(79,860)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	(4,939)	-	-	-	(4,939)	-	(4,939)
Total comprehensive income for the year	-	-	-	(4,939)	-	(79,860)	-	(84,799)	-	(84,799)
Final 2010 dividend declared*	-	-	-	-	-	-	(16,314)	(16,314)	-	(16,314)
At 31 December 2011	85,004	459,124**	137,935**	(25,553)**	24,664**	50,707**	-	731,881	-	731,881

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

** These reserve accounts comprise the consolidated reserve of RMB646,877,000 (2010: RMB731,676,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(76,271)**	72,683
Adjustments for:			
Finance costs	7	**23,864**	19,870
Interest income	5	**(2,538)**	(3,151)
Depreciation	14	**31,078**	25,225
Fair value losses, net:			
Derivative financial instruments	23	**60**	322
Recognition of prepaid land lease payments	15	**1,561**	1,225
Amortisation of other intangible assets	16	**27,058**	25,252
Provision/(reversal) for impairment of receivables	21	**2,257**	(1,025)
Recognition of amortised investment-related subsidy income	29	**(9,832)**	(1,592)
		(2,763)	138,809
Increase in financial assets – amount due from a grantor		**(25,006)**	–
(Increase)/decrease in inventories		**(30,800)**	13,274
Increase in construction contracts		**(21,551)**	(206,845)
(Increase)/decrease in trade and bills receivables		**(29,289)**	18,230
Increase in prepayments		**(13,533)**	(54,874)
(Increase)/decrease in deposits and other receivables		**22,944**	(17,552)
Increase/(decrease) in trade and bills payables		**(19,295)**	105,984
Increase/(decrease) in other payables		**1,871**	(19,587)
Decrease in accruals		**(85)**	(4,573)
Cash used in operations		**(117,507)**	(27,134)
Income taxes paid		**(6,127)**	(8,389)
Net cash flows used in operating activities		**(123,634)**	(35,523)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)
Year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Net cash flows used in operating activities	**(123,634)**	(35,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2,538**	3,151
Purchase of items of property, plant and equipment	**(21,195)**	(89,392)
Proceeds from disposal of items of property, plant and equipment	**13**	179
Additions to prepaid lease payments	**(36,646)**	–
Receipt of government grants	**31,136**	16,000
Additions to other intangible assets	**(3,902)**	(44)
Collection from directors	**–**	2,490
(Increase)/decrease in pledged time deposits	**(69,596)**	9,366
Net cash flows used in investing activities	**(97,652)**	(58,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**595,500**	502,739
Repayment of bank loans	**(568,000)**	(558,429)
Acquisition of non-controlling interests	**–**	(3,300)
Interest paid	**(23,864)**	(19,870)
Dividends paid	**(16,314)**	(23,634)
Net cash flows used in financing activities	**(12,678)**	(102,494)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(233,964)**	(196,267)
Cash and cash equivalents at beginning of year	**298,442**	509,796
Effect of foreign exchange rate changes, net	**(4,240)**	(15,087)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**60,238**	298,442
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**33,594**	201,222
Non-pledged time deposits with original maturity of less than three months when acquired	**26,644**	97,220
Cash and cash equivalents as stated in the statement of financial position	**60,238**	298,442
Cash and cash equivalents as stated in the statement of cash flows	**60,238**	298,442

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 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	22	**161**	168
Due from subsidiaries	17	**561,470**	595,130
Cash and cash equivalents	24	**3,378**	5,698
Total current assets		**565,009**	600,996
CURRENT LIABILITIES			
Other payables and accruals	26	**194**	300
Due to subsidiaries	17	**25,337**	39,595
Total current liabilities		**25,531**	39,895
NET CURRENT ASSETS		**539,478**	561,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**548,720**	570,343
NET ASSETS		**548,720**	570,343
EQUITY			
Issued capital	30	**85,004**	85,004
Reserves	31(b)	**463,716**	469,025
Proposed final dividend	12	**–**	16,314
Total equity		**548,720**	570,343

Frank Ellis
Director

Chen Tianyi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2011

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, Clifton House, P.O. Box 1350, 75 Fort Street, George Town, Grand Cayman KY1-1108, 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 ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. 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 2011. 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.

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 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 36 to the consolidated financial statements.

(b) *Improvements to IFRSs* 2010 issued in May 2010 sets out amendments to a number of IFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. The amendment that has a significant impact on the Group's policy is as follows:

IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[4]
IAS 27 Revised	*Separate Financial Statements*[4]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offseting Financial Assets and Financial Liabilities*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offseting Financial Assets and Financial Liabilities*[5]
IFRS 1 Amendments	Amendments to IFRS 1 *Government Loan*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

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 October 2010, IASB added the requirements for classification and measurement of financial liabilities to IFRS 9. Most of the requirements were carried forward unchanged from IAS 39, and if unquoted equity instruments (and derivative assets linked to those investments) were not reliably measurable, IFRS 9 requires those derivatives to be measured at fair value rather than cost under IAS 39.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 investments 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 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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 identifiable net 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)

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.

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 and 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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 (or valuation) 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 depreciates them accordingly.

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 a building 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%-10%
Service concession arrangement	16.4%

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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, including prepaid land lease payments under 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 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, time deposits, trade and bills receivables, other receivables, financial assets – amount due from a grantor and derivative financial instruments.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income.

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 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 plus, in the case of loans and borrowings, 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.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

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 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 and hedge accounting

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 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:

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

- when 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) 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)

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 22% 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the 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 arising on settlement or translation of monetary items are taken to the income statement.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss are recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the 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 described 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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists 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 2011 was Nil (2010: Nil). The amount of unrecognised tax losses at 31 December 2011 was RMB15,563,000 (2010: RMB454,000). Further details are contained in note 28 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 total estimated contract costs 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

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) Economisers – 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 structures which hold the nacelles that include the generators; and

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

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, 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, 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 2011

	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	Services and repairs RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	209,984	197,011	63,082	49,014	96,747	7,641	623,479
Intersegment sales	-	-	-	-	-	-	-
	209,984	197,011	63,082	49,014	96,747	7,641	623,479
Reconciliation:							
Elimination of intersegment sales							-
Revenue							623,479
Segment results	38,253	23,419	(775)	4,325	(3,917)	(2,143)	59,162
Reconciliation:							
Elimination of intersegment results							-
Interest income							2,538
Unallocated gains							314
Corporate and other unallocated expenses							(114,421)
Finance costs							(23,864)
Loss before tax							(76,271)

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	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	Services and repairs RMB'000	Total RMB'000
Segment assets	192,504	236,884	12,607	105,790	142,673	4,804	695,262
Reconciliation:							
Elimination of intersegment receivables							-
Corporate and other unallocated assets							781,596
Total assets							1,476,858
Segment liabilities	100,638	1,147	-	16,218	51,172	1,085	170,260
Reconciliation:							
Elimination of intersegment payables							-
Corporate and other unallocated liabilities							574,717
Total liabilities							744,977
Other segment information:							
Impairment losses recognised in the income statement	987	-	-	-	-	1,517	2,504
Impairment losses reversed in the income statement	-	-	-	-	-	(247)	(247)
Depreciation and amortisation	7,666	14,584	1,813	21,093	13,178	1,363	59,697
Capital expenditure*	9,351	24,317	1,088	3,291	53,377	6,085	97,509

* 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 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	Services 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
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

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	Services and repairs RMB'000	Total RMB'000
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.

Geographical information

(a) Revenue from external customers

	2011 RMB'000	2010 RMB'000
The PRC	**449,761**	537,805
European Union	**54,692**	86,464
India	**117,034**	75,887
United States of America	**84**	4,649
Other countries	**1,908**	6,149
	623,479	710,954

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2011	2010
	RMB'000	RMB'000
The PRC	**513,260**	462,891
The United Kingdom	**56,707**	54,147
	569,967	517,038

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

Information about major customers

Revenues from major customers of the corresponding years contributing to more than 10% of the total revenue of the Group are as follows:

Revenue of approximately RMB122,236,000 (2010: RMB131,992,000) was derived from sales by the economisers and waste heat recovery products and boiler components segments to customer A, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB83,936,000 (2010: RMB64,101,000) was derived from sales by 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.

Revenue of approximately RMB94,093,000 (2010: RMB12,721,000) was derived from sales by the wind turbine towers segment to customer C, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB24,993,000 (2010: RMB82,500,000) was derived from sales by the economisers and waste heat recovery products and boiler components segments to customer D, 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	2011 RMB'000	2010 RMB'000
Revenue			
Construction contracts		**595,136**	666,723
Sale of goods		**20,702**	21,716
Rendering of services		**7,641**	22,515
		623,479	710,954
Other income and gains			
Bank interest income		**2,538**	3,151
Release of investment-related subsidy income	i	**9,832**	1,592
Income from cancellation of contracts	ii	**–**	7,908
Subsidy income		**511**	–
Government reward for energy conservation and emission reduction	iii	**–**	4,982
Income from transfer agreements	iv	**8,000**	4,000
Others		**1,011**	2,114
		21,892	23,747

Notes:

i. In July 2011, Greens New Energy Limited, a wholly-owned subsidiary of the Company was granted a further subsidy of approximately RMB31,136,600 as a further 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 straight-line basis over the approved tenure of Tongliao Greens.

ii. It represented contract cancellation fees offset by any cost of sales incurred from the cancellation of contracts during the year.

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Notes: (continued)

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

Baicheng Greens' revenue during the periods from mid December 2010 to mid June 2011 and from mid June 2011 to mid December 2011 were both lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB8 million from the third party in total and had no obligation due to this third party, so it recorded RMB8 million in other income in 2011, which were paid in full by the third party through AJ Trust in February 2011 and July 2011, respectively.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold	i	**547,572**	521,665
Cost of services provided		**7,037**	16,090
Depreciation	14	**31,078**	25,225
Amortisation of other intangible assets	16	**27,058**	25,252
Minimum lease payments under operating leases:			
Land and buildings		**8,178**	7,531
Amortisation of land lease payments	15	**1,561**	1,225
Auditors' remuneration		**2,659**	2,331
Employee benefit expense (excluding directors' remuneration (note 8):			
Wages and salaries		**76,064**	60,278
Pension scheme contributions		**5,796**	3,012
		81,860	63,290
Foreign exchange differences, net		**1,994**	4,614
Impairment of accounts receivable/(reversal), net		**2,257**	(1,025)
Fair value losses, net:			
Derivative financial instruments at fair value through profit or loss		**60**	322
Bank interest income	5	**(2,538)**	(3,151)

Notes:

i. In 2011, Baicheng Greens entered into an agreement to receive RMB4,627,000 from Xinjiang International Coking Company Limited ("Xinjiang Coking"). This has been treated as a deduction of Baicheng Greens' purchasing costs of waste gas from Xinjiang Coking in the period from September 2009 to 2011. As this reduction was directly attributable to the costs incurred in the prior periods, it was treated as cost reductions in cost of sales (rather than other income) in 2011.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2011 RMB'000	Group 2010 RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**23,864**	20,479
Less: Interest capitalised	**–**	(609)
	23,864	19,870

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 2011 RMB'000	Group 2010 RMB'000
Fees	**348**	362
Other emoluments:		
Salaries, allowances and benefits in kind	**4,208**	3,852
Pension scheme contributions	**133**	136
	4,341	3,988
	4,689	4,350

(a) Independent non-executive directors

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

	2011 RMB'000	2010 RMB'000
Mr. Jack Michael Biddison	**122**	128
Mr. Yim Kai Pung	**122**	128
Mr. Ling Xiang	**58**	50
	302	306

There were no other emoluments payable to the independent non-executive directors during the year (2010: 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
2011				
Executive directors:				
Mr. Frank Ellis	**–**	**1,654**	**73**	**1,727**
Mr. Xie Zhiqing	**–**	**1,277**	**30**	**1,307**
Ms. Chen Tianyi	**–**	**1,277**	**30**	**1,307**
	–	**4,208**	**133**	**4,341**
Non-executive director:				
Mr. Zhu Keming	**46**	**–**	**–**	**46**
	46	**4,208**	**133**	**4,387**
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 director:				
Mr. Zhu Keming	56	–	–	56
	56	3,852	136	4,044

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,725**	2,904
Pension scheme contributions	**30**	20
	2,755	2,924

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

	Number of employees	
	2011	2010
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 2011 (2010: Nil).

Greens Power Limited (UK) and Greens Power Equipment (UK) Limited are incorporated in the United Kingdom and are subject to UK corporation tax at a statutory tax rate of 28% for the year ended 31 December 2011 (2010: 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's entities registered in the PRC is 25% from 1 January 2008 onwards.

Greens Power Equipment (China) Limited ("GPEL"), being a foreign investment enterprise registered in the 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 2011 and 2010 were both 12.5%.

10. INCOME TAX (Continued)

Baicheng Greens Waste-heat Power Generation Co., Ltd., being a foreign investment enterprise registered in Xinjiang Uygur Autonomous Region, the PRC, was certified the corporation of comprehensive utilization of resources from July 2010 to July 2012. Thus, Baicheng Greens can be entitled to a preferential tax rate of 15% in 2010 and 2011, which is subject to annual approval by the relevant authorities.

	2011 RMB'000	2010 RMB'000
Group:		
Current – Mainland China		
Charge for the year	2,090	10,485
Overprovision in prior years	(221)	(4,623)
Current – UK		
Charge for the year	–	(2,053)
Underprovision in prior years	28	318
Deferred (note 28)	1,692	3,245
Total tax charge for the year	3,589	7,372

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its 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 – 2011

	Mainland China RMB'000	%	The UK RMB'000	%	Hong Kong RMB'000	%	Other countries RMB'000	%	Total RMB'000	%
Loss before tax	(40,652)		(17,896)		(5,245)		(12,478)		(76,271)	
Tax at the statutory tax rate	(10,163)	25.0	(5,011)	28.0	(865)	16.5	(789)	6.3	(16,828)	22.1
Lower tax rate enacted by local authority	3,983	(9.8)	–	–	–	–	–	–	3,983	(5.2)
Adjustments in respect of current tax of previous periods	(221)	0.5	28	(0.2)	–	–	–	–	(193)	0.3
Income not subject to tax	(311)	0.8	–	–	–	–	–	–	(311)	0.4
Expenses not deductible for tax	1,829	(4.5)	–	–	–	–	–	–	1,829	(2.4)
Tax losses not recognised	8,444	(20.8)	5,011	(28.0)	865	(16.5)	789	(6.3)	15,109	(19.8)
Tax charge at the Group's effective rate	3,561	(8.8)	28	(0.2)	–	–	–	–	3,589	(4.7)

10. INCOME TAX (Continued)

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 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

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB5,309,000 (2010: RMB3,977,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Proposed final – Nil (2010: HK1.54 cents) per ordinary share	**–**	16,314

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,245,000,000 (2010: 1,245,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings/(loss) per share is based on:

	2011	2010
	RMB'000	RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(79,860)**	65,311

	Number of shares	
	2011	2010
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,245,000**	1,245,000

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2011							
At 31 December 2010 and at 1 January 2011:							
Cost or valuation	846	200,895	121,671	11,039	3,124	24,970	362,545
Accumulated depreciation	(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 1 January 2011, net of accumulated depreciation	624	189,770	86,220	8,737	2,217	24,970	312,538
Additions	889	7,450	8,628	1,263	186	19,641	38,057
Disposals	–	–	(10)	(1)	(2)	–	(13)
Depreciation provided during the year	(188)	(10,847)	(18,111)	(1,304)	(628)	–	(31,078)
Transfers	–	20,572	10,048	–	267	(30,887)	–
Exchange realignment	(31)	–	(135)	(33)	(10)	–	(209)
At 31 December 2011, net of accumulated depreciation	1,294	206,945	86,640	8,662	2,030	13,724	319,295
At 31 December 2011:							
Cost or valuation	1,688	228,917	140,083	11,404	3,550	13,724	399,366
Accumulated depreciation	(394)	(21,972)	(53,443)	(2,742)	(1,520)	–	(80,071)
Net carrying amount	1,294	206,945	86,640	8,662	2,030	13,724	319,295

At 31 December 2011, the Group was still in the process of applying for the property ownership certificate for certain of its buildings with a net carrying amount of approximately RMB153 million.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	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 2010							
At 31 December 2009 and at 1 January 2010:							
Cost or valuation	309	141,300	80,508	4,099	1,835	39,609	267,660
Accumulated depreciation	(117)	(4,177)	(19,084)	(975)	(588)	–	(24,941)
Net carrying amount	192	137,123	61,424	3,124	1,247	39,609	242,719
At 1 January 2010, net of accumulated depreciation	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
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	(14)	–	(24)	(81)	(1)	(116)	(236)
At 31 December 2010, net of accumulated depreciation	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	(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, the Group was still in the process of applying for the property ownership certificate for certain of its buildings with a net carrying amount of approximately RMB144 million.

15. PREPAID LAND LEASE PAYMENTS

	Note	Group 2011 RMB'000	2010 RMB'000
Carrying amount at 1 January		**59,355**	60,580
Additions during the year		**36,646**	–
Transfer out during the year	i	**(4,000)**	–
Recognised during the year		**(1,561)**	(1,225)
Carrying amount at 31 December		**90,440**	59,355
Current portion included in prepayments, deposits and other receivables		**(1,875)**	(1,225)
Non-current portion		**88,565**	58,130

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

Note:

i. In 2011, Shanghai Greens Thermal Equipment Limited ("SGTE"), one of the wholly-owned subsidiary of the Company reached an agreement with Shanghai Chemical Industry Park Fengxian Sub-zone Development Co., Ltd., which agreed to refund SGTE's prepayment of RMB4,000,000 for the acquisition of a piece of land in Fengxian district made in 2009. Therefore, the above prepayment was reclassified to other receivables from prepaid land lease payments accordingly.

16. OTHER INTANGIBLE ASSETS

Group

	Software RMB'000	Trade name RMB'000	Customer relationships RMB'000	Technology RMB'000 (Note i)	Service concession arrangement RMB'000 (Note ii, iii)	Total RMB'000
31 December 2011						
Cost at 1 January 2011, net of accumulated amortisation	44	15,915	23,615	12,111	94,685	146,370
Additions	596	–	–	18,904	3,306	22,806
Amortisation provided during the year	(133)	(916)	(2,343)	(2,579)	(21,087)	(27,058)
Exchange realignment	2	–	–	(852)	–	(850)
At 31 December 2011	509	14,999	21,272	27,584	76,904	141,268
At 31 December 2011:						
Cost	613	18,124	28,903	32,315	131,306	211,261
Accumulated amortisation	(104)	(3,125)	(7,631)	(4,731)	(54,402)	(69,993)
Net carrying amount	509	14,999	21,272	27,584	76,904	141,268

16. OTHER INTANGIBLE ASSETS (Continued)

Group

	Software RMB'000	Trade name RMB'000	Customer relationships RMB'000	Technology RMB'000 (Note i)	Service concession arrangement RMB'000 (Note ii,iii)	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

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 the 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 operating period on a straight-line basis when the power station commences its operation.

16. OTHER INTANGIBLE ASSETS (Continued)

Notes: (continued)

iii In March 2010, GPEL entered into a cooperation agreement with Kunming Malong Chemical Co., Ltd. ("Malong Chemical") in Yunnan Province, pursuant to which, Malong Chemical granted the Waste Heat Power Generation Project to the GPEL.

Pursuant to the cooperation agreement, GPEL set up a new subsidiary, Kunming Greens Energy Saving Co., Ltd. ("Greens Kunming") which was responsible for the construction of the infrastructure and equipment of the power station for the project. Greens Kunming will operate the power station and sell electricity and steam generated from the waste heat to Malong Chemical for six consecutive years after the power station commenced its operation. The subsidiary will not hold any residual interest in the infrastructure and equipment upon termination of the operating period, the Group has agreed to transfer its entire interest in the project to Malong Chemical at the end 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 a financial asset of RMB25,006,000 (note 18) and an intangible asset of RMB3,306,000 respectively. Amortisation of the intangible asset is provided for over the operating period on a straight-line basis when the power station commenced its operation.

The power station construction was completed and commenced its operation since 14 November 2011. Approximately RMB28,312,000 of construction revenue and approximately RMB5,312,000 of construction profit were recognised in 2011.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	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 RMB561,470,000 (2010:RMB595,130,000) and RMB25,337,000 (2010:RMB39,595,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company Name	Place and date of incorporation registration and operations	Percentage of equity interest attributable to the Company		Paid-up capital/ registered ordinary 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
昆明格菱仕能源設備有限公司 Kunming Greens Energy Saving Co., Ltd.	PRC/Mainland China 5 January 2011	–	100	RMB5,000,000	Power generation using waste heat in phosphate process
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
Greens Power Equipment (HK) Limited	Hong Kong 17 April 2008	–	100	HK$1	Investment holding and trading of marine products

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Company Name	Place and date of incorporation registration and operations	Percentage of equity interest attributable to the Company		Paid-up capital/ registered ordinary share capital	Principal activities
		Direct	Indirect		
Greens Power Limited (UK)	UK 13 December 2004	–	100	GBP491,001	International sales of waste heat recovery products and marine products, engineering design and provision of after-sales services
Greens Power Equipment India Private Ltd.	India 25 January 2010	–	100	INR100,000	Sales of thermal boilers and provision of thermal boiler repairing 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. FINANCIAL ASSETS – AMOUNT DUE FROM A GRANTOR

	Group	
	2011	2010
	RMB'000	RMB'000
Carrying amount:	**25,006**	–
– Current portion	**4,167**	–
– Non-current portion	**20,839**	–

19. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**61,044**	30,244

At 31 December 2011, none of the Group's inventories was pledged as security for the Group's bank loans (2010: Nil).

20. CONSTRUCTION CONTRACTS

	Group	
	2011	2010
	RMB'000	RMB'000
Gross amount due from contract customers	**287,002**	267,439
Gross amount due to contract customers	**–**	(1,988)
	287,002	265,451
Contract costs incurred plus recognised profits less recognised losses to date	**341,734**	293,512
Less: Progress billings	**(54,732)**	(28,061)
	287,002	265,451

21. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Bills receivable	**9,200**	34,481
Trade receivables	**302,816**	267,150
Impairment	**(4,760)**	(2,503)
	307,256	299,128

The Group allows credit periods ranging from 30 to 90 days to its normal trade customers other than some customers with good credit history and relationships, to whom appropriately longer credit terms will be allowed. Moreover, the Group also allows its trade customers to withhold payment of about 5% to 10% of the total contract price (the retention money) until the expiration of a period from one year to three years from the date its products are installed and put into use. The group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE AND BILLS RECEIVABLES (Continued)

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:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**86,517**	110,466
3 to 6 months	**33,371**	101,720
6 months to 1 year	**64,542**	12,429
1 to 2 years	**15,004**	8,662
2 to 3 years	**1,836**	85
Over 3 years	**–**	–
	201,270	233,362

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**23,538**	3,869
3 to 6 months	**27,217**	6,156
6 months to 1 year	**21,084**	5,585
1 to 2 years	**15,441**	2,413
2 to 3 years	**1,213**	13,262
Over 3 years	**8,293**	–
	96,786	31,285

21. TRADE AND BILLS RECEIVABLES (Continued)

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

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**2,503**	3,528
Impairment losses recognised	**2,504**	1,609
Impairment losses reversed	**(247)**	(2,634)
	4,760	2,503

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB4,760,000 (2010: RMB2,503,000) with a carrying amount before provision of RMB7,751,000 (2010: RMB6,250,940).

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

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**295,065**	260,899

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.

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**73,440**	63,979	**–**	–
Deposits and other receivables	**26,395**	45,722	**161**	168
	99,835	109,701	**161**	168

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Forward currency contracts	**60**	322

The above derivative financial instruments at 31 December 2010 and 2011 were, upon initial recognition, designated by the Group 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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**33,594**	201,222	**3,378**	5,698
Time deposits		**109,790**	110,770	**–**	–
		143,384	311,992	**3,378**	5,698
Less: Pledged time deposits:					
Pledged for short term bank loans	27(a)	**(48,912)**	–	**–**	–
Pledged for bank guarantee letters and bank accepted drafts		**(34,234)**	(13,550)	**–**	–
Cash and cash equivalents		**60,238**	298,442	**3,378**	5,698

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB17,297,000 (2010: RMB95,950,000). 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.

25. 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:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**116,823**	226,968
3 to 6 months	**70,252**	47,539
6 months to 1 year	**63,748**	9,641
1 to 2 years	**15,814**	1,606
Over 2 years	**1,058**	1,236
	267,695	286,990

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**44,945**	31,316	**142**	300
Accruals	**3,259**	3,344	**52**	–
	48,204	34,660	**194**	300

Other payables are non-interest-bearing.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured	**N/A**	**On demand**	**–**	N/A	On demand	39
Bank loans – unsecured	**6-9**	**2012**	**220,000**	4-6	2011	205,000
Bank loans – secured	**6-7**	**2012**	**42,500**	N/A	N/A	–
Current portion of long term bank loans – unsecured	**6**	**2012**	**30,000**	6	2011	30,000
			292,500			235,039
Non-current						
Bank loans – unsecured	**6**	**2013**	**60,000**	6	2012-2013	90,000
			352,500			325,039

	Group 2011 RMB'000	Group 2010 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**292,500**	235,039
In the second year	**60,000**	30,000
In the third to fifth years, inclusive	**–**	60,000
	352,500	325,039

Notes:

(a) The Group's certain bank loans of RMB42,500,000 are secured by the pledge of the Group's time deposits amounting to approximately RMB48,912,000 (2010: Nil).

(b) The Group's other remaining bank loans of RMB310,000,000 are unsecured, RMB260,000,000 of which bears interest at floating interest rates from 6%-7% per annum and is repayable by the end of 2013, the remaining RMB50,000,000 of which bears interest at fixed interest rates within the range of 6%-9% per annum and is repayable in 2012.

(c) All borrowings are denominated in the RMB.

28. DEFERRED TAX

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

Deferred tax liabilities

Group

	2011			
	Income from service concession arrangements RMB'000	Revaluation of intangible assets RMB'000	Recognition of profits of construction contracts RMB'000	Total RMB'000
At 1 January 2011	1,580	13,423	8,735	23,738
Deferred tax charged/(credited) to the income statement during the year	965	(937)	681	709
Gross deferred tax liabilities at 31 December 2011	2,545	12,486	9,416	24,447

Deferred tax assets

Group

	2011		
	Allowance for doubtful debts RMB'000	Government subsidies RMB'000	Total RMB'000
At 1 January 2011	85	1,741	1,826
Addition during the year	247	3,113	3,360
Deferred tax charged to the income statement during the year	–	(983)	(983)
Gross deferred tax assets at 31 December 2011	332	3,871	4,203

28. DEFERRED TAX (Continued)

Deferred tax liabilities

Group

	Income from service concession arrangements RMB'000	Revaluation of intangible assets RMB'000	2010 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	487	(937)	5,663	(1,250)	3,963
Gross deferred tax liabilities at 31 December 2010	1,580	13,423	8,735	–	23,738

Deferred tax assets

Group

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

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

	Group	
	2011 RMB'000	2010 RMB'000
Tax losses	**15,563**	454

28. DEFERRED TAX (Continued)

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 2011, 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. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled RMB146,751,000 at 31 December 2011 (2010: RMB162,098,000).

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

29. DEFERRED INCOME

	Government subsidies RMB'000
At 1 January 2010	19,000
Release during the year (note 5)	(1,592)
At 31 December 2010	17,408
At 1 January 2011	**17,408**
Addition	**31,136**
Release during the year (note 5)	**(9,832)**
At 31 December 2011	**38,712**

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"). Another government grants of RMB31,136,000 in total were received during the period from August to November 2011 for the similar reward to Greens New Energy Limited for its investment in Tongliao. The directors consider the above subsidies to be related to the investment in Tongliao Greens and therefore deferred and recognised it in profit or loss on a straight-line basis over the approved tenure of Tongliao Greens.

30. SHARE CAPITAL

Shares

	2011 US$'000	2010 US$'000
Authorised:		
2,400,000,000 (2010: 2,400,000,000) ordinary shares of US$ 0.01 each	**24,000**	24,000
Issued and fully paid:		
1,245,000,000 (2010: 1,245,000,000) ordinary shares of US$ 0.01 each	**12,450**	12,450
Presented in RMB	**85,004**	85,004

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 2010	1,245,000,000	85,004	475,438	560,442
Proposed final 2010 dividend	–	–	(16,314)	(16,314)
At 31 December 2010 and 1 January 2011	1,245,000,000	85,004	459,124	544,128
At 31 December 2011	**1,245,000,000**	**85,004**	**459,124**	**544,128**

31. 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 45 to 46 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.

31. RESERVES (Continued)

(b) Company

	Share premium account RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2010	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**
Total comprehensive income for the year	**–**	**(5,309)**	**(5,309)**
At 31 December 2011	**459,124**	**4,592**	**463,716**

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

On 6 January 2011, Greens Power Equipment (HK) Limited ("GPE HK") signed a technology transfer agreement to acquire certain technology assets from AE&E CZ s.r.o. ("AE&E"). This technology gives the Group exclusive rights to design, sell, manufacture, supply and instal Heat Recovery Steam Generators ("HRSG") in Mainland China using AE&E's designs and reference list. The acquisition consideration for the technology was settled by GPE HK's accounts receivable of EUR2,165,806 (approximately RMB18,904,000) due from AE&E. The HRSG technology was recorded in the other intangible assets.

33. CONTINGENT LIABILITIES

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

34. 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 2011, 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:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**2,567**	1,643
In the second to fifth years, inclusive	**300**	–
	2,867	1,643

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Plant and machinery	**6,789**	21,600

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

36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2011	2010
	RMB'000	RMB'000
Short term employee benefits	**14,120**	11,960
Pension scheme contributions	**446**	295
Total compensation paid to key management personnel	**14,566**	12,255

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

37. 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:

Group

2011

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	307,256
Financial assets included in prepayments, deposits and other receivables	26,395
Financial assets – amount due from a grantor	25,006
Pledged deposits	83,146
Cash and cash equivalents	60,238
	502,041

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	–	267,695	267,695
Financial liabilities included in other payables and accruals	–	44,945	44,945
Derivative financial instruments	60	–	60
Interest-bearing bank and other borrowings	–	352,500	352,500
	60	665,140	665,200

37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group

2010

Financial assets

	Loans and receivables RMB'000
Trade and bills 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

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

37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

Financial assets

	2011 Loans and receivables RMB'000	2010 Loans and receivables RMB'000
Investments in subsidiaries	**9,242**	9,242
Financial assets included in prepayments, deposits and other receivables	**161**	168
Due from subsidiaries	**561,470**	595,130
Cash and cash equivalents	**3,378**	5,698
	574,251	610,238

Financial liabilities

	2011 Loans and receivables RMB'000	2010 Loans and receivables RMB'000
Financial liabilities included in other payables and accruals	**142**	300
Due to subsidiaries	**25,337**	39,595
	25,479	39,895

38. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**60,238**	298,442	**60,238**	298,442
Pledged deposits	**83,146**	13,550	**83,146**	13,550
Trade and bills receivables	**307,256**	299,128	**307,085**	298,673
Financial assets included in prepayments, deposits and other receivables	**26,395**	45,722	**26,395**	45,722
Financial assets – amount due from a grantor	**25,006**	–	**25,006**	–
	502,041	656,842	**501,870**	656,387
Financial liabilities				
Trade and bills payables	**267,695**	286,990	**266,484**	286,292
Financial liabilities included in other payables and accruals	**44,945**	31,316	**44,945**	31,316
Derivative financial instruments	**60**	322	**60**	322
Interest-bearing bank borrowings	**352,500**	325,039	**352,461**	344,160
	665,200	643,667	**663,950**	662,090

38. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	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	**3,378**	5,698	**3,378**	5,698
Financial assets included in prepayments, deposits and other receivables	**161**	168	**161**	168
Due from subsidiaries	**561,470**	595,130	**561,470**	595,130
	574,251	610,238	**574,251**	610,238
Financial liabilities				
Financial liabilities included in other payables and accruals	**142**	300	**142**	300
Due to subsidiaries	**25,337**	39,595	**25,337**	39,595
	25,479	39,895	**25,479**	39,895

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, financial assets-amount due from a grantor, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties. 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.

38. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 2011 and 2010.

Liabilities measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**60**	**–**	**60**

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

During the year, there were no transfers into or out of Level 3 fair value measurement (2010: Nil).

39. 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.

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 2011, approximately 21% (2010: 63%) 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/(loss) before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit/(loss) before tax RMB'000**
2011	**25**	**(300)**
	(25)	**300**
2010	25	(485)
	(25)	485

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 24% (2010: 18%) 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 (2010: 99%) were denominated in the subsidiaries' functional currencies. 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.

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/(loss) 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/(loss) before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2011			
If RMB strengthens against US dollar	**5**	**(114)**	**–**
If RMB weakens against US dollar	**5**	**114**	**–**
If RMB strengthens against Hong Kong dollar	**5**	**2**	**4,869**
If RMB weakens against Hong Kong dollar	**5**	**(2)**	**(4,869)**
If RMB strenghthens against GBP	**5**	**789**	**1,225**
If RMB weakens against GBP	**5**	**(789)**	**(1225)**
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)

* Excluding retained profits

39. 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 analyses 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 21 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 loans. 90% of the Group's debts would mature in less than one year as at 31 December 2011 (2010: 85%) 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:

	2011					
	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	–	72,822	230,937	65,795	–	369,554
Trade and bills payables	234,378	14,500	18,817	–	–	267,695
Financial liabilities included in other payables and accruals	44,945	–	–	–	–	44,945
Derivative financial instruments	–	60	–	–	–	60
	279,323	87,382	249,754	65,795	–	682,254

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (continued)

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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
Financial liabilities included in other payables and accruals	31,316	–	–	–	–	31,316
Derivative financial instruments	–	322	–	–	–	322
	246,195	159,455	158,240	100,368	–	664,258

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:

	2011					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Due to subsidiaries	**25,337**	**–**	**–**	**–**	**–**	**25,337**
Financial liabilities included in other payables and accruals	**142**	**–**	**–**	**–**	**–**	**142**
	25,479	**–**	**–**	**–**	**–**	**25,479**

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

39. 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 2011 and 31 December 2010.

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, bills and other payables, accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2011	2010
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**352,500**	325,039
Trade and bills payables	**267,695**	286,990
Other payables and accruals	**48,204**	34,660
Less: Cash and cash equivalents	**(60,238)**	(298,442)
Pledged deposits	**(83,146)**	(13,550)
Net debt	**525,015**	334,697
Equity attributable to owners of the parent	**731,881**	832,994
Adjusted capital and net debt	**1,256,896**	1,167,691
Gearing ratio	**42%**	29%

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 29 March 2012.

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				
	2007	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Result					
Revenue	231,750	431,073	555,440	710,954	**623,479**
Profit before tax	36,592	72,039	86,091	72,683	**(76,271)**
Income tax expense	(5,003)	(11,984)	(17,774)	(7,372)	**(3,589)**
Profit for the year	31,589	60,055	68,317	65,311	**(79,860)**
Attributable to owners of the Company	31,589	60,055	68,317	65,311	**(79,860)**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	247,986	816,975	1,491,670	1,537,368	**1,476,858**
Total liabilities	(165,502)	(362,736)	(681,505)	(704,374)	**(744,977)**
	82,484	454,239	810,165	832,994	**731,881**
Equity attributable to owners of the Company	82,484	454,239	806,865	832,994	**731,881**
Minority interests	—	—	3,300	–	**–**
	82,484	454,239	810,165	832,994	**731,881**

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.