格菱控股有限公司*

GREENS HOLDINGS LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1318

Interim Report 2012

Together We GROW

*For identification purposes only

Contents

Corporate Information

BOARD

Executive directors:

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

Non-executive director:

Mr. Zhu Keming

Independent non-executive Directors:

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

REGISTERED OFFICE

Appleby Trust (Cayman) Ltd.,
Clifton House, 75 Fort Street,
PO Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

CORPORATE HEADQUARTER

17th Floor,
Shanghai Overseas Chinese Mansion,
No.129 Yan An Road West,
Shanghai,
the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Mr. Ho Kin-cheong, Kelvin

AUTHORIZED REPRESENTATIVES

Mr. Frank Ellis
Ms. Chen Tianyi
Mr. Ho Kin-cheong, Kelvin (Alternate to Mr. Frank Ellis)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HONG KONG SHARE REGISTRAR

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

AUDITORS

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

Corporate Information

HONG KONG LEGAL ADVISERS

Michael Li & Co.
14th Floor, Printing House
6 Duddell Street, Central
Hong Kong

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

Li & Partners
22/F., World-Wide House
Central, Hong Kong

PRINCIPAL BANKER

Bank of China Limited, Shanghai Branch
Hwa Shan Road Sub-branch
Bank of Communications, Taizhou Branch
Jing Jiang Sub-branch
Bank of Communications, Hong Kong Branch

WEBSITE

www.greensholdings.com

PLACE OF LISTING

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

Interim Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
REVENUE	5	**198,090**	478,827
Cost of sales		**(186,138)**	(365,549)
Gross profit		**11,952**	113,278
Other income and gains	5	**8,343**	6,453
Selling and distribution costs		**(12,673)**	(11,080)
Administrative expenses		**(65,298)**	(50,674)
Other expenses		**(13,424)**	(2,433)
Finance costs	7	**(16,537)**	(10,819)
PROFIT/(LOSS) BEFORE TAX	6	**(87,637)**	44,725
Income tax expense	8	**4,127**	(8,988)
PROFIT/(LOSS) FOR THE PERIOD		**(83,510)**	35,737
Attributable to:			
Owners of the parent		**(83,510)**	35,737
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit/(loss) for the period		**(RMB0.067)**	RMB0.029

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**(83,510)**	35,737
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**2,133**	(971)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(81,377)**	34,766
Attributable to:		
Owners of the parent	**(81,377)**	34,766

Interim Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**306,632**	319,295
Prepaid land lease payments	11	**87,626**	88,565
Other intangible assets	12	**128,056**	141,268
Financial assets-amount due from a grantor	13	**18,754**	20,839
Deferred tax assets	23	**3,945**	4,203
Total non-current assets		**545,013**	574,170
CURRENT ASSETS			
Inventories	14	**52,250**	61,044
Construction contracts	15	**230,590**	287,002
Trade and bills receivables	16	**312,314**	307,256
Prepayments, deposits and other receivables	17	**131,091**	99,835
Financial assets-amount due from a grantor	13	**6,252**	4,167
Pledged deposits	18	**127,506**	83,146
Cash and cash equivalents	18	**99,689**	60,238
Total current assets		**959,692**	902,688
CURRENT LIABILITIES			
Trade and bills payables	19	**263,361**	267,695
Other payables and accruals	20	**60,494**	48,204
Derivative financial instruments		**–**	60
Interest-bearing bank and other borrowings	21	**393,000**	292,500
Amount due to directors	22	**7,786**	–
Tax payable		**13,490**	13,359
Total current liabilities		**738,131**	621,818
NET CURRENT ASSETS		**221,561**	280,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**766,574**	855,040

Interim Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**766,574**	855,040
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**60,000**	60,000
Deferred tax liabilities	23	**18,370**	24,447
Deferred income	24	**36,132**	38,712
Total non-current liabilities		**114,502**	123,159
Net assets		**652,072**	731,881
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**85,004**	85,004
Reserves		**565,500**	646,877
		650,504	731,881
Non-controlling interests		**1,568**	–
Total equity		**652,072**	731,881

Interim Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

	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 dividends 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
Profit for the period	–	–	–	–	–	35,737	–	35,737	–	35,737
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	(971)	–	–	–	(971)	–	(971)
Total comprehensive income for the period	–	–	–	(971)	–	35,737	–	34,766	–	34,766
Dividend declared*	–	–	–	–	–	–	(16,314)	(16,314)	–	(16,314)
At 30 June 2011(Unaudited)	85,004	459,124**	137,935**	(21,585)**	24,664**	166,304**	–	851,446	–	851,446

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

** These reserve accounts comprise the consolidated reserve of RMB565,500,000 (At 30 June 2011: RMB766,442,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

	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/ (Accumulated losses) RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	85,004	459,124	137,935	(25,553)	24,664	50,707	-	731,881	-	731,881
Loss for the period	-	-	-	-	-	(83,510)	-	(83,510)	-	(83,510)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	2,133	-	-	-	2,133	-	2,133
Total comprehensive income for the period	-	-	-	2,133	-	(83,510)	-	(81,377)	-	(81,377)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	1,568	1,568
Transfer from accumulated losses	-	-	-	-	216	(216)	-	-	-	-
At 30 June 2012 (Unaudited)	85,004	459,124**	137,935**	(23,420)**	24,880**	(33,019)**	-	650,504	1,568	652,072

** These reserve accounts comprise the consolidated reserve of RMB565,500,000 (At 30 June 2011: RMB766,442,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities	**6,656**	(82,405)
Net cash flows used in investing activities	**(62,440)**	(98,470)
Net cash flows generated from financing activities	**93,317**	33,142
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**37,533**	(147,733)
Cash and cash equivalents at beginning of year	**60,238**	298,442
Effect of foreign exchange rate changes, net	**1,918**	(1,364)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**99,689**	149,345
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**99,689**	93,962
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	55,383
Cash and cash equivalents as stated in the statement of financial position	**99,689**	149,345
Cash and cash equivalents as stated in the statement of cash flows	**99,689**	149,345

Notes to Interim Condensed Financial Information

30 June 2012

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 Appleby Trust (Cayman) Ltd., Clifton House, 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. BASIS OF PREPARATION

The interim condensed financial information for six months ended 30 June 2012 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new and revised International Financial Reporting Standards ("**IFRSs**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations as noted below.

The Group has adopted the following new and revised IFRSs for the first time in this interim condensed financial information.

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*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised IFRSs has had no significant financial effect on this interim condensed financial information and there have been no significant changes to the accounting policies applied in this interim condensed financial information.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 (Revised)	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 Revised	*Separate Financial Statements*[2]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[2]

IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities*[3]
IFRS 1 Amendments	Amendments to IFRS 1 *Government Loan*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offseting Financial Assets and Financial Liabilities*[2]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	Annual Improvements to IFRSs 2009-2011 Cycle[2]

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

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) Waste heat recovery products and boiler components-systems that extract thermal energy contained in the waste gases emitted from various industrial utilisations and utilise the recovered thermal energy in another process of further utilisations, air-preheaters, superheaters, and other components such as power station steel structures and finned tubes;

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

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

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

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

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, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, amount due to directors, 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.

Period ended 30 June 2012	Economisers RMB'000 (Unaudited)	Waste heat recovery products and boiler components RMB'000 (Unaudited)	Marine products RMB'000 (Unaudited)	Waste heat power generation RMB'000 (Unaudited)	Wind turbine towers RMB'000 (Unaudited)	Services and repairs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:							
Sales to external customers	47,580	107,216	26,951	6,619	-	9,724	198,090
Intersegment sales	-	-	-	-	-	-	-
	47,580	107,216	26,951	6,619	-	9,724	198,090
Reconciliation:							
Elimination of intersegment sales							-
Revenue							198,090
Segment gross margin	11,525	5,736	3,308	(10,506)	-	1,889	11,952
Allocated gains and expenses	(5,326)	(3,196)	121	3,372	(5,122)	(484)	(10,635)
Segment results	6,199	2,540	3,429	(7,134)	(5,122)	1,405	1,317
Reconciliation:							
Elimination of intersegment results							-
Interest income							1,120
Unallocated gains							383
Corporate and other unallocated expenses							(73,920)
Finance costs							(16,537)
Loss before tax							(87,637)

Period ended 30 June 2012	Economisers RMB'000 (Unaudited)	Waste heat recovery products and boiler components RMB'000 (Unaudited)	Marine products RMB'000 (Unaudited)	Waste heat power generation RMB'000 (Unaudited)	Wind turbine towers RMB'000 (Unaudited)	Services and repairs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	138,250	261,814	17,829	108,856	128,278	3,334	658,361
Reconciliation:							
Elimination of intersegment receivables							-
Corporate and other unallocated assets							846,344
Total assets							1,504,705
Segment liabilities	72,377	2,005	-	17,538	44,503	1,623	138,046
Reconciliation:							
Elimination of intersegment payables							-
Corporate and other unallocated liabilities							714,587
Total liabilities							852,633
Other segment information:							
Impairment losses recognised in the income statement	-	12,236	-	-	-	376	12,612
Impairment losses reversed in the income statement	-	(854)	-	-	-	(170)	(1,024)
Depreciation and amortisation	4,852	7,864	872	10,802	4,973	861	30,224
Capital expenditure*	1,238	1,990	282	38	469	639	4,656

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

Period ended 30 June 2011	Economisers RMB'000 (Unaudited)	Waste heat recovery products and boiler components RMB'000 (Unaudited)	Marine products RMB'000 (Unaudited)	Waste heat power generation RMB'000 (Unaudited)	Wind turbine towers RMB'000 (Unaudited)	Services and repairs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:							
Sales to external customers	142,947	175,065	36,426	39,081	81,077	4,231	478,827
Intersegment sales	–	–	–	–	–	–	–
	142,947	175,065	36,426	39,081	81,077	4,231	478,827
Reconciliation:							
Elimination of intersegment sales							–
Revenue							478,827
Segment gross margin	44,673	40,364	9,812	5,259	10,548	2,622	113,278
Allocated gains and expenses	(3,880)	–	(3,267)	3,773	(101)	–	(3,475)
Segment results	40,793	40,364	6,545	9,032	10,447	2,622	109,803
Reconciliation:							
Elimination of intersegment results							–
Interest income							785
Unallocated gains							1,654
Corporate and other unallocated expenses							(56,698)
Finance costs							(10,819)
Profit before tax							44,725

Notes to Interim Condensed Financial Information

30 June 2012

Year ended 31 December 2011	Economisers RMB'000 (Audited)	Waste heat recovery products and boiler components RMB'000 (Audited)	Marine products RMB'000 (Audited)	Waste heat power generation RMB'000 (Audited)	Wind turbine towers RMB'000 (Audited)	Services and repairs RMB'000 (Audited)	Total RMB'000 (Audited)
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

Period ended 30 June 2011	Economisers RMB'000 (Unaudited)	Waste heat recovery products and boiler components RMB'000 (Unaudited)	Marine products RMB'000 (Unaudited)	Waste heat power generation RMB'000 (Unaudited)	Wind turbine towers RMB'000 (Unaudited)	Services and repairs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Other segment information:							
Impairment losses recognised in the income statement	-	-	-	-	-	-	-
Impairment losses reversed in the income statement	-	-	-	-	-	12	12
Depreciation and amortisation	1,026	13,086	1,028	10,520	2,675	-	28,335
Capital expenditure*	183	28,291	7	-	8,659	-	37,140

* 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

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**110,979**	325,545
Europe	**40,577**	44,159
India	**18,264**	93,768
America	**28,270**	134
Other countries	**–**	15,221
	198,090	478,827

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

(b) Non-current assets

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	**487,316**	513,260
The UK	**53,752**	56,707
	541,068	569,967

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

Information about major customers

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

Revenue of approximately RMB23,113,000 (For the six months ended 30 June 2011: Nil) was derived from sales by the waste heat recovery products and boiler components segment to customer A for the six months period ended 30 June 2012, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB109,564,000 (For the six months ended 30 June 2012: RMB6,272,000) was derived from sales by the economisers segment and the waste heat recovery products and boiler components segment to customer B for the six months period ended 30 June 2011, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB68,917,000 (For the six months ended 30 June 2012: Nil) was derived from sales by the economisers segment and the waste heat recovery products and boiler components segment to customer C for the six months period ended 30 June 2011, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB49,484,000 (For the six months ended 30 June 2012: Nil) was derived from sales by the wind turbine towers segment to customer D for the six months period ended 30 June 2011, 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:

		For the six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenues			
Construction contracts		**181,747**	435,515
Sale of goods		**6,619**	39,081
Rendering of services		**9,724**	4,231
		198,090	478,827
Other income and gains			
Bank interest income		**1,120**	785
Release of investment-related subsidy income	i	**2,580**	1,024
Subsidy income		**139**	–
Income from transfer agreements	ii	**4,000**	4,000
Fair value gains for foreign exchange forward contracts		**–**	456
Others		**504**	188
		8,343	6,453

Notes:

i. In November 2009 and July 2011, Greens New Energy Limited, a wholly-owned subsidiary of the Company was granted subsidies of approximately RMB20,480,000 and RMB31,136,000 respectively as rewards 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 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.

ii. 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 December 2010 to mid June 2011 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 the first half year of 2011, which was paid in full by the third party through AJ Trust in February 2011.

    Baicheng Greens' revenue during the period from mid December 2011 to mid June 2012 was lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB4 million from the third party in total and had no obligation due to this third party, so it recorded it in other income in the first half year of 2012, which was paid in full by the third party through AJ Trust in January 2012.

Notes to Interim Condensed Financial Information

30 June 2012

6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cost of inventories sold		**178,303**	363,940
Cost of services provided		**7,835**	1,609
Depreciation		**15,569**	14,261
Amortisation of other intangible assets	12	**13,716**	13,493
Minimum lease payments under operating leases:			
Land and buildings		**4,766**	3,853
Recognition of prepaid land lease payments	11	**939**	581
Auditors' remuneration		**600**	764
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**38,076**	37,765
Pension scheme contributions		**1,731**	1,678
		39,807	39,443
Foreign exchange differences, net		**849**	1,837
Impairment of accounts receivable/(reversal), net		**4,098**	(12)
Impairment of construction contracts		**6,365**	–
Impairment of prepayments, deposits and other receivables		**1,125**	–
Fair value gains, net:			
Derivative financial instruments at fair value through profit or loss		**–**	(456)
Bank interest income	5	**(1,120)**	(785)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**15,212**	11,028
Less: Interest capitalised	**–**	(209)
	15,212	10,819
Other finance costs:		
Interest on the bank accepted note discounting	**1,325**	–
	16,537	10,819

8. 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 six months ended 30 June 2012 (For the six months ended 30 June 2011: Nil).

Greens Power Limited (UK), Greens Power Equipment (UK) Limited and Greens Combustion Limited are incorporated in the United Kingdom and are subject to UK corporation tax at a statutory tax rate of 28% for the six months ended 30 June 2012 (For the six months ended 30 June 2011: 28%).

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

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 period ended 30 June 2011 was 12.5%. For the period ended 30 June 2012, GPEL was certified as high-tech enterprise, and can be entitled to a preferential tax rate of 15%, which is subject to final approval by the relevant authorities.

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% for the six months period ended 30 June 2012 and 2011.

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Group:		
Current – Mainland China		
Charge for the period	**897**	2,398
Under/(over) provision in prior years	**795**	(221)
Current – UK		
Tax credits for the period	**–**	(877)
Deferred (note 23)	**(5,819)**	7,688
Total tax charge/(credit) for the period	**(4,127)**	8,988

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

The calculation of basic earnings/(loss) per share amount is based on the profit/(loss) for the six months period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,245,000,000 (2011: 1,245,000,000) in issue during the six months period, as adjusted to reflect the rights issue during the six months period.

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(83,510)**	35,737

	Number of shares	
	2012	2011
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period 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 the six months periods ended 30 June 2012 and 2011.

10. ACQUISITIONS AND DISPOSALS OF ITEMS OF PROPERY, PLANT AND EQUIPMENT

During the six months period ended 30 June 2012, the acquisitions of property, plant and equipment approximated to RMB4,242,000 (the six months period ended 30 June 2011: RMB16,930,000).

During the six months period ended 30 June 2012, the disposals of property, plant and equipment approximated to RMB1,412,000 (the six months period ended 30 June 2011: RMB16,000).

11. PREPAID LAND LEASE PAYMENTS

	2012 RMB'000 (Unaudited)
Carrying amount at 1 January 2012	90,440
Recognised during the period	(939)
Carrying amount at 30 June 2012	89,501
Current portion included in prepayments, deposits and other receivables	(1,875)
Non-current portion	87,626

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

12. OTHER INTANGIBLE ASSETS

	Software RMB'000 (Unaudited)	Trade name RMB'000 (Unaudited)	Customer relationships RMB'000 (Unaudited)	Technology RMB'000 (Unaudited) (Note i)	Service concession arrangement RMB'000 (Unaudited) (Note ii,iii)	Total RMB'000 (Unaudited)
Cost at 1 January 2012, net of accumulated amortisation	509	14,999	21,272	27,584	76,904	141,268
Additions	414	-	-	-	-	414
Amortisation provided during the period	(44)	(458)	(1,171)	(1,247)	(10,796)	(13,716)
Exchange realignment	-	-	-	90	-	90
At 30 June 2012	879	14,541	20,101	26,427	66,108	128,056
At 30 June 2012:						
Cost	1,027	18,124	28,903	32,415	131,306	211,775
Accumulated amortisation	(148)	(3,583)	(8,802)	(5,988)	(65,198)	(83,719)
Net carrying amount	879	14,541	20,101	26,427	66,108	128,056

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.

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 13) 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.

13. FINANCIAL ASSETS – AMOUNT DUE FROM A GRANTOR

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Carrying amount:	**25,006**	25,006
– Current portion	**6,252**	4,167
– Non-current portion	**18,754**	20,839

14. INVENTORIES

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Raw materials	**52,250**	61,044

15. CONSTRUCTION CONTRACTS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Gross amount due from contract customers	**236,955**	287,002
Impairment	**(6,365)**	–
	230,590	287,002
Contract costs incurred plus recognised profits less recognised losses to date	**339,270**	341,734
Less: Progress billings	**(108,680)**	(54,732)
	230,590	287,002

The movements in the provision for impairment of constraction contracts are as follows:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
At 1 January	–	–
Impairment losses recognised	6,365	–
	6,365	–

16. TRADE AND BILLS RECEIVABLES

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Bills receivable	14,300	9,200
Trade receivables	306,872	302,816
Impairment	(8,858)	(4,760)
	312,314	307,256

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.

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:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 3 months	**67,347**	86,517
3 to 6 months	**37,690**	33,371
6 months to 1 year	**68,019**	64,542
1 to 2 years	**16,888**	15,004
2 to 3 years	**747**	1,836
Over 3 years	**1,189**	–
	191,880	201,270

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

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 3 months	**15,784**	23,538
3 to 6 months	**8,895**	27,217
6 months to 1 year	**31,893**	21,084
1 to 2 years	**39,946**	15,441
2 to 3 years	**8,563**	1,213
Over 3 years	**1,053**	8,293
	106,134	96,786

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

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
At 1 January	**4,760**	2,503
Impairment losses recognised	**5,122**	2,504
Impairment losses reversed	**(1,024)**	(247)
	8,858	4,760

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB8,858,000 (2011: RMB4,760,000) with a carrying amount before provision of RMB10,828,000 (2011: RMB7,751,000).

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

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

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Neither past due nor impaired	**296,044**	295,065

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. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to Interim Condensed Financial Information

30 June 2012

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**As at 30 June 2012 RMB'000 (Unaudited)**	As at 31 December 2011 RMB'000 (Audited)
Prepayments	i	**93,615**	73,440
Deposits and other receivables		**38,601**	26,395
Impairment		**(1,125)**	–
		131,091	99,835

Note:

i. In June 2012, the Group won in a public bidding of two mining rights in Aketao County, XinJiang Kizilsu Kirgiz Autonomous Prefacture for the total bidding price of RMB9,600,000. As of 30 June 2012, the completion of these transactions is subject to the approval by the relevant regulatory and a total of RMB15,000,000 was being kept by the bidding house as the deposit for the bidding price, certain guaranteed payment for environment restoration works and other related expenses upon completion of such transactions.

The movements in the provision for impairment of deposits and other receivables are as follows:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
At 1 January	**–**	–
Impairment losses recognised	**1,125**	–
	1,125	–

Included in the above provision for impairment is a provision of RMB1,125,000 (2011: Nil) for a long-aged prepayment with a carrying amount before provision of RMB2,250,000.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	**As at 30 June 2012 RMB'000 (Unaudited)**	As at 31 December 2011 RMB'000 (Audited)
Cash and bank balances		**99,689**	33,594
Time deposits		**127,506**	109,790
		227,195	143,384
Less: Pledged time deposits:			
Pledged for short term bank loans	21(a)	**(80,533)**	(48,912)
Pledged for bank guarantee letters and bank accepted drafts		**(46,973)**	(34,234)
		99,689	60,238

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB76,552,000 (2011: RMB17,297,000). 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.

19. 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:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 3 months	**111,663**	116,823
3 to 6 months	**44,355**	70,252
6 months to 1 year	**76,711**	63,748
1 to 2 years	**29,606**	15,814
Over 2 years	**1,026**	1,058
	263,361	267,695

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

20. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Other payables	**57,207**	44,945
Accruals	**3,287**	3,259
	60,494	48,204

Other payables are non-interest-bearing.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2012 (Unaudited)			As at 31 December 2011 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	7-9	2012-2013	290,000	6-9	2012	220,000
Bank loans – secured	6-7	2012-2013	73,000	6-7	2012	42,500
Current portion of long term bank loans – unsecured	6	2012	30,000	6	2012	30,000
			393,000			292,500
Non-current						
Bank loans – unsecured	6	2013	60,000	6	2013	60,000
			453,000			352,500

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	393,000	292,500
In the second year	60,000	60,000
	453,000	352,500

Notes:

(a) The Group's certain bank loans of RMB73,000,000 (2011: RMB42,500,000) are secured by the pledge of the Group's time deposits amounting to approximately RMB80,533,000 (2011: RMB48,912,000).

(b) The Group's other remaining bank loans of RMB380,000,000 are unsecured, RMB340,000,000 of which bears interest at floating interest rates from 6%-7% per annum and is repayable in the 2nd half of 2013, the remaining RMB40,000,000 of which bears interest at fixed interest rates within the range of 8%-9% per annum and is repayable in February 2013.

(c) All borrowings are denominated in the RMB.

22. AMOUNT DUE TO DIRECTORS

The amount due to directors is unsecured, interest-free and has fixed term of repayment.

23. DEFERRED TAX

The movements in deferred tax liabilities and assets during the six months period ended 30 June 2012 are as follows:

Deferred tax liabilities

	Income from service concession arrangement RMB'000 (Unaudited)	Revaluation of intangible assets RMB'000 (Unaudited)	Recognition of profits of construction contracts RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2012	2,545	12,486	9,416	24,447
Deferred tax credited to the income statement during the period	(244)	(512)	(5,321)	(6,077)
Gross deferred tax liabilities at 30 June 2012	2,301	11,974	4,095	18,370

Deferred tax assets

	Allowance for doubtful debts RMB'000 (Unaudited)	Government subsidy RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2012	332	3,871	4,203
Deferred tax charged to the income statement during the period	–	(258)	(258)
Gross deferred tax assets at 30 June 2012	332	3,613	3,945

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

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Tax losses	**28,656**	15,563

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 30 June 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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

24. DEFERRED INCOME

	Government subsidies RMB'000 (Unaudited)
At 1 January 2012	38,712
Release during the year (note 5)	(2,580)
At 30 June 2012	36,132

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.

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25. SHARE CAPITAL

Shares

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Authorised:		
2,400,000,000 (2011: 2,400,000,000) ordinary shares of US$ 0.01 each	**24,000**	24,000
Issued and fully paid:		
1,245,000,000 (2011: 1,245,000,000) ordinary shares of US$ 0.01 each	**12,450**	12,450
Presented in RMB	**85,004**	85,004

There were no movements in share capital during the six months periods ended 30 June 2012 and 2011.

26. 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 install 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 the accounts receivable of EUR2,165,806 (approximately RMB18,904,000) due from AE&E.

27. CONTINGENT LIABILITIES

At the end of the six months period ended 30 June 2012, the Group did not have any significant contingent liabilities.

28. 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 30 June 2012, 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:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within one year	**3,961**	2,567
In the second to fifth years, inclusive	**–**	300
	3,961	2,867

Notes to Interim Condensed Financial Information

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29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of the reporting periods:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**4,102**	6,789

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Short term employee benefits	**5,770**	6,449
Pension scheme contributions	**224**	149
Total compensation paid to key management personnel	**5,994**	6,598

31. EVENTS AFTER THE REPORTING PERIOD

In July 2012, the Group won in a public bidding of three mining rights in Aketao County, XinJiang Kizilsu Kirgiz Autonomous Prefacture for the total bidding price of RMB8,000,000. It was the second transaction conducted by such subsidiary subsequent to its winning of another two mining rights in the same region at the total bidding price of RMB9,600,000 during another public bidding in June 2012 (Note i of 17, Prepayments, deposits and other receivables). All five mining rights offer its holders the right to operate mining activities in a specific parcel of land for a term of two years and the seller which is the ministry of land and resource of XinJiang Kizilsu Kirgiz Autonomous Prefacture does not guarantee for the volume or quality of any subsequent output of minerals from such operations. The completion of these transactions is subject to the approval by the relevant authorities.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 August 2012.

Operations Review

During the Period, the business development of the Group can be summarized into the following categories:–

OVERALL OPERATIONS

With the sluggish market environment lingered on globally, the volume of business for the Group as a whole during the first six months of 2012 is still subject to enormous pressure. China, the largest revenue contributor to the Group, is being affected significantly since the second half of 2011 where existing infrastructure projects and energy efficiency projects and energy from waste to energy projects being slowed down and new projects being either delayed or suspended and in some cases cancelled. Other markets such as India and Europe are also going slow due to economic pressures and hesitancy in infrastructure investments in those areas.

To mitigate the effects and to react to the unfavourable market sentiments in Europe, India and China, the Group continued its on-going policy in broadening the markets of its core heat transfer products and sought to seek customers who are looking for experienced suppliers with capability to meet shorter deliveries at competitive prices. Since opening its subsidiary in USA in 2011 and re-engineering Singapore subsidiary in 2012, much more opportunities have been generated and markets like North America, Bangladesh and parts of the Middle East and Australia have been penetrated already through these initiatives.

In addition, the Group has managed to have upstream expansion to the production and sales of combustion equipment and other spare parts that it has to be out-sourced in the past. Though it takes time for such new segments to grow, the Group believes it is the best time to initiate such new steps during a slow period in the overall market.

To cope with shrinking market demand in China, the Group has managed to put forth series of cost control measures including partial suspension of some production activities in some of its production plants and more stringent control over costs and overhead.

Besides costs cutting in China, the management has tried to explore new opportunities in the country to broaden its source of revenue in the medium to long run. During the Period, the Group formed a non-wholly owned subsidiary in XinJiang, China with an independent third party and involved in the public bidding of certain mining rights in the area. Offered by the Ministry of Land and Resources in XinJiang, holder of the mining rights is entitled to operate mining activities in specified parcels of land for a term of two years. Such investments are still not yet completed as of 30 June 2012 pending for necessary approval from regulatory bodies in China.

INTERNATIONAL BUSINESS PLATFORM

The Group now has a fully integrated international business platform with manufacturing facilities in China and Europe where we have direct access to key markets and are situated close to major transportation routes to serve both overseas and domestic markets. During the Period, the Group has relocated its subsidiary in India to a strategic location in Bhilai, Chhattisgarh. In addition, the Group has established a new subsidiary in South England for the exploration of new products in combustion engineering. On the other hand, the office in Singapore and the one in the United States of America, together with the Group's other offices around the globe are providing significant coverage and skills in the form of technical expertise, manufacturing and international sales coverage.

ECONOMISERS

Since Economisers, the historical and traditional product of the Group, is a product that enhances efficiency of coal-fired power stations and industrial power plants and reducing emissions thereof, the Group's Steel-H extended surface solution has been well known for its durability and effectiveness. The market for Economisers has become very competitive during the Period. Especially in China, where customers for economizers are mainly main contractors of coal-fired power plants construction projects, the number and scale of project bidding in the market was substantial decreased. Price competition, on the other hand, has almost become the dominant factor in the market at the expense of quality products and services. Small scale producers of economisers have become more aggressive and distorted the healthy order in the China market.

During the Period, China continued to be the major market for the Group's economisers. The Group's sales of economisers in the Period decreased by 66.7% to approximately RMB47.6 million as compared with the corresponding period last year.

Operations Review

WASTE HEAT RECOVERY PRODUCTS AND BOILER COMPONENTS

Heat Recovery Steam Generators (HRSGs), the substantial systems applied in gas-fired and oil-fired power plants, waste heat boilers and other waste heat recovery products are primarily used in clean energy and waste-to-energy power projects. Other waste heat boilers are also used in industrial applications such as cement plants, coking plants and oil refineries to recover waste heat from daily operations and to reduce emissions. During the Period, these products were mainly supplied to customers in China and the United State of America with the revenue from the latter recording a notable growth. Turnover of waste heat recovery products recorded a decrease to RMB107.2 million for the Period (for the six months ended 2011: RMB175.1 million). This segment continued to be the largest revenue stream and accounted for 54.1% of the Group's total revenue in the Period in line with the Group's prevailing strategy. The 38.8% decrease in the turnover of the segment is caused by the absence of new orders from India where it was the most significant growth market for the corresponding period last year. As a result of upsurge in both the financing costs and the exchange rates of Indian rupees to foreign currencies together with the low accessibility of the gas network in the country, construction projects of gas based power plants market in India was being significantly affected. Though the Group has managed to attain a number of new orders for waste heat recovery products in biomass power plants and cement plants, the additional contribution was being outweighted by the drop in India sales.

MARINE BOILERS

The Group's marine products are generally waste heat boilers, economisers, composite boilers and fired boilers and therefore split into fired boilers and other marine boilers. Many of the Group's customers in China and Singapore for marine boilers are shipyards located on the mainland. The Group's products can be applied in a wide range of marine vessels such as bulk carriers, container ships, tankers, LNG (Liquefied Natural Gas) Vessels and FPSOs (Floating Production Storage and Offloading). During the Period, the segment has also being suffered from the challenging market sentiments of the shipbuilding industry in Asia, particularly in China. The Group's position of being one of only a few suppliers offering a one-stop shop concept of providing self-manufactured products together with outsourced items for customers has enhanced the Group's position in the market. During the Period, sales of marine products decreased by 26.0% to approximately RMB27.0 million.

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 previous reporting periods, electricity sales of Baicheng Greens was still being 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 Period amounted to approximately RMB6.6 million (for the six months ended 30 June 2011: RMB10.8 million) representing 38.9% drop.

In addition, the transfer agreement with an independent third party in order to secure the future revenue of the segment was still in effect during the Period, thus contributed to RMB4.0 million received during the Period.

The Group's second waste heat power generation project in Kunming city, Yunnan province, China (the "**Yunnan Project**") has successfully completed its construction late last 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 are operational and have contributed approximately RMB28.3 million of construction revenue during year 2011. The operation rights of the Yunnan Project have been recorded as a financial asset and an intangible asset in the consolidated financial statements of the Group for the Period. 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 Period. 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 and further negotiation between the Group and the chemical factory is still in progress.

Operations Review

WIND TURBINE TOWERS

A wholly owned subsidiary of the Group, Tongliao Greens Wind Power Equipment Co., Ltd. ("**Tongliao Greens**") is engaged in the manufacture and sales of wind turbine towers in inner Mongolia. However, as the wind power industry was being affected by the more conservative government policy in the Period, pricing and terms of payments has been dropped together as wind farm operators are also operating in a difficult market conditions. For that reason, the Group has been very cautious in assessing new orders and was re-engineering the production plant in inner Mongolia to also possess the capability of producing other pressurized vessel products. No turnover of wind turbine towers products was being recorded for the Period (for the six months ended 30 June 2011: approximately RMB81.1 million).

SERVICE AND REPAIRS

The Group provides a wide range of services, including boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs. The Group's service and repair business has capitalised on its experience and capabilities in the heat transfer product manufacturing sector. During the Period, the segment's growth was being the result of the installation projects undertaken by the Group's subsidiaries in India and in UK for the HRSGs and other waste heat recovery products that the Group produced in China earlier. Revenue from services and repairs of approximately RMB9.7 million increased by approximately 131.0% as compared to the corresponding period last year.

Financial Review

A. TURNOVER AND GROSS MARGIN

As discussed in the business review above the Group's revenue for the Period has decreased to RMB198.1 million, representing a decrease of approximately 58.6% (for the six months ended 30 June 2011: approximately RMB478.8 million).

Further to the downturn in business volume of the Group starting from the second half of year 2011 as reported in the Annual Report 2011 of the Company, the reported gross profit of the Group during the Period has continued to reduce from RMB113.3 million for the six months ended 30 June 2011 to approximately RMB12.0 million for the Period. The Group's reported gross margin for the Period has decreased to 6.0% from 23.7% for corresponding period last year. This is mainly attributable to significant drop in turnover volume causing the production facilities of the Group to operate at a level below breakeven. With the drastic shrunk operation scale, other than the loss of those fixed costs, certain variable costs become theoretically more inelastic as the business volume diminished to a substantial manner.

A breakdown of 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:

Gross margin by products	For the six months ended 30 June **2012** **(%)**	 2011 (%)
Economisers	**24.2%**	31.3%
Waste heat recovery products and boiler components *	**5.3%**	23.1%
Marine products	**12.3%**	26.9%
Service & repairs	**19.4%**	62.0%
Waste heat power generation*	**–98.3%**	23.7%
Wind turbine tower	**–**	13.0%

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

Other than the drop in gross profit margin caused by the compressed operation volume, each products segments were also being affected by the following reasons.

Financial Review

Economisers – gross profit margin for the Group's economisers segment reduced to 24.2%, as compared to 31.3% for the corresponding period last year. Part of the decrease was 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). Keen price competition has weakened the profitability of new projects in the market.

Waste heat recovery and boiler components – gross profit margin for waste heat recovery products and boiler component segment decreased from approximately 23.1% for the six months ended 30 June 2011 to approximately 5.3% in the Period. This decrease was partly attributed to the slowdown in infrastructure project in China and competitive pricing for the remaining projects, building project experience and references in the HRSG and waste heat boiler sector where newer customers and projects were won at lower margins to enter the market. In addition, the HRSG contracts in India has incurred 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 products gross profit margin for the Period decreased from 26.9% for the six months ended 30 June 2011 to 12.3%. Keen price competition has weakened the profitability of new projects in the shipbuilding industry.

Services and repairs – this segment recorded a decrease in gross profit margin for the Period to 19.4% compared to 62.0% in the corresponding period last year. 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 loss margin for the waste heat power generation segment for the Period was approximately 98.3% (for the six months ended 30 June 2011: gross profit margin 23.7%) after taking into account various forms of compensation from the third party transfer agreement amounting to RMB4.0 million (transfer agreement with an independent third party where the Group will attain additional proceeds of up to RMB4.0 million every six months if the segment continues to operate at a lower than agreed level of RMB30.0 million sales revenue every six months). The high gross profit margin in the corresponding period last year was partly the result of RMB4.6 million discounts in operating costs incurred.

The gross profit margin of the segment for the corresponding period last 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 – no gross profit margin for the Period has been prepared as there is no revenue from wind turbine tower (for the six months ended 30 June 2011: 13.0%).

B. OVERHEADS

Overhead levels have increased during the Period, 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 Period and into the second half of 2012.

C. OTHER INCOME AND GAINS AND OTHER EXPENSES

The Group recorded other income and gains of approximately RMB8.3 million for the Period (for the six months ended 30 June 2011: approximately RMB6.5 million). The amount represented income of RMB4.0 million in Baicheng Greens in respect of the transfer agreement in place plus subsidy income of RMB2.6 million in Tongliao Greens in respect of amounts received from the local government, amortised over the applicable period. The amount in the corresponding period in 2011 mainly represented recognised subsidy income and income from transfer agreements.

Other expenses for the Period amounted to approximately RMB13.4 million (for the six months ended 30 June 2011: approximately RMB2.4 million). Included in other expenses is a provision for bad debts at the amount of approximately RMB11.6 million in relation to a customer in the United Kingdom who went into administration during May 2012. Further negotiation with the customer and its administrator is still in progress as of 30 June 2012.

D. NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's net loss attributable to equity holders for the Period amounted to approximately RMB83.5 million (for the six months ended 30 June 2011: approximate profit of RMB35.7 million). Such reduction was primarily attributable to the decrease in turnover and significant reduction in gross profit for the Period, at the same time the attempt to broaden revenue base led to increases in overhead costs primarily administration expenses together with the additional finance cost caused by the new bank borrowings for financing working capital.

E. LIQUIDITY AND FINANCIAL RESOURCES

To date, the Group's operations have been primarily financed by cash generated from its operating activities and bank borrowings. During the Period, the major source of financing for the capital expenditure of the Group was the unused portion of the 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 30 June 2012, the Group had approximately RMB99.7 million in cash and cash equivalents, compared to approximately RMB60.2 million as at 31 December 2011 (excluding pledged balances). The increase in cash and cash equivalents in the Period was mainly due to increases in new bank borrowing raised by the Group.

F. CAPITAL EXPENDITURE

The Group's capital expenditures amounted to approximately RMB4.2 million during the Period (for the six months ended 30 June 2011: approximately RMB16.9 million). The capital expenditure in the Period was primarily attributable to acquisition of property, plant and equipment in China.

G. KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group as at the end of the Period with comparative figures as of 31 December 2011 as reference:

	As at 30 June 2012	As at 31 December 2011
Current ratio	**1.30**	1.45
Net debt to equity	**34.7%**	28.6%
Gearing ratio	**69.6%**	48.2%

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

H. USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the issue of new shares upon the listing of the Company on the Stock Exchange on 6 November 2009 amounted to approximately RMB437 million, after deducting 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 26 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 on in June 2011, the Company further announced that it planned to reallocate the remaining balance of such proceeds as of 31 May 2011 of approximately RMB194 million to other intended applications. As of 30 June 2012, approximately RMB14 million were still unutilized and the Group is intended to apply such remaining balance in accordance with proposed uses as set out in the annual report 2011 of the Company.

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 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.

I. CAPITAL STRUCTURE

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

During the Period, there has been no change in the share capital of the Company.

J. GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2012, there were no guarantees or any contingent liabilities incurred by the Group. (as of 31 December 2011: Nil).

K. PLEDGE OF ASSETS

As at 30 June 2012, the Group had pledged cash and bank deposits of approximately RMB127.5 million (as of 31 December 2011: approximately RMB83.1 million to secure certain bank borrowings and banking facilities of the Group).

L. FOREIGN EXCHANGE RISK

As at 30 June 2012, 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 3.0%, 52.7%, 38.9% and 5.4% (as at 31 December 2011, HK dollars, Renminbi, US dollars and others accounted for approximately 2.3%, 25.1%, 67.2% and 5.4% respectively of the bank balance of the Group).

The sales, purchases and bank borrowings of the Group during the Period and in 2011 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. 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.

M. INTEREST RATE RISKS

As at 30 June 2012, the majority of the bank borrowings of the Group are floating rate borrowings and carry interest ranging from 6% to 7% 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.

N. SIGNIFICANT INVESTMENTS HELD

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

O. MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the Period.

P. HUMAN RESOURCES

As at 30 June 2012, the Group employed a total of 1,012 staff (as of 31 December 2011: 1,089 staff). During the Period, the staff costs (excluding the directors) of the Group were approximately RMB39.8 million (for the six months ended 30 June 2011: approximately RMB39.4 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.

Q. 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 30 June 2012, the total order backlog as at 30 June 2012 was approximately RMB291 million (as at 31 December 2011: RMB263 million). The following table sets forth, by business segment, the Group's order backlog as of 30 June 2012 and 31 December 2011.

	As of 30 June 2012 To be delivered in		As of 31 December 2011 To be delivered in	
	2012	2013	**2012**	2013
	RMB million	RMB million	**RMB million**	RMB million
Economisers	**71**	–	**84**	–
Waste Heat Recovery Systems and boiler components	**140**	–	**85**	–
Marine Products	**45**	2	**54**	–
Wind turbine towers	**11**	–	**11**	–
Service & Repairs	**22**	–	**29**	–
Total	**289**	2	**263**	0

Prospect, Future Plans and Strategies

The market for energy projects has been significantly affected by the slowdown in infrastructure investment as a result of the effects of economic problems in many countries. Yet the demand for power is still accelerating and added to that is the difficulty in trying to reduce emissions. The drive for cleaner forms of power generation is as strong as ever and confidence in nuclear power has been impacted by the disaster in Japan where immediate solutions are required and it is unlikely to restore confidence in this technology for many years to come.

The key markets of the Group have been affected and a lot of delays have occurred to on-going projects as well as newly planned projects that required capital investment and investors have become very cautious that has affected capital markets and funding lines.

So as businesses try to expand and improve their efficiency they are having to be sure about returns on investment that means capital costs of projects have been reducing and timescales for implementation reducing.

In these difficult times for the energy industry it has created an environment of caution, extra care and due diligence and much greater analysis of the long term benefits and returns on investment.

Major economies like China and USA have continued to invest in markets requiring support to increase power capacity and cleaner forms of energy and this in turn creates opportunity in new locations for the most experienced companies in this business.

New developments like exploration of shale gas are changing the face of the industry in some continents and deeper offshore exploration has been necessary all of which are creating opportunity.

CHINA AND INDIA

Basic national targets for China and India are still unchanged. According to industry information in China, more than 50 power construction projects with a total of approximately 60GW of thermal power capacity would be constructed before the end of 2015 as per the twelfth five years plan of the country. It was further indicated that 2012 and 2013 would be the peak bidding period for such projects in order to complete those projects on time. The Group would actively focus on those projects that our competitive advantage could excel the others. It is expected that the Group could attain some orders for 9E or 9F class HRSGs projects out of the expected biddings of around 25-

Prospect, Future Plans and Strategies

30 sets HRSGs in 2012/2013. Meanwhile, the twelfth five years plan of India has set a target of constructing approximately 100GW of thermal power capacity from 2012 to 2017 as reported by the local media. However, the major factor to the frequency and size of bidding activities for such projects in India would mostly be tied to the availability and supply of natural gas and coal in the India market.

Given the above, the once stagnant markets in China and India are believed to move again in the short and medium run. A number of orders for gas and coal-fired power plant retrofitting have been attained by the Group. It is now looking for increase in size and frequency of orders from major customers in China in the remaining part of the year. In India, the Group's subsidiary and trading arm (Greens Power Equipment India Pvt. Ltd.) has moved its office from Chennai on the eastern coast to Bhilai in central India. It is expected to have closer communication with customers from all locations inside India.

The Group has established solid reference in China of its capabilities to design and manufacture of power facilities fueled by renewable energy, namely, waste-to-energy and biomass fuel. New orders have been placed by the Group's strategic business partner who is the leading biomass power plant subcontractor around the globe. More extensive cooperation between the two parties is expected to crystallize in the time to come.

Although there are still a large number of wind farm under production in China, the progress of such projects have been slowed down partly because of central government macro control policies and partly caused by the fall in electricity tariff in various parts of the country which eroding the competitive advantage of wind power over the traditional thermal power. Consequently, the demand for wind turbine towers would still subject to substantial pressure in the rest of the year. The management has commenced to enrich the production capability of its production plant in Inner Mongolia to include pressurized vessels and boilers components. Application for the necessary technical licenses and accreditation from the Chinese government is in progress.

Having considered the discouraging market sentiments in China, the Group has already putting a more prudent view towards its waste heat power generation projects. Negotiations with various business partners has been conducted to look for strategic changes and performance enhancements to the existing two projects in China.

Prospect, Future Plans and Strategies

Being part of the sustainable development directives of the Group, the management has been carefully looking for other investment opportunities to diversify the business and operations in China. Given the depressing economic condition that emerged in the country after the recent 30 years of speedy development, the Group has attempted to seize other kinds of business opportunities such as mining and the trading of ores products in the less developed western China. As a pilot project, the scale of initial investment to such new areas has been controlled to a undisruptive level.

INTERNATIONAL MARKETS

Although the Group's international market may not be fully recovered in the second half of 2012, there is already signs of turnround and the momentum of such improvement in various segments, including but not least, the more active heat transfer products market in South Asia and the solid infrastructure upgrading plans in the USA market.

The newly formed international group office in Singapore has started full operations recently. It is expected that more orders from markets in South Asia for land or marine use boilers could be attained. In addition, it is expected to open up the market for FPSOs in or around 2013. Besides, the international group office has already extended its presence to markets in the Middle East with the help of our India office.

The Group's new agent in Japan is now in place and we have received plenty of interested inquiries. Given the infrastructure development in Japan has not yet picked up paces while preference is still being on renewable energy, it is expected that the Group could attain new orders in thermal power plant retrofit projects in Japan.

The Group has successfully re-entered the US market and attained the first order for the Group's HRSGs products with substantial size. The subsidiary of the Group in the US has taken a very proactive role in the whole process. In addition, more inquiries for new orders have been received. To tackle such positive response from the market, the Group would further extend the geographical coverage of its US subsidiary to cover South America as well. Anyhow, the original development plans for markets in Brazil are still under detailed consideration by the management.

Prospect, Future Plans and Strategies

For the European markets, the Group's subsidiary in Wakefield UK has already re-engineered its business plan and market strategies in order to enhance its efficiency and profitability under the prevailing unfavourable economic situation in the area. It is expected to put more focus on cashflow positive markets so as to enable the Group's sustainable development in Europe.

On the other hand, the Group has invested in South England a new venture which, if successfully established its foundation in the coming two to three years, could form a vertical expansion of the Group's core operation. The new team consists of a group of experienced engineers and sales expert in the design, manufacturing and sales of combustion equipments targeting the worldwide market. Their products are being one of the major components to the HRSGs and marine boilers which are currently being out-sourced by the Group. It is expected that their output could have synergistic effect to the further development of the Group and could help the other core segments of the Group to open up the petrochemical industry markets.

IT'S THE WORST OF TIMES, IT'S THE BEST OF TIMES

The order book levels as of 30 June 2012 denoted that the Group still maintained its business potential under the prevailing harsh market sentiments. The management has already formulated the necessary strategies to tackle such challenges including to diversify its target markets to other countries and to strengthen its upstream development to new products and new markets.

The management remains cautious and careful with corporate strategies during current turbulent market conditions, whilst keeping track of the overall investment environment and will continue to consider relevant investment opportunities as they arise. If any further part of the original CAPEX plan becomes unattainable or less profitable, management may, taking into account the then conditions and the interests of the Group and its shareholders as a whole and subject to the Listing Rules, reallocate the relevant capital to other parts of the CAPEX plan and/or new projects and/or place such capital as short-term deposits. Under such circumstances, the Group will make necessary disclosure in due course and comply with the relevant disclosure requirements under the Listing Rules.

Other Information

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 October 2009 pursuant to the written resolutions of all shareholders of the Company (the "**Share Option Scheme**"). As at 30 June 2012, no option has been granted under the Share Option Scheme by the Company. A summary of the principal terms and conditions of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix IV to the prospectus of the Company dated 23 October 2009 and in the relevant section of the 2011 annual report of the Company.

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

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

Notes:

(1) All interest in Shares are long positions.

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

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

Other Information

As at 30 June 2012, save for the directors of the Company mentioned above, none of the other directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which would be required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model code**").

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

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

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S ISSUED SHARES

As at 30 June 2012, the following persons (other than the directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Nature of interests	Number of shares of interest [1]	Approximate percentage of shareholding
Ann Elizabeth [2]	Family	347,250,000	27.89%
Crown Max [3]	Beneficial Owner	149,183,750	11.98%
Union Rise [4]	Beneficial Owner	185,566,250	14.90%
Dai Ya Ping [4]	Family	185,566,250	14.90%
China Fund Limited [5]	Beneficial Owner	224,520,000	18.03%
Luckever Holdings Limited [5]	Controlled corporation	224,520,000	18.03%
	Beneficial Owner	2,352,000	0.19%
Liu Xuezhong [5]	Controlled corporation	226,872,000	18.22%
	Beneficial Owner	9,366,000	0.75%
Li Yuelan [5]	Controlled corporation	226,872,000	18.22%
	Family	9,366,000	0.75%

Notes:

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

(2) Ms. Ann Elizabeth is the spouse of Mr. Frank Ellis, the Chairman and executive director of the Company. Therefore, Ms. Ann Elizabeth is deemed, or taken to be, interested in the 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 wholly-owned by Ms. Chen Tianyi, the Chief Operations Officer and executive director of the Company. Ms. Chen Tianyi is the sole director of Crown Max.

(4) The interest disclosed represents the interest in the Company held by Union Rise, a company which is directly wholly-owned by Mr. Xie Zhiqing, the Chief Technology Officer and executive director of the Company. Ms. Dai Ya Ping is the spouse of Mr. Xie Zhiqing. Therefore Ms. Dai Ya Ping is deemed, or taken to be, interested in the 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 wholly-owned by Luckever Holdings Limited. Luckever Holdings Limited is directly interested in 2,352,000 Shares and is also regarded as interested in the 224,520,000 Shares owned by China Fund Limited. Luckever Holdings Limited is beneficially owned by Mr. Liu Xuezhong as to 60.87% and Ms. Li Yuelan as to 39.13% respectively. Mr. Liu Xuezhong is also personally interested in 9,366,000 Shares. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed, or taken to be, interested in the 236,238,000 Shares which Mr. Liu Xuezhong and Luckever Holdings Limited are interested in for the purpose of the SFO. Mr. Liu Xuezhong is also the spouse of Ms. Li Yuelan.

Save as disclosed herein, there was no person known to any directors or chief executive of the Company, who, as at 30 June 2012, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct for the directors of the Company in their dealings in the Company's securities. The Company, having made specific enquiry on all the directors of the Company, confirmed that all its directors have complied with the Model Code throughout the six months ended 30 June 2012.

Other Information

AUDIT COMMITTEE

The Company established the audit committee on 19 October 2009 with written terms of reference which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Company as well as nominating and supervising external auditor and offering advices and recommendations to the Board. The audit committee comprises three members, namely Mr. Yim Kai Pung, Mr. Jack Michael Biddison and Mr. Ling Xiang, and all of them are independent non-executive Directors. Mr. Yim Kai Pung is the chairman of the audit committee. It has reviewed the accounting principles and practices adopted by the Company and the unaudited financial results of the Group for the Period.

CORPORATE GOVERNANCE

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

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

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

Shanghai, 24 August 2012

** for identification purpose only*