GREENS

GREENS HOLDINGS LTD

格菱控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01318)

PRELIMINARY FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

PERFORMANCE HIGHLIGHTS

Revenue for 2012 was RMB379.5 million, representing a reduction of 39.1% as compared with last year due to challenging trading conditions during the year 2012.

Loss attributable to owners of the Company for 2012 was approximately RMB487.5 million, representing a significant increase as compared with last year.

Basic loss per share for 2012 amounted to RMB0.39, representing an increase of approximately 550.0% as compared with last year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

The board of directors (the "**Board**") of GREENS HOLDINGS LTD (the "**Company**") is pleased to present the consolidated final results for the year ended 31 December 2012 for the Company and its subsidiaries (collectively, the "**Group**") together with comparative figures for the year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012**	2011
		RMB'000	*RMB'000*
REVENUE	*4*	**379,470**	623,479
Cost of sales		**(432,460)**	(554,609)
Gross profit/(loss)		**(52,990)**	68,870
Other income and gains	*4*	**17,810**	21,892
Selling and distribution expenses		**(44,030)**	(31,706)
Administrative expenses		**(145,866)**	(105,659)
Other expenses		**(240,056)**	(5,804)
Finance costs		**(35,228)**	(23,864)
LOSS BEFORE TAX	*5*	**(500,360)**	(76,271)
Income tax expense		**11,270**	(3,589)
LOSS FOR THE YEAR		**(489,090)**	(79,860)
Attributable to:			
Owners of the parent		**(487,536)**	(79,860)
Non-controlling interests		**(1,554)**	–
		(489,090)	(79,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*6*		
Basic and diluted			
– For loss for the year		**(RMB0.392)**	(RMB0.064)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
LOSS FOR THE YEAR	**(489,090)**	(79,860)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**1,550**	(4,939)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(487,540)**	(84,799)
Attributable to:		
Owners of the parent	**(485,986)**	(84,799)
Non-controlling interests	**(1,554)**	–
	(487,540)	(84,799)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**309,241**	319,295
Prepaid land lease payments		**86,688**	88,565
Other intangible assets	*7*	**40,006**	141,268
Financial assets-amount due from a grantor		**–**	20,839
Deferred tax assets		**3,355**	4,203
Total non-current assets		**439,290**	574,170
CURRENT ASSETS			
Inventories		**49,608**	61,044
Construction contracts	*8*	**111,381**	287,002
Trade and bills receivables	*9*	**232,237**	307,256
Prepayments, deposits and other receivables		**95,546**	99,835
Financial assets-amount due from a grantor		**–**	4,167
Pledged deposits		**121,921**	83,146
Cash and cash equivalents		**23,905**	60,238
Total current assets		**634,598**	902,688
CURRENT LIABILITIES			
Trade and bills payables	*10*	**271,284**	267,695
Other payables and accruals		**69,044**	48,204
Derivative financial instruments		**–**	60
Interest-bearing bank and other borrowings		**429,213**	292,500
Tax payable		**12,606**	13,359
Total current liabilities		**782,147**	621,818
NET CURRENT ASSETS/(LIABILITIES)		**(147,549)**	280,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**291,741**	855,040

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**291,741**	855,040
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	60,000
Deferred tax liabilities	**11,530**	24,447
Deferred income	**33,551**	38,712
Total non-current liabilities	**45,081**	123,159
Net assets	**246,660**	731,881
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**85,004**	85,004
Reserves	**161,640**	646,877
	246,644	731,881
Non-controlling interests	**16**	–
Total equity	**246,660**	731,881

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 since 6 November 2009. The registered office of the Company is Appleby Trust (Cayman) Limited, 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. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
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*

Other than as further explained below regarding the impact of amendments to IFRS 7, the adoption of the revised IFRSs has had no significant financial effect on these financial statements.

The IFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

(e) Wind turbine towers-tubular steel structures which hold the nacelles that include the generators;and

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

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 loss before tax except that interest income, finance costs, fair value losses from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

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

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

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

Year ended 31 December 2012

	Economisers *RMB'000*	Waste heat recovery products and boiler components *RMB'000*	Marine products *RMB'000*	Waste heat power generation *RMB'000*	Wind turbine towers *RMB'000*	Services and repairs *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	78,096	221,477	46,913	12,494	–	20,490	379,470
Intersegment sales	–	–	–	–	–	–	–
	78,096	221,477	46,913	12,494	–	20,490	379,470
Reconciliation:							
Elimination of intersegment sales							–
Revenue							379,470
Segment results	(51,131)	(124,228)	(1,139)	(95,361)	(18,993)	3,004	(287,848)
Reconciliation:							
Elimination of intersegment results							–
Interest income							2,488
Unallocated gains							2,350
Corporate and other unallocated expenses							(182,122)
Finance costs							(35,228)
Loss before tax							(500,360)

Year ended 31 December 2012

	Economisers *RMB'000*	Waste heat recovery products and boiler components *RMB'000*	Marine products *RMB'000*	Waste heat power generation *RMB'000*	Wind turbine towers *RMB'000*	Services and repairs *RMB'000*	Total *RMB'000*
Segment assets	78,785	163,051	12,023	2,291	123,877	3,221	383,248
Reconciliation:							
Elimination of intersegment receivables							–
Corporate and other unallocated assets							690,640
Total assets							1,073,888
Segment liabilities	109,584	188	–	17,522	39,926	1,886	169,106
Reconciliation:							
Elimination of intersegment payables							–
Corporate and other unallocated liabilities							658,122
Total liabilities							827,228
Other segment information:							
Impairment losses recognised in the income statement	27,603	129,444	–	80,318	–	1,308	238,673
Impairment losses reversed in the income statement	–	–	–	–	–	(842)	(842)
Depreciation and amortisation	9,216	17,894	1,620	21,606	8,134	1,968	60,438
Capital expenditure*	4,843	14,726	1,067	–	–	918	21,554

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

Year ended 31 December 2011

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

Year ended 31 December 2011

	Economisers	Waste heat recovery products and boiler components	Marine products	Waste heat power generation	Wind turbine towers	Services and repairs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information:							
Impairment losses recognised in the income statement	987	–	–	–	–	1,517	2,504
Impairment losses reversed in the income statement	–	–	–	–	–	(247)	(247)
Depreciation and amortisation	7,666	14,584	1,813	21,093	13,178	1,363	59,697
Capital expenditure*	9,351	24,317	1,088	3,291	53,377	6,085	97,509

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

Geographical information

(a) Revenue from external customers

	2012	2011
	RMB'000	*RMB'000*
The PRC	**227,651**	449,761
European Union	**65,307**	54,692
India	**24,638**	117,034
United States of America	**52,015**	84
Other countries	**9,859**	1,908
	379,470	623,479

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

(b) Non-current assets

	2012	2011
	RMB'000	*RMB'000*
The PRC	**402,368**	513,260
The United Kingdom	**32,592**	56,707
Other countries	**975**	–
	435,935	569,967

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

Information about major customers

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

Revenue of approximately RMB46,593,000 (2011: Nil) was derived from sales by the waste heat recovery products and boiler components segments to customer A, including sales to a group of entities which are known to be under common control with that customer.

No revenue (2011: RMB122,236,000) was derived from sales by the economisers and waste heat recovery products and boiler components segments to customer B, including sales to a group of entities which are known to be under common control with that customer.

No revenue (2011: RMB94,093,000) was derived from sales by the wind turbine towers segment to customer C, including sales to a group of entities which are known to be under common control with that customer.

No revenue (2011: RMB83,936,000) was derived from sales by the waste heat recovery products and boiler components segment to customer D, including sales to a group of entities which are known to be under common control with that customer.

4. 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:

		2012	2011
	Notes	***RMB'000***	*RMB'000*
Revenue			
Construction contracts		**346,486**	595,136
Sale of goods		**12,494**	20,702
Rendering of services		**20,490**	7,641
		379,470	623,479
Other income and gains			
Bank interest income		**2,488**	2,538
Release of investment-related subsidy income	*i*	**5,161**	9,832
Subsidy income		**165**	511
Income from transfer agreements	*ii*	**8,000**	8,000
Foreign exchange differences, net		**1,349**	–
Others		**647**	1,011
		17,810	21,892

Notes:

i. In July 2011, Greens New Energy Limited, a wholly-owned subsidiary of the Company was granted a further subsidy of approximately RMB31,136,600 as a further reward for its investment in the wind turbine tower business in Tongliao of Inner Mongolia through its subsidiary, Tongliao Greens Wind Power Equipment Company Limited ("**Tongliao Greens**"). The directors consider the subsidy to be related to the investment in Tongliao Greens and therefore deferred and recognised it in income statement on the 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 Waste Heat Power Generation Co. Ltd. ("**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. ("**AJ Trust**"). 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 periods from mid December 2010 to mid June 2011 and from mid June 2011 to mid December 2011 were both lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB8 million from the third party in total and had no obligation due to this third party, so it recorded RMB8 million in other income in 2011, which were paid in full by the third party through AJ Trust in February 2011 and July 2011, respectively.

Baicheng Greens' revenue during the periods from mid December 2011 to mid June 2012 and from mid June 2012 to mid December 2012 were both lower than the target of RMB30 million, and thus Baicheng Greens had the right to collect RMB8 million from the third party in total and had no obligation due to this third party, so it recorded RMB8 million in other income in 2012, which were paid in full by the third party through AJ Trust in January 2012 and July 2012, respectively.

5. LOSS BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold	i	**417,046**	547,572
Cost of services provided		**15,414**	7,037
Depreciation		**31,130**	31,078
Amortisation of other intangible assets		**27,431**	27,058
Minimum lease payments under operating leases:			
Land and buildings		**8,110**	8,178
Amortisation of land lease payments		**1,877**	1,561
Auditors' remuneration		**2,531**	2,659
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**74,475**	76,064
Pension scheme contributions		**5,461**	5,796
		79,936	81,860
Foreign exchange differences, net		**(1,349)**	1,994
Impairment of accounts receivable		**46,560**	2,257
Impairment of construction contracts		**85,471**	–
Impairment of prepayments, deposits and other receivables		**6,553**	–
Impairment of other intangible assets		**74,241**	–
Impairment of financial assets-amount due from a grantor		**25,006**	–
Fair value losses, net:			
Derivative financial instruments at fair value through profit or loss		**–**	60
Bank interest income		**(2,488)**	(2,538)

Notes:

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

6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of basic loss per share is based on:

	2012	2011
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(487,536)**	(79,860)

	Number of shares	
	2012	2011
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,245,000**	1,245,000

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2012 and 2011.

7. OTHER INTANGIBLE ASSETS

Group

	Software *RMB'000*	**Trade name** *RMB'000*	**Customer relationships** *RMB'000* *(Note i)*	**Technology** *RMB'000* *(Note ii)*	**Service concession arrangement** *RMB'000* *(Note iii, iv)*	**Total** *RMB'000*
31 December 2012						
Cost at 1 January 2012, net of accumulated amortisation	509	14,999	21,272	27,584	76,904	141,268
Additions	411	–	–	–	–	411
Amortisation provided during the year	(96)	(916)	(2,343)	(2,484)	(21,592)	(27,431)
Impairment during the year	–	–	(18,929)	–	(55,312)	(74,241)
Exchange realignment	(2)	–	–	1	–	(1)
At 31 December 2012	822	14,083	–	25,101	–	40,006
At 31 December 2012:						
Cost	1,024	18,124	28,903	32,315	131,306	211,672
Accumulated amortisation	(202)	(4,041)	(9,974)	(7,214)	(75,994)	(97,425)
Impairment	–	–	(18,929)	–	(55,312)	(74,241)
Net carrying amount	822	14,083	–	25,101	–	40,006

Group

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

Notes:

i An intangible asset of customer relationships was recognized in the consolidated financial statements of the Group after its reorganization in 2008. The historical cost of RMB28,903,000 was being the fair value of customer relationships of three wholly owned subsidiaries of the Group, namely Greens Power Limited, Greens Power Equipment (China) Co., Ltd and Shanghai Greens Marine Engineering Co., Ltd. The initial amount was based on a valuation report issued by an independent valuer, representing the present value of the future residue cash flow attributable to the intangible asset.

As of 31 December 2012, the net book value of the customer relationships amounted to RMB18,929,000. Given the substantial change in customer base of the Group and the persistent unfavourable results of the Group for the two years ended 31 December 2012 and 2011, management believes the possible impairment losses related to such customer relationships has been indicated and is decided to fully write off the net book value in the year.

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

iii Baicheng Greens entered into a cooperation agreement with 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 the straight-line basis when the power station commences its operation.

Given the persistent drop in the electricity generation volume during year 2012 together with the possible suspension of operations of the related coking production facilities at the discretion of Xinjiang Coke in recent times, the net book value (approximately RMB52,603,000) of the Group's service concession arrangement in respect to the Waste Heat Power Generation Project to Baicheng Greens had indicated a permanent impairment as at 31 December 2012 and was fully provided for accordingly.

iv In March 2010, Greens Power Equipment (China) Co., Ltd. ("**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 and an intangible asset of RMB3,306,000, respectively. Amortisation of the intangible asset is provided for over the operating period on the straight-line basis when the power station commenced its operation.

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

Since the acceptance of the power station by Malong Chemical, Malong Chemical has not provided any waste heat to the power station and also refused to effect payment to the Group for the minimum monthly guaranteed amount for the period from the acceptance date to the end of year 2012. The Group has been actively negotiating with Malong Chemical, asking for their fulfilment of obligation under the cooperation agreement. The Group already sent the legal advice to Malong Chemcial and is going to consider possible arbitration. Given that there exist significant uncertainties about whether Malong Chemcial will fulfil the agreement in the near future, the Group made a full impairment provision on the net book value (approximately RMB2,709,000) of service concession arrangement in respect of the Waste Heat Power Generation Project to the GPEL, and the above financial asset of RMB25,006,000 recognised in association with the intangible asset as at 31 December 2012, for the sake of prudence.

8. CONSTRUCTION CONTRACTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Gross amount due from contract customers	**196,852**	287,002
Impairment	**(85,471)**	–
	111,381	287,002
Contract costs incurred plus recognised profits less recognised losses to date	**298,061**	341,734
Less: Progress billings	**(186,680)**	(54,732)
	111,381	287,002

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment losses recognised	**85,471**	–
	85,471	–

9. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Bills receivable	**12,141**	9,200
Trade receivables	**258,493**	302,816
Impairment	**(38,397)**	(4,760)
	232,237	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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**31,085**	86,517
3 to 6 months	**14,803**	33,371
6 months to 1 year	**45,020**	64,542
1 to 2 years	**27,946**	15,004
2 to 3 years	**14,200**	1,836
	133,054	201,270

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**4,134**	23,538
3 to 6 months	**8,797**	27,217
6 months to 1 year	**8,804**	21,084
1 to 2 years	**58,022**	15,441
2 to 3 years	**6,304**	1,213
Over 3 years	**981**	8,293
	87,042	96,786

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**4,760**	2,503
Impairment losses recognised	**47,402**	2,504
Amount written off as uncollectible	**(12,923)**	–
Impairment losses reversed	**(842)**	(247)
	38,397	4,760

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB38,397,000 (2011: approximately RMB4,760,000) with a carrying amount before provision of RMB44,701,000 (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 aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**213,792**	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.

10. TRADE AND BILLS PAYABLES

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**114,127**	116,823
3 to 6 months	**44,258**	70,252
6 months to 1 year	**41,495**	63,748
1 to 2 years	**69,134**	15,814
Over 2 years	**2,270**	1,058
	271,284	267,695

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

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT TO BE INCLUDED IN THE FORTHCOMING ANNUAL REPORT 2012 OF THE COMPANY

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that as of 31 December 2012, the Group's current liabilities exceeded its current assets by RMB147,549,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain additional financing facilities and derive adequate operating cash flows from its existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BUSINESS REVIEW AND ANALYSIS

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

Overall operations

2012 has continued to be a year of significant challenge after the drastic downturn of the heat transfer and power equipment industry globally. Market demand of traditional markets remains to be weak and quite a number of major projects are either on hold or being suspended indefinitely. Participants in the industry are eager to win tenders even it is not in their familiar business area. Keen competition has imposed significant pressure to gross margin and also causing more demand for operating cash flow to facilitate shorter production and delivery time for those rush orders. Consequently, it causes the Group's production facilities to operate at a level below its breakeven operation volume throughout the year.

Markets such as China and Europe are still being sluggish while the Group has attained bundles of inquiries from the USA market where the booming shale gas power industry has brought about lots of opportunities for the Heat Recovery Steam Generators (HRSGs) and similar power equipment products of the Group which are principal equipment for gas based power plant.

Financing difficulties are still being one of the leading problems for new projects of power equipment infrastructure around the globe. Potential opportunities of various sizes are being affected and such projects are either put on hold or suspended indefinitely.

International business platform

The Group's fully integrated international business platform has successfully widened the customer base of the Group. Firstly, the newly established sales team in Singapore has successfully attained the first order for boilers and related equipment to be installed onto certain Floating Production Storage and Offloading (FPSO). It is the Group's on-going target to enter the FPSO market and to become a qualified supplier for the offshore oil exploration industry. Secondly, the newly formed combustion equipment team in Southern England has successfully attained the first order for combustion related equipment from a Spanish customer in the petroleum industry. It is now enhancing the Group to be a qualified supplier to the petrochemical industry. Thirdly, the Group's subsidiary in USA located in Minnesota has now becoming a full range qualified supplier of heat transfer solutions to customers in the country both including HRSGs and economisers. On the other hand, the international sales team of the Group has successfully opened up the southern Asia market of Bangladesh and has almost completed a power plant project in the country. Finally, the India subsidiary has continued to be an active player in the country to offer total solutions to main contractors and infrastructure developers in relation to boilers and other heat transfer products. A new office has been established in the city of Pune, India which is now rendering the back-end engineering support to all the international platform of the Group.

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 year. 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.

The Group's sales of economisers in the year reduced by 62.8% to approximately RMB78.1 million (for the year ended 31 December 2011: approximately RMB210.0 million) as compared with last year. Whilst part of the reason was due to the slowdown in upgrading of coal-fired power plants in China, the major reason was the loss of market share with major customers opting for low cost supply that may not be as technically advanced as the Group's products. Though the existing volume is being immaterial to the overall drop in sales of economisers in China, the Group has been successful in opening up the market in USA for its economisers during the year.

Waste heat recovery products and boiler components

Waste heat recovery products cover a number of applications such as HRSGs, systems applied in gas-fired and oil-fired power plants, waste heat boilers and other waste heat recovery sectors which are primarily used in clean energy and Waste-to-Energy power solutions. Other waste heat boilers are also used in industrial applications such as cement plants, coking plants and oil refineries to recover waste heat from daily operations and to reduce emissions. During the year, a majority of these products were supplied to customers in China, India and Europe. Turnover of waste heat recovery products recorded an increase in sales of 12.4% as compared with 2011 to approximately RMB221.5 million for the year (for the year ended 31 December 2011: approximately RMB197.0 million). In order to extend the markets of the Group's waste heat boilers and boilers related products under the prevailing sluggish market environment worldwide, the Group has managed to attain new orders from new markets such as USA and Bangladesh and for new applications of the Group's products.

Marine products

Marine products are generally waste heat boilers, economisers, composite boilers and fired boilers for shipping applications. Many of the Group's customers in China and Singapore for marine products are shipyards located on the mainland. In order to diversify the segment into offshore oil exploration business, the Group has successfully attained a new order for boilers to be installed onto a FPSO in late 2012 through the Group's newly formed sales team in Singapore. During the year, sales of Marine products decreased by 25.7% to approximately RMB46.9 million (for the year ended 31 December 2011: approximately RMB63.1 million).

Waste heat power generation

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

Owing to the unfavourable factors disclosed in the annual reports of the past few years, the electricity sales of Baicheng Greens has been affected by the domestic government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. Electricity sales revenue for the year amounted to approximately RMB12.5 million (for the year ended 31 December 2011: approximately RMB20.7 million) representing 39.6% decrease as compared with last year.

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

The Group's second waste heat power generation project in Kunming city, Yunnan province, China (the "Yunnan Project") is related to a cooperative agreement between Greens Kunming and Malong Chemical. The Yunnan Project comprises the technological upgrade of the waste heat power generation system of a chemical factory in consideration of the electricity and steam sales revenue for six years. The waste heat power generation facilities of the Yunnan Project is operational during late 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 year. Part of the accompanying guaranteed revenue to be paid by the chemical factory to the Group has been recorded as a financial asset for the year. Except for the guaranteed revenue mentioned above, the Yunnan Project is recorded on a similar basis to that of the Group's existing Baicheng project. No revenue has been generated from the Yunnan Project during the year (for the year ended 31 December 2011: Nil).

Wind turbine towers

Subject to the contractionary policy towards wind power of the central government in China, the Group has suffered from significant reduction in demand for its products. Wind farms and developers for wind power and related investments is being more difficult in raising finance for new wind power projects. As a result, the demand for wind turbine towers produced by Tongliao Greens has dropped significantly. Moreover, most offers in the market are became more cash flow negative to the sellers. Given such unfavourable change in the wind turbine tower market, the Group has adopted a more conservative posture in accepting new orders. For that reason, the plant in Tongliao, Inner Mongolia ran by Tongliao Greens has been practically suspended operations for substantial period of time in year 2012. On the other hand, the Group has initiated a diversification of production capability of the plant in Tongliao to include the production of pressurized vessels. The plant has been awarded the Manufacture License of Special Equipment (Pressurized Vessels) in late 2012 which enable the plant in Tongliao to become qualified supplier of the new energy development projects in Inner Mongolia, including coal gasification projects. The sales and production of wind turbine towers has been suspended during the year ended 31 December 2012 and no turnover was recorded. (for the year ended 31 December 2011: approximately RMB96.7 million).

Service and repairs

These include boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs. The Group's service and repair business has capitalised on its significant experience. Revenue from services and repairs of approximately RMB20.5 million increased by approximately 169.7% as compared to last year (for the year ended 31 December 2011: approximately RMB7.6 million).

Mining rights

Following the successful bidding during mid 2012, Kezhou Greens Mining Co. Ltd. ("Kezhou Greens") the Group's 51% owned subsidiary in XinJiang has acquired five mining rights on several plots of land in Aketao county, Kirzlesu Kerkirz city, Xinjiang Uygur Autonomous Region with possible alluvial gold deposit. All five mining rights have an operating term of two years after attaining all the necessary environmental approval from local government. Kezhou Greens has then invested in the basic infrastructure of the mine sites and has recruited a team of mining staff in the local area. The mining operations have not been started during the winter seasons of year 2012 and was planned to launch for commercial operations by late March 2013 or early April 2013.

FINANCIAL REVIEW

A. Turnover and gross margin

As discussed above the Group's revenue for the year has decreased to approximately RMB379.5 million, representing a decrease of approximately 39.1% (for the year ended 31 December 2011: approximately RMB623.5 million).

Meanwhile, the Group recorded a gross loss of approximately RMB53.0 million during the year (for the year ended 31 December 2011: gross profit of approximately RMB68.9 million). This is mainly attributable to the significant drop in business volume whereas indirect costs such as factory overheads and engineering costs has increased the overall cost absorption of each project, the added costs on a number of delayed unfinished projects brought forward from previous year (increased design costs, materials costs and labour costs), the Group's entrance strategies into new markets and relationship building with new customers by undertaking lower margin projects, significantly increased competitive pricing pressures and a number of projects that needs to be reworked and leads to negative margins. In addition, the suspension of wind turbine towers business together with the unsatisfactory waste heat power generation project in XinJiang has also brought about negative effects to overall margins.

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

Revenue by operating segment

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	RMB'000	**As a % of total revenue**	*RMB'000*	As a % of total revenue
Economisers	**78,096**	**20.6**	209,984	33.7
Waste heat recovery products and boiler components	**221,477**	**58.4**	197,011	31.6
Wind turbine towers	–	–	96,747	15.5
Marine products	**46,913**	**12.3**	63,082	10.1
Services and repairs	**20,490**	**5.4**	7,641	1.2
Waste heat power generation	**12,494**	**3.3**	49,014	7.9
Total revenue	**379,470**	**100**	623,479	100

Gross margin by operating segment

	For the year ended 31 December 2012	For the year ended 31 December 2011
Economisers	**(5.1%)**	24.9%
Waste heat recovery products and boiler components	**(15.8%)**	11.9%
Wind turbine towers	–	(12.7%)
Marine products	**5.9%**	11.8%
Services and repairs	**24.8%**	7.9%
Waste heat power generation*	**(110.7%)**	10.9%
Total gross margin	**(11.9%)**	12.3%

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

A table showing revenue breakdown by geographical location of the Group's customers for the years is set out on Note 3 of the notes to financial statements.

B. Overheads

Overhead levels (including sales and distribution expenses together with administrative expenses) have increased during the year, primarily to support daily operations in the China business (staff costs), group costs (staff costs and bidding costs for unsuccessful international projects) 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 in USA, Singapore, India, Southern England and through developing the Group's 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 year 2012.

C. Other income and other gains and losses

The Group recorded other gains of approximately RMB17.8 million for the year (for the year ended 31 December 2011: approximately RMB21.9 million). The amount mainly represented income of RMB8.0 million in Baicheng Greens in respect of the transfer agreement in place plus subsidy income of RMB5.2 million in Tongliao Greens in respect of amounts received from the local government previously and to be amortised over the licence period together with the interest income of the year.

D. Other expenses

During the year, the Group has reported significant increase in other expenses totaled to approximately RMB240.1 million (for the year ended 31 December 2011: approximately RMB5.8 million). It is mainly comprise of the following non-recurring items:

i) Impairment of construction contracts amounted to approximately RMB85.5 million. A number of prolonged incomplete projects including one for a customer in India, five for a customer in China related to economisers products and one for a customer in China related to waste heat boilers products. Reasons causing the suspension of such projects are mainly related to the financial problem of respective customers and overall project suspension as a result of external market factors.

ii) Impairment of other intangible assets amounted to approximately RMB74.2 million. Details of the impairment has been set out on Note 7 of the notes to financial statements.

iii) Impairment of trade receivable amounted to approximately RMB46.6 million. Details of the impairment has been set out on Note 9 of the notes to financial statements.

iv) Impairment of financial assets amounted to approximately RMB25.0 million.

E. Net loss attributable to owners of the Company

The Group's net loss attributable to equity holders for the year amounted to approximately RMB487.5 million (for the year ended 31 December 2011: approximately RMB79.9 million). Such increase was primarily attributable to the decrease in turnover and significant reduction in gross profit for the year, at the same time, the provision of non-recurring impairment losses for various assets.

F. Liquidity, financial resources and capital structure

To date, the Group's operations have been primarily financed by cash generated from its operating activities and bank borrowings. During the year, the Group has put extensive control on its capital expenditure (CAPEX) in order to preserve cash resources for its daily operations. The Group's cash expenditures primarily consist of the purchase of raw materials and components from its suppliers, payments on manufacturing overheads and expenses on wages and salaries. As at 31 December 2012, the Group had approximately RMB23.9 million in cash and cash equivalents (excluding pledged balances), compared to approximately RMB60.2 million as at 31 December 2011 (excluding pledged balances). The reduction in cash and cash equivalents in the year was due to increases in working capital balances, capital expenditure costs and trading losses incurred by the Group.

G. Capital expenditure

The Group's capital expenditures amounted to approximately RMB21.6 million during the year (for the year ended 31 December 2011: approximately RMB97.5 million). The capital expenditure in the year was primarily attributable to acquisition of property, plant and equipment for the mining projects in XinJiang and at the wind turbine tower facility in TongLiao and the core production base in JingJiang city.

H. Key financial ratios

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

	As at 31 December 2012	As at 31 December 2011
Current ratio	**0.81**	1.45
Net debt to equity	**114.9%**	28.6%
Gearing ratio	**174.0%**	48.2%

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

I. Use of proceeds from the Company's initial public offering

The net proceeds from the issue of new shares upon the listing of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 November 2009 amounted to approximately RMB437.0 million, after deducting the related expenses. By the end of September 2010, the Company has applied part of those proceeds in the ways as described in the prospectus of the Company dated 23 October 2009. In December 2010, the Company announced that it planned to reallocate the remaining balance of such proceeds as of 30 September 2010 of approximately RMB349 million to other intended applications. Later in June 2011, the Company further announced that it planned to reallocate and revise the use of the remaining balance of such proceeds as of 31 May 2011 of RMB194.0 million to other intended applications. As of 31 December 2012, approximately RMB14.0 million were still untilized 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.

J. 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 year, there has been no change in the share capital of the Company.

K. Contingent liabilities

As at 31 December 2012, there were not any contingent liabilities incurred by the Group (as of 31 December 2011: Nil).

L. Pledge of assets

As at 31 December 2012, the Group had pledged cash and bank deposits of approximately RMB121.9 million (as of 31 December 2011: approximately RMB83.1 million) to secure certain bank borrowings and banking facilities of the Group.

M. Foreign exchange risk

As at 31 December 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 0.1%, 29.7%, 62.4% and 7.8% (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 year 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, the Group will actively convert bank balance currently maintained in HK dollars into Renminbi, US dollars or Euro. To reduce its foreign currency exchange exposure, the Group enters into forward transactions on, among other currencies, the Renminbi, US dollars and Euro from time to time.

N. Interest rate risks

As at 31 December 2012, the majority of the bank borrowings of the Group are floating rate borrowings and carry interest ranging from 2% to 8% 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.

O. Significant investments held

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

P. Major acquisition and disposal

The Group did not make any major acquisition or disposal during the year other than the acquisition of certain mining rights in XinJiang, China as set out in "BUSINESS REVIEW AND ANALYSIS" of this Announcement.

Q. Human resources

As at 31 December 2012, the Group employed a total of 1,087 staff (as of 31 December 2011: 1089 staff). During the year, the staff costs (excluding the directors) of the Group were approximately RMB79.9 million (for the year ended 31 December 2011: approximately RMB81.9 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.

R. Pension scheme

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

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

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

During the year, the contribution to the above retirement benefit scheme made by the Group providing to the employees (excluding the directors) amounted to approximately RMB5.5 million (2011: approximately RMB5.8 million).

S. Order backlog

The Group generally recognises revenue on a stage of completion basis. The Group's order backlog represents that portion of the contract value as of a specified date whose associated revenue has not been recognised. Based on supply contracts entered into on or prior to 31 December 2012, the total order backlog as at 31 December 2012 was approximately RMB231 million (as at 31 December 2011: RMB263 million). The following table sets forth, by business segment, the Group's order backlog as of 31 December 2012 and 31 December 2011.

	As at 31 December 2012 To be delivered in		As at 31 December 2011 To be delivered in	
	2013	**2014**	2012	2013
	RMB million	***RMB million***	*RMB million*	*RMB million*
Economisers	**77**	–	84	–
Waste heat recovery systems and boiler components	**72**	–	85	–
Marine products	**55**	**5**	54	–
Wind turbine towers	–	–	11	–
Service and repairs	**22**	–	29	–
Total	**226**	**5**	263	–

During late 2012, the Group has entered into a new three years Engineering Procurement and Construction (EPC) contract with a state-owned enterprises in the Middle East amounted to approximately USD53,300,000 for the design, production, procurement and erection of a series of equipment in an oil refinery. Such contract has not yet been effective as the Group is still arranging for the necessary bank finance to facilitate its cash requirement. Owing to its pre-matured nature, it has not been included in the order backlog table above.

T. Events after the reporting period

No significant event took place subsequent to 31 December 2012.

PROSPECT, FUTURE PLANS AND STRATEGIES

Major economies like China and USA have continued to invest in markets requiring support to increase power capacity and cleaner forms of energy whilst their domestic markets slowed down creating opportunities for the most experienced companies in this business who are prepared to work in overseas markets.

New developments as a result of successful exploration of shale gas are projected to change the face of the industry with imminent opportunities for supply conventional power generating equipment around which the Group has built its reputation. Likewise continents where deeper offshore exploration has been successful present other opportunities for equipment and services that the Group supply and both are creating opportunities.

Shorter term solutions such as diesel engine power projects are being installed in more remote areas and in developing countries such as Bangladesh and in parts of the Middle East where we have focused a lot of attention in 2011 & 2012. Typically such projects involve a number of the Group's exhaust gas economisers and boilers and the Group supplied several projects these last few years around which the Group's track record has been developed. The project value is often five to ten times that of some of the Group's standard economizer contracts and delivered in less than 12 months.

CHINA AND MID ASIA

Basic national targets for China and Mid Asia, including 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 require equipment that is the Group's core product where the Group have competitive advantage due to our international reputation and higher integrity equipment.

In China is expected that the Group could attain some orders for 9E or 9F class HRSGs projects out of the expected biddings of around 25-30 sets HRSGs in 2012/2013 having invested in the technology and design programmes as well as supplying the waste heat boiler sections to international customers these last few years from China.

Meanwhile, markets like Bangladesh and some Middle East countries, Turkey and India are very active. Whilst orders in India have been slow, to develop Bangladesh and the Middle East are very active and the Group have supplied equipment as well as supporting customers who are very active main contractors in these markets. Whilst most boiler companies have suffered delays to projects in India 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 at economical price in the India market and secure terms and guaranteed Letters of Credits will dictate which projects are accepted.

Given the above, the slow-down of markets in China and India are expected to pick up and then accelerate in the short and medium run. A number of orders for gas and coal-fired power plant retrofitting have been attained by the Group and it is now targeting the 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 and the sales/technical office has moved to Pune where skilled engineers attracted from that region of India to join the team can support the rest of the Group and other markets such as Bangladesh and parts of South Asia.

In 2011 & 2012 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 2013.

The management has decided 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 has been attained and the Company expects to secure orders for other types of clean energy projects being developed in that region.

Having considered the changing 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 have been conducted to look for strategic changes and performance enhancements to the existing two projects in China.

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 an undisruptive level.

INTERNATIONAL MARKETS

Although the Group's international market had not fully recovered in the second half of 2012, there was already signs of turnaround 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 started full operations in the second half of 2012 successfully securing a major FPSO project and now targets more orders from FPSO markets in South Asia for land and marine use boilers as well as assisting to promote the Group's experience to Chinese Shipyards now focusing on larger marine and offshore projects.

Through direct promotion by the Group's agent in Japan several key projects are being pursued to build on prior experience and references and even though the Japan domestic market is still quieter than required the Japanese customers the Group support are very active in overseas markets and it is expected that the Group will attain new orders in 2013.

After a slow-down of orders from USA customers in 2011 by opening a USA subsidiary the Group has successfully re-entered the US market and attained orders for the Group's HRSGs products and for economizer retrofits and main boiler components for a Biomass project. The subsidiary company in the US has taken a very proactive role that is preferred by customers. To continue the success and the positive response from the market, the Group would further enhance the sales and technical skills with priority on support of USA customers. The original development plans for markets in Brazil are still under detailed consideration by the management and will be covered from the USA subsidiary as part of their future strategy.

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 changing market requirements caused by the slowdown of investment due to the economic situation in the area. Nevertheless several major projects are targeted as a result of the focus on active markets and retrofit of UK Power stations and all potential orders are being negotiated under secure contract terms that reduce commercial risk to a minimum.

On the other hand, the Group has invested in a combustion company to complement many of the products already supplied and to enhance the technical skills. The main target is the International petro-chemical market as well as China and the core skills have been located in the South England where the requisite skills and core competences are readily available. The new venture has already had good successes and is on track against its business plan having developed a range of combustion products around the Groups prior product experience in industrial and marine markets. This will therefore form a vertical expansion of the Group's core operation and it is expected that this Company will have synergistic effect to the further development of the Group and will provide support to the other core segments

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

The order book levels as of 31 December 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 will implement more stringent cost efficiency control of the Group during 2013 while from time to time conducting reviews of production process, possible acquisition of efficiency enhancing equipments and more advanced engineering know-how.

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 capital expenditure (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

Material Litigations and Arbitrations

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

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 year ended 31 December 2012.

Annual General Meeting

The annual general meeting of the Company will be held on 9 May 2013 at the core production base of the Group located at the administration building of No. 2 Jiang Ping Road(E), Xin Gang Industry Park, Jing Jiang Economic Developing Zone, Xie Qiao Town, Jing Jiang City.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has not recommended payment of a final dividend (2011: Nil).

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for the directors of the Company in their dealings in the Company's securities. The Company, having made specific enquiries on all the directors of the Company, confirmed that all its directors have complied with the Model Code throughout the year ended 31 December 2012.

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 auditors and offering advice 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. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and the financial results of the Group for the year ended 31 December 2012.

Corporate Governance

Throughout the year ended 31 December 2012, the Company has complied with both the code on Corporate Governance Practices which was amended as the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules with most of the amended provisions coming into effect on 1 April 2012 (the "**Code**"), 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.

Publication of Annual Report

The 2012 annual report of the Company will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.greensholdings.com) in due course.

By order of the Board
GREENS HOLDINGS LTD
Mr. Frank Ellis
Chairman

Shanghai, 28 March 2013

As at the date of this announcement, the Board comprises three executive directors namely Mr. Frank Ellis, Mr. Xie Zhiqing and Ms. Chen Tianyi; Mr. Zhu Keming as non-executive director and three independent non-executive directors namely Mr. Jack Michael Biddison, Mr. Yim Kai Pung and Mr. Ling Xiang.

* *For identification purposes*