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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 2010

PERFORMANCE HIGHLIGHTS

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

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

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

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

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 2010 (the “**Year**”) for the Company and its subsidiaries (collectively, the “**Group**”) together with comparative figures for the year ended 31 December 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
REVENUE	4	710,954	555,440
Cost of sales		<u>(537,755)</u>	<u>(375,644)</u>
Gross profit		173,199	179,796
Other income and gains	4	23,747	18,459
Selling and distribution costs		(19,586)	(14,781)
Administrative expenses		(80,667)	(81,237)
Other expenses		(4,140)	(4,016)
Finance costs		<u>(19,870)</u>	<u>(12,130)</u>
PROFIT BEFORE TAX	6	72,683	86,091
Income tax expense	5	<u>(7,372)</u>	<u>(17,774)</u>
PROFIT FOR THE YEAR		<u>65,311</u>	<u>68,317</u>
Attributable to:			
Owners of the parent		65,311	68,317
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>65,311</u>	<u>68,317</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the year		<u>RMB0.052</u>	<u>RMB0.072</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		312,538	242,719
Prepaid land lease payments		58,130	59,627
Other intangible assets		146,370	171,536
Deferred tax assets		1,826	1,108
		<hr/>	<hr/>
Total non-current assets		518,864	474,990
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		30,244	43,518
Construction contracts	9	267,439	68,352
Trade receivables	10	299,128	316,333
Prepayments, deposits and other receivables		109,701	53,275
Due from directors		–	2,490
Pledged deposits		13,550	22,916
Cash and cash equivalents		298,442	509,796
		<hr/>	<hr/>
Total current assets		1,018,504	1,016,680
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	11	286,990	181,006
Construction contracts	9	1,988	9,746
Other payables and accruals		34,660	52,758
Derivative financial instruments		322	–
Interest-bearing bank and other borrowings		235,039	260,729
Tax payable		14,229	18,491
		<hr/>	<hr/>
Total current liabilities		573,228	522,730
		<hr/>	<hr/>
NET CURRENT ASSETS		445,276	493,950
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		964,140	968,940
		<hr/>	<hr/>

	<i>Notes</i>	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		90,000	120,000
Deferred tax liabilities		23,738	19,775
Deferred income		17,408	19,000
		<hr/>	<hr/>
Total non-current liabilities		131,146	158,775
		<hr/>	<hr/>
Net assets		832,994	810,165
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		85,004	85,004
Reserves		731,676	698,227
Proposed final dividends	7	16,314	23,634
		<hr/>	<hr/>
		832,994	806,865
		<hr/>	<hr/>
Non-controlling interests		–	3,300
		<hr/>	<hr/>
Total equity		832,994	810,165
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2010

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 27 February 2008. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Main Board of HKEx”) since 6 November 2009. The registered office of the Company is ATC Trustees (Cayman) Limited, George Town, Grand Cayman KY1-1203, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and supply of heat transfer products and solutions, including economisers, waste heat recovery products, wind turbine towers, marine products and boiler components as well as related services and repairs and waste heat power generation.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

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

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

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

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

- *IAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- *IAS 17 Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

The directors of the Company anticipate that the application of the above and other new and revised Standards, Amendments, and Interpretations will have no material impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

Year ended 31 December 2010	Economisers <i>RMB'000</i>	Waste heat recovery products and boiler components <i>RMB'000</i>	Marine products <i>RMB'000</i>	Waste heat power generation <i>RMB'000</i>	Wind turbine towers <i>RMB'000</i>	Service and repairs <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:							
Sales to external customers	219,277	369,141	37,325	21,716	40,980	22,515	710,954
Intersegment sales	-	-	-	-	-	-	-
	219,277	369,141	37,325	21,716	40,980	22,515	710,954
<i>Reconciliation:</i>							
Elimination of intersegment sales							-
Revenue							<u>710,954</u>
Segment results	69,395	81,555	4,618	2,933	3,361	6,425	168,287
<i>Reconciliation:</i>							
Elimination of intersegment results							-
Interest income							3,151
Unallocated gains							10,022
Corporate and other unallocated expenses							(88,907)
Finance costs							<u>(19,870)</u>
Profit before tax							<u>72,683</u>

Year ended 31 December 2009	Economisers RMB'000	Waste heat recovery products and boiler components RMB'000	Marine products RMB'000	Waste heat power generation RMB'000	Wind turbine towers RMB'000	Service and repairs RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	211,284	239,151	14,426	54,087	-	36,492	555,440
Intersegment sales	-	-	-	-	-	-	-
	211,284	239,151	14,426	54,087	-	36,492	555,440
<i>Reconciliation:</i>							
Elimination of intersegment sales							-
Revenue							<u>555,440</u>
Segment results	82,937	90,120	3,414	132	-	4,673	181,276
<i>Reconciliation:</i>							
Elimination of intersegment results							-
Interest income							2,334
Unallocated gains							14,645
Corporate and other unallocated expenses							(100,034)
Finance costs							<u>(12,130)</u>
Profit before tax							<u>86,091</u>

Geographical information

Revenue from external customers

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

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

Information about major customers

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

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

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

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:

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

Notes:

- i. It represented contract cancellation fees net of any cost of sales incurred from cancellation of contracts during the year.
- ii. In 2010, the local government of Xinjiang granted Baicheng Greens Waste-Heat Power Generation Co., Ltd. (“Baicheng Greens”) incentive and subsidies of RMB4,982,000 to reward its energy conservation and emission reduction in the production process. There are no unfulfilled conditions or contingencies attaching to these grants.
- iii. In June 2010, in order to stabilise the revenue from electricity sales of Baicheng Greens, the Group began negotiations with an independent third party to seek to guarantee Baicheng Greens’ annual revenue of RMB 60 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.

5. INCOME TAX

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

6. PROFIT BEFORE TAX

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

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

7. DIVIDENDS

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

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

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

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

The calculation of basic earnings per share is based on:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	<u>65,311</u>	<u>68,317</u>
	Number of shares	
	2010	2009
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,245,000</u>	<u>951,452</u>

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

9. CONSTRUCTION CONTRACTS

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

10. TRADE RECEIVABLES

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

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

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

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

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

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

11. TRADE AND BILLS PAYABLES

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

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

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

BUSINESS REVIEW

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

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

Overall operations

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

Economisers

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

Waste heat recovery products and boiler components

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

Marine boilers

The Group's marine products are generally categorised into fired boilers and other marine boilers. Many of the Group's customers in China for marine boilers are shipyards located on the mainland. The Group's products can be applied in a wide range of marine vessels such as bulk carriers, container ships, tankers, LNG (Liquefied Natural Gas) Vessels and FPSOs (Floating Production Storage and Offloading). During the year, the segment has benefitted from the recovery of the shipbuilding industry in Asia, as the Group's one-stop shop concept of providing self-manufactured products together with outsourced items for customers has enhanced the Group's position in the market. During the year, sales of marine products increased by approximately 158.7% to approximately RMB37.3 million.

Waste heat power generation

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

During the year, electricity sales from the project were affected by the government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. These measures have had a considerable negative effect on coking factories. Restricted operating volumes and frequent breaks in production caused by an uneven supply of raw materials have distorted the volume of waste heat generated by Xinjiang Coke. This, in turn, has caused the project to operate below capacity and caused the Group to suffer gross losses. The revenue downturn of waste heat power generation was also due to the fact that the revenue in 2009 included an element of construction revenue. The power station was completed in May 2009 so there is no construction revenue in 2010. The revenue of the project for the year only represents the operation revenue of electricity sold.

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

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

Wind turbine towers

A wholly owned subsidiary of the Group, Tongliao Greens is engaged in the manufacture and sales of wind turbine towers. Located inside one of China’s major wind farms, the principal construction of Tongliao Greens’ production facilities is completed. This business has commenced deliveries of products during the fourth quarter of 2010. Turnover of wind turbine towers products has started to generate revenue of approximately RMB41.0 million for the year (2009: Nil).

Service and repairs

The Group provides a wide range of services, including boiler conversions, upgrades, general maintenance services on marine or land boilers, installations, testing and repairs. The Group’s service and repair business capitalises on its experience and capabilities in the heat transfer product manufacturing sector. During the year, the segment’s growth was restricted by the unfavourable conditions in the international markets. During the year, revenue from services and repairs decreased by approximately 38.3% as compared to the previous year to approximately RMB22.5 million.

International business platform

The Group’s core manufacturing facilities are located in Shanghai city and Jiangsu province on the Yangtze River Delta in China. Moreover, its workshops and office in Wakefield, United Kingdom, continue to provide strong support in the form of technical expertise and international sales coverage. The Group’s global sales network covers Europe, China, Japan, South and North America and other parts of Asia. To further strengthen its global outreach, during the year 2010 the Group established a subsidiary in Chennai, India, focusing on sales of economisers and waste heat recovery products in this fast growing powerhouse nation. In addition, another subsidiary within the Group incorporated in Singapore has started to serve as the Group’s major sales office in the southeast asia region.

FINANCIAL REVIEW

1. Revenue

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

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

2. Gross Profit

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

3. Profit before tax

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

4. Net Profit Attributable to Owners of Company

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

5. Other Income and Other Gains and Losses

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

6. Segment Information

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

Revenue by Operating Segments

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

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

Revenue by Geographical Markets

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

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

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

* Taking into account various forms of compensation

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

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

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

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

Gross profit margin for the waste heat power generation segment for the year ended 31 December 2010 was approximately 16.7% after taking into account various forms of compensation attained (2009: minus 2.5%). During the year, electricity sales from the Xinjiang Project continued to be affected by the government's regional administrative policies with respect to the consolidation of coal resources and the operational volume of coal mines. These measures have had a considerable negative effect on coking factories. Restricted operating volumes and frequent breaks in production caused by an uneven supply of raw materials have distorted the volume of waste heat generated by Xinjiang Coke. This, in turn, has directly caused the segment to operate at below average capacity and caused the Group to suffer gross losses. The revenue downturn of waste heat power generation

was also due to the fact that the revenue of 2009 included an element of construction revenue. The power station was completed in May 2009 so there is no construction revenue in 2010. The revenue of the segment for the year only represents the operation revenue of electricity sold.

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

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

7. Orders Backlog

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

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

8. 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. As of 31 December 2010, approximately RMB133 million were used in accordance with proposed uses as set out in the announcement of the Company dated 2 December 2010.

9. Liquidity And Capital Resources

Cash Flows and Working Capital

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

Capital Expenditure

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

Capital Structure

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

Key Financial Ratios Of The Group

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

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

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

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

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

Pledge Of Assets

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

Foreign Currency Risk

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

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

Interest Rate Risks

As at 31 December 2010, the majority of the bank borrowings of the Group are fixed rate borrowings and carry interest ranging from 4% to 7% per annum. The interest rates of loans which carry floating interest rates were calculated by reference to the benchmark interest rate prescribed by the People's Bank of China and are denominated in Renminbi. The Group currently does not use any derivative instruments to hedge its interest rate risks.

Events After The Reporting Period

In January 2011, a new subsidiary Kunming Greens Energy Comprehensive Utilization Co., Ltd (昆明格菱仕能源综合利用有限公司). ("Greens Malong") was established in Kunming with main business scope focusing on power generation, heat supplement and energy saving technology service. The registered capital of Greens Malong was RMB5 million.

The Board has recommended payment of a final dividend of HK1.54 cents per share for the year ended 31 December 2010 (2009: HK2.17 cents per share) subject to shareholders' approval.

PROSPECT, FUTURE PLANS AND STRATEGIES

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

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

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

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

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

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

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

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

OTHER INFORMATION

Human Resources

As at 31 December 2010, the Group employed a total of 1121 staff (31 December 2009: 884 staff). During the year of 2010, the staff costs of the Group were approximately RMB63.3 million (2009: approximately RMB53.7 million). The staff costs include basic salary, performance salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, public house reserves, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally reviews the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary reviews for considering a grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with that of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the human resources market.

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 2010.

Annual General Meeting

The annual general meeting of the Company will be held on 28 April 2011 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, Jiangsu Province, China.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended payment of a final dividend of HK1.54 cents per share for the year ended 31 December 2010 (2009: HK2.17 cents per share) to be paid on around 29 July 2011 to shareholders with whose names appearing on the register of members of the Company on 28 April 2011 subject to shareholders' approval. The register of members of the Company will be closed from Thursday, 21 April 2011 to Thursday, 28 April 2011, both days inclusive, during which no transfer of shares will be effected. In order to be qualified for the final dividend and the forthcoming annual general meeting to be held on 28 April 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 20 April 2011.

Compliance with the Model Code

The Company has adopted 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 2010.

Audit Committee

The Company established the audit committee on 19 October 2009 with written terms of reference which have been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Company as well as nominating and supervising external 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. It has reviewed the accounting principles and practices adopted by the Company and the financial results of the Group for the year ended 31 December 2010.

Corporate Governance

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules during the year 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.

Publication Of Annual Report

The 2010 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) on or around 23 March 2011.

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

Hong Kong, 15 March 2011

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 only*