保利協鑫

GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3800)

2008
Annual Report

Contents

Five-Year Financial Summary

	For the year ended 31 December				
	2004 RMB'000 *restated (Note 1)*	2005 RMB'000 *restated (Note 1)*	2006 RMB'000 *restated (Note 1)*	2007 RMB'000 *restated*	**2008 RMB'000**
Revenue	465,921	866,125	933,356	1,844,661	**3,693,330**
Profit (loss) before taxation	20,659	55,413	91,488	(215,839)	**206,862**
Taxation	415	207	(3,549)	4,027	**(27,140)**
Profit (loss) for the year	21,074	55,620	87,939	(211,812)	**179,722**
Attributable to:					
Equity holders of the Company	5,207	28,471	59,790	(266,744)	**131,298**
Minority interests	15,867	27,149	28,149	54,932	**48,424**
	21,074	55,620	87,939	(211,812)	**179,722**

ASSETS AND LIABILITIES

	At 31 December				
	2004 RMB'000 *restated (Note 2)*	2005 RMB'000 *restated (Note 2)*	2006 RMB'000 *restated (Note 2)*	2007 RMB'000 *restated*	**2008 RMB'000**
Total assets	2,283,633	2,686,959	3,364,326	6,866,840	**7,069,540**
Total liabilities	1,608,515	2,001,193	2,842,276	4,229,960	**4,245,813**
	675,118	685,766	522,050	2,636,880	**2,823,727**
Equity attributable to equity holders of the Company	487,967	493,503	315,010	2,272,791	**2,415,757**
Minority interests	187,151	192,263	207,040	364,089	**407,970**
	675,118	685,766	522,050	2,636,880	**2,823,727**

Notes:

1. The results for the years ended 31 December 2004, 2005 and 2006 have been prepared on a consolidated basis to present the results of the Group as if the group structure, at the time the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for each of the three years have been extracted from the Prospectus.

2. The assets and liabilities as at 31 December 2004, 2005 and 2006 have been prepared on a consolidated basis to present the assets and liabilities of the Group as if the group structure, at the time the Company's shares were listed on the Stock Exchange, had been in existence as at each of the balance sheet dates. The figures as at 31 December 2004, 2005 and 2006 have been extracted from the Prospectus.

Performance Highlights

	2008 RMB'000	2007 RMB'000 *restated*	Change	% of change
Turnover				
Sales of electricity	**2,188,735**	1,470,168	718,567	48.9%
Sales of steam	**827,214**	374,493	452,721	120.9%
Sales of coal	**677,381**	–	677,381	N/A
	3,693,330	1,844,661	1,848,669	100.2%
Profit (loss) attributable to equity holders of the Company				
Profit from ordinary operation	**131,298**	98,011	33,287	34.0%
Loss from non-recurring items	**–**	(364,755)	364,755	(100.0%)
	131,298	(266,744)	398,042	(149.2%)

	2008 RMB	2007 RMB	Change	% of change
Basic earnings (loss) per share				
Profit from ordinary operation	**0.14**	0.21	(0.07)	(33.3%)
Loss from non-recurring items	**–**	(0.78)	0.78	(100.0%)
	0.14	(0.57)	0.71	(124.6%)

	2008 RMB'000	2007 RMB'000	Change	% of change
Extracts of balance sheet				
Equity attributable to equity holders of the Company	**2,415,757**	2,272,791	142,966	6.3%
Total assets	**7,069,540**	6,866,840	202,700	3.0%
Bank balances, cash and pledged bank deposits	**701,120**	1,045,979	(344,859)	(33.0%)
Borrowings	**3,249,247**	3,479,687	(230,440)	(6.6%)
Key financial ratios				
Current ratio	**0.55**	0.81	(0.26)	(32.1%)
Quick ratio	**0.45**	0.75	(0.30)	(40.0%)
Net debt to equity	**105.5%**	107.0%	(1.5%)	N/A


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Major Events 2008

January

The acquisition of 49% equity interest in China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd., which is a natural gas cogeneration plant with a total installed capacity of 150MW, was completed.

February

No. 2 15-MW gas turbine generator of Lianyungang Xinneng Sludge Power Co., Ltd. commenced commercial operation.

March

The acquisition of the entire equity interest in Xilingol Guotai Wind Power Generation Co., Ltd. was completed. The Group owned its first wind power station through such acquisition. The wind power station locates in Xilingol, Inner Mongolia Autonomous Region, the PRC and has a total installed capacity of 49.5MW. Upon completion, all post-IPO acquisitions have been completed on schedule in accordance with the Prospectus.

July

Pursuant to the notice of tariff increase issued by NDRC, the on-grid tariff applicable to the Group's coal-fired cogeneration plants in Jiangsu and Zhejiang has been raised to different extent. An increase of RMB2.08 cents per KWh was approved with respect to the on-grid tariff (tax inclusive) applicable to the coal-fired cogeneration plants in Jiangsu, while an increase of RMB2.12 cents per KWh was approved with respect to those in Zhejiang. Such increase was not applicable to the gas-fired cogeneration plants, biomass fuelled cogeneration plants and solid waste incineration plants of the Group.

The 72+24-hour trial operation of the 75-tonne No. 4 boiler in Jiaxing Cogeneration Plant was successfully completed and reached the prescribed standard. The construction of No. 4 boiler was completed and commenced operation. Such development has effectively changed the imbalance in electricity and steam output caused by the insufficient steam generated from the plant's boilers while the generating capacity of the Company has been enhanced.

August

Pursuant to notices issued by the relevant government departments, the on-grid tariff applicable to the Group's coal-fired cogeneration plants in Jiangsu and Zhejiang has been increased by RMB2.5 cents per KWh. (The gas-fired, biomass fuelled and solid waste incineration plants of the Group were not entitled to such increase.)

The Group announced that it has entered into an agreement with a company controlled by Mr. Zhu Gong Shan, the controlling shareholder of the Group, to acquire 55% equity interest in Duolun coal mine indirectly held by him for a consideration of RMB85 million, the consideration will be settled by the issuance of convertible bonds with a duration of 3 years. The Duolun coal mine is located at Duolun County, Inner Mongolia Autonomous Region, the PRC. Its total in-place resources of all seams amounted to 82.44 million tonnes. The design output capacity and the calorific value are 1.2 million tonnes per annum and approximately 4,500 Kcal/kg, respectively.

Major Events 2008

Taicang Incineration Plant successfully sold its first emission reduction credit. Taicang Incineration Plant, located at Taicang city, Jiangsu Province, the PRC, is capable of processing approximately 500 tonnes of refuse daily with an annual electricity generation of approximately 40 million KWh. Such emission reduction credit is approved under the international system of voluntary carbon credit trading and was sold to an European buyer. Taicang Incineration Plant received payment from the European buyer and became the first incineration plant in the PRC successfully completed the transaction of Voluntary Emission Reduction (VER).

September

The 15MW unit 3 turbine generator of Puyuan Cogeneration Plant met the prescribed standard and commercial operation commenced.

October

The expansion project of Taicang Incineration Plant unit 2 has commenced. A 6MW condensing steam turbine and a waste incineration boiler with a processing capacity of 250 tonnes refuse per day will be installed.

December

The technology improvement project of energy-saving and environmental protection for the Baoying Cogeneration Plant received a financial subsidy for RMB4.7 million from the government.

The Group's two biomass fuelled cogeneration plants, Baoying Biomass Power Plant and Lianyungang Xiexin Cogeneration Plant, received an electricity tariff subsidy of RMB0.1 per KWh from the government, amounting to approximately RMB15 million.

The 2008 Annual Provincial "Energy Conservation and Emission Reduction" project of Lianyungang Xiexin Cogeneration Plant was evaluated by the experts from the Provincial Commission of Economic and Trade and the Financial Office and a leading fund for RMB0.8 million was awarded.

The construction project of the eastern heat-supply pipe network of Haimen Cogeneration Plant was approved by the local government. The total length of the proposed heat-supply pipe is 12,230 metres, and the steam sales volume will be increased by 150,000 to 200,000 tonnes per annum after completion.

Company Profile

GCL-Poly Energy Holdings Limited is one of the largest foreign-owned independent cogeneration plant operators in the PRC and has been principally engaged in the development, investment, management and operation of cogeneration and power plants, and trading of coal in the PRC. With the exception of the Taicang Incineration Plant and the Huitengliang Wind Power Plant, which is under construction, all of our power plants are cogeneration ones, which provide steam simultaneously during the power generation process.

There are different types of power plants within the Company, including coal-fired cogeneration plants, gas-fired cogeneration plants, resources comprehensive utilization cogeneration plants, biomass fuelled cogeneration plants, municipal solid waste incineration plant and a wind power plant, all of which are environmentally friendly, clean or fuelled by renewable energy and are recommended and encouraged by the PRC government. Thus, such plants can enjoy various incentives provided by the PRC Government, including higher on-grid tariffs, higher utilization hours, higher dispatch priority, exclusive rights to sell steam within certain radius of the cogeneration plants and multiple preferential tax treatments.

As at 31 December 2008, the Company has 19 operational subsidiary and associated power plants with an aggregate installed capacity of 1,050MW and an aggregate attributable installed capacity of 698MW. These power plants are mainly located in Jiangsu and Zhejiang provinces, where robust economic growth and strong demand for electricity and steam are witnessed. In addition, the Company also wholly owns the Huitengliang Wind Power Plant with a designed installed capacity of 49.5MW. The plant is still under construction and is expected to commence operation in 2009.

Chairman's Statement

On behalf of the board of Directors, I am pleased to report that GCL-Poly achieved remarkable operating results in 2008. For the financial year ended 31 December 2008, the Group recorded a turnover of RMB3,693.3 million, an increase of 100.2% over RMB1,844.7 million in 2007. The profit attributable to the equity holders of the Company amounted to RMB131.3 million as compared with a loss of RMB266.7 million for the corresponding period in 2007. Basic earnings per share amounted to RMB0.14. The Board recommended the payment of a final dividend of HK2.3 cents per share for 2008.

BUSINESS REVIEW

2008 was the first financial year for GCL-Poly after its successful listing in Hong Kong as well as an extraordinary year for the Group. Despite a series of unfavourable factors such as the continued substantial increase in coal prices and the global economic slowdown, we were still able to achieve remarkable results in profitability amidst a sluggish operating environment and notwithstanding overall losses recorded across the power generation industry due to our hard work and dedicated efforts.

These outstanding results were mainly attributable to the Group's diversified development strategy focusing on developing environmentally friendly and renewable energy over the past decade. Apart from the environmentally friendly coal-fired cogeneration plants, the Group also owns and operates clean gas-fired cogeneration plants, renewable biomass-fired cogeneration plants and a municipal solid waste incineration plant. These power plants account for almost half of the attributable installed capacity of the Group and represented the main growth drivers of its profitability in 2008 despite the surging coal price.

The excellent execution capabilities of the Group's management team was another indispensable element for GCL–Poly in achieving its remarkable results. In view of the skyrocketing coal prices, the Group's management team has adopted a series of timely and efficient measures, which has been successfully in boosting revenue and controlling expenses. On the one hand, due to the high fulfillment rate of contracted coal and increased proportional usage in low price coal sludge with low heating value, the Group recorded an average unit cost of coal consumption for an increase of only 26.7% year-on-year, considerably lower than the market incremental rate for coal prices. In addition, the Group has accelerated the development of the heat supplies market and the implementation of coal-steam price pass-through mechanism, which has led to substantial increase in steam generation volume and average steam selling price. Revenue contributed by steam generation increased by RMB453 million as compared with the corresponding period last year.

In 2008, GCL-Poly continued to carry through its mission of developing environmentally friendly and renewable energy. In January 2008, the Company acquired 49% equity interest in China Resources Golden Concord (Beijing) Co-generation Co., Ltd. to further expand the proportion of gas-fired cogeneration plants in its business portfolio. In March 2008, the Company acquired 100% equity interest in Xilingol Guotai Wind Power Generation Co., Ltd. which marked the first step for the Group in the development of its wind power business.

In view of the significant fluctuations in coal prices and the market risks associated with coal supply, in August 2008, the Group announced the acquisition of a 55% equity interest in the Duolun coal mine in Inner Mongolia Autonomous Region.

Chairman's Statement

CORPORATE GOVERNANCE

As a newly listed enterprise, GCL-Poly has taken a series of initiatives over the past year pursuant to the requirements set out in the Code on Corporate Governance Practices issued by the Hong Kong Stock Exchange in order to enhance its corporate governance standards. Our board of Directors and each of the Board's committees has been operating smoothly. A clear segregation of duties was also established between the chairman of the Board and CEO, while independent non-executive Directors accounting for one-third of the Board members. The Group has strengthened its internal controls with a focus on financial supervision and risk management and has been able to optimize internal management tasks through implementation of the above measures.

GCL-Poly has been placing strong emphasis on shareholder value and investor relations since its listing. In order to foster more effective communications with shareholders and investors, we have formed a professional investor relations team with the support of specialised investors relations intermediaries, to proactively organize a wide range of investor relations activities, including roadshows, power plants visits, and participation in domestic and overseas investor relations seminars.

SOCIAL RESPONSIBILITIES

As an environmentally friendly and renewable energy provider, we value the importance of social responsibilities and have been dedicating our efforts in achieving energy conservation and reduced emission. In 2008, the Company's Baoying Cogeneration Plant received financial support under the Central Government's policy on "National Energy Conservation and Emission Reduction Technology Improvement Project". The Group's Lianyungang Xiexin Cogeneration Plant and Yangzhou Cogeneration Plant both received special funding from Jiangsu Province under its "Energy Conservation and Emission Reduction" policy. In 2008, the emission rate of all the power plants of the Group reached standard levels and the dust collection efficiency reaching over 99.8%. Moreover, a "Continuous Emission Monitoring System" has been fully installed and is now in operation. At the beginning of the year when an unexpected snowstorm hit Southern China, the Group's power plants generated electricity and steam in excess of its planned scale which helped maintain economic and social stability in the region. In addition, following the destructive earthquake at Wenchuan, Sichuan Province, I as well as our staff took the initiative to start a donation drive which collected approximately RMB3.69 million.

Chairman's Statement

FUTURE PROSPECT

Looking forward, 2009 presents both challenges and opportunities for us. The retreating coal price and lowered interest rates on bank loans will effectively mitigate the Group's cost pressure for fuel and financial expenses. On the other hand, the global economic slowdown and its adverse impact on market demand for electricity and steam will inevitably hinder business growth for the Group. Facing these opportunities and challenges, GCL-Poly will proactively adopt effective measures to control unit operating cost while pursuing market expansion of steam supply and stablising steam prices. The Group will also execute plans to restructure the assets portfolio of its power plants in order to build a sound foundation for continuous growth.

Finally, I would like to express my heartfelt gratitude to our Directors, the management team and our staff for their hard work over the past year. I also wish to extend my gratitude to the shareholders and business partners for their support during the year.

Zhu Gong Shan
Chairman
Hong Kong, 25 March 2009

Biographical Details of Directors

EXECUTIVE DIRECTORS:

Mr. ZHU Gong Shan (朱共山), aged 51, has been an Executive Director since July 2006 and is the Chairman and a member of the Strategic Planning Committee of the Company. Mr. Zhu is the founder of the Group and the beneficial owner of Highexcel Investments Limited, a substantial shareholder of the Company. He is currently the vice chairman of the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會). He graduated from the Nanjing Electrical Professional School (南京電力專科學校) in 1981, majoring in Electrical Automation. In 2005, Mr. Zhu obtained a degree of Doctor of Philosophy in Business Administration from the Bulacan State University of the Philippines.

Mr. SHA Hong Qiu (沙宏秋), aged 50, has been an Executive Director since November 2006. He is also the Chief Executive Officer and a member of the Strategic Planning Committee of the Company. Mr. Sha is responsible for the overall operation and management of the Group. Mr. Sha had been awarded various titles, including the Outstanding Entrepreneur of Xuzhou (徐州市優秀企業家) in 2000 and the Outstanding Enterprise Manager of Taicang (太倉市優秀企業管理人才) in 2005. He graduated from the China University of Mining and Technology in 1986, majoring in enterprise management. Mr. Sha is a Senior Economist. He has over 10 years experience in the operation and management of power plants.

Mr. JI Jun (姬軍), aged 61, has been an Executive Director of the Company since November 2006. He is also a member of the Strategic Planning Committee of the Company. Mr. Ji focuses on strategic planning and business development of the Group. He has extensive experience in the power industry and has experience in handling corporate finance projects.

Mr. SHU Hua (舒樺), aged 46, has been an Executive Director of the Company since October 2007 and is the Chief Operating Officer of the Company. Mr. Shu is responsible for the operational management of the Group. He has over 10 years experience in the power industry and has joined the Group since June 2004. Mr. Shu has a Master's degree in Business Administration for Senior Management from the Tongji University in the PRC.

Mr. YU Bao Dong (于寶東), aged 45, has been an Executive Director since November 2006. He is also the Vice President of the Company. Mr. Yu is responsible for overall development strategy and project implementation for the Group. He has over 10 years experience in project investment and corporate management. Mr. Yu holds a Doctorate degree in Economics from the Wuhan University in the PRC. Mr. Yu is also a non-executive director of China Sciences Conservational Power Limited.

Ms. SUN Wei (孫瑋), aged 37, re-joins the Company in October 2007 as an Executive Director. She is responsible for the financial management of the Group, including participation in the budget planning process of the Group. Ms. Sun holds a Doctorate degree in Business Administration from the Bulacan State University of the Philippines in 2005. Ms. Sun has over 10 years experience in power plant investment and management.

Mr. TONG Yee Ming (湯以銘), aged 56, has been an Executive Director of the Company since July 2008 and is the Chief Financial Officer of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Cost and Management Accountants of United Kingdom and Certified General Accountants of Canada. He obtained a Bachelor of Arts degree in Business Administration from University of Washington in 1979. In 1980, Mr. Tong obtained a Master of Business Administration degree from Oregon State University. Mr. Tong has broad financial management and accounting experience and had also acted as the chief financial officer and finance director for a number of companies, including listed companies in Hong Kong.

Biographical Details of Directors

NON-EXECUTIVE DIRECTOR:

Mr. TAM Chor Kiu (譚楚翹), aged 31, has been a Non-executive Director of the Company since October 2008. He is currently an executive director of Morgan Stanley Asia Limited, an indirectly owned subsidiary of Morgan Stanley. Mr. Tam is part of Morgan Stanley Principal Investments team in Asia. He has been working for Morgan Stanley, a substantial shareholder of the Company, since 1998. Mr. Tam has over ten year's experience involved in investment and corporate financing transactions for companies in the energy, media and information technology industries. He holds a Bachelor's degree in Economics and a Master's degree in International Relations from the University of Chicago.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. HENG Kwoo Seng (邢詒春), aged 61, has been an Independent Non-Executive Director of the Company since July 2007. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Heng is a partner of Morison Heng, a Certified Public Accountants firm in Hong Kong. Mr. Heng has been an independent non-executive director and company secretary of a number of companies listed on the Stock Exchange. Mr. Heng is a fellow of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant in Hong Kong. In addition, he is an independent non-executive director of SCUD Group Limited and Zhong An Real Estate Limited.

Mr. QIAN Zhi Xin (錢志新), aged 63, has been an Independent Non-Executive Director of the Company since July 2007. He is also a member of the Audit Committee, Remuneration Committee and Strategic Planning Committee of the Company. Prior to that, he was a principal of the Development and Reform Commission of the Jiangsu Province in February 2004. Mr. Qian holds a Doctorate degree in Management from the Nanjing Agricultural University in the PRC.

Ir Dr. Raymond HO Chung Tai (何鍾泰), *SBS, MBE, S.B. St. J., JP*, aged 70, has been an Independent Non-Executive Director of the Company since September 2007. He is also the Chairman of the Remuneration Committee and the Strategic Planning Committee of the Company and a member of the Audit Committee of the Company.

Dr. Ho is a member of the Legislative Council of the HKSAR and a Deputy to the National People's Congress. He holds a Doctorate degree in Civil Engineering from the City University of London, U.K., Hon. Doctor of Business Administration from the City University of H.K., Honorary Doctor of Laws from University of Manchester, U.K., a Postgraduate Diploma in Geotechnical Engineering from Manchester University, U.K. and a Bachelor's degree in Engineering from the University of Hong Kong. Dr. Ho is currently Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee. In addition, he is an independent non-executive director of Deson Development International Holdings Limited and China State Construction International Holdings Limited.

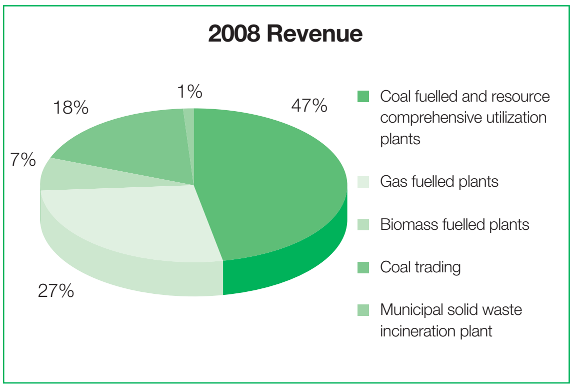
Mr. XUE Zhong Su (薛鍾甦), aged 69, has been an Independent Non-Executive Director of the Company since October 2007. He is also a member of the Strategic Planning Committee of the Company. He graduated from Shanghai Jiaotong University in 1962. Mr. Xue worked for the Shanghai Municipal Power Company (上海市電力公司) in 1985 as the deputy general manager. From 1986 to 2000, Mr. Xue was the vice president of the Shanghai Municipal Power Bureau (上海市電力工業局) and deputy general manager of Shanghai Municipal Power Company. From 1994 to 2000, Mr. Xue was also the general manager of the Huaneng International Power Development Company, Shanghai Branch (華能國際電力開發公司上海分公司). From 2000 to 2005, Mr. Xue was the party secretary and general manager of the China Huaneng Group Company, Shanghai Branch (中國華能集團公司上海分公司). Mr. Xue has over 20 years of experience in the power industry.

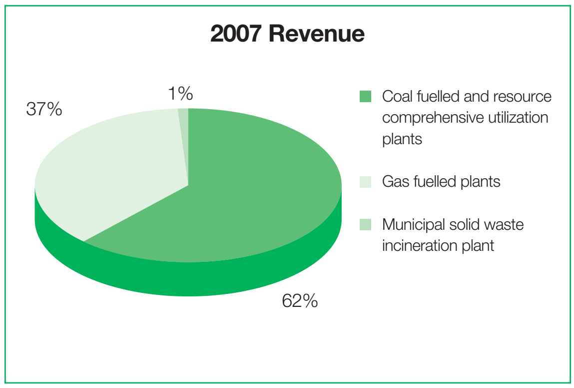
Management Discussion and Analysis

For the year ended 31 December 2008, the Group recorded a significant growth with revenue amounted to RMB3,693.3 million, representing an increase of 100.2% compared with the revenue of RMB1,844.7 million for the year ended 31 December 2007. The profit attributable to the equity holders of the Company was RMB131.3 million for the year ended 31 December 2008 as compared with the loss of RMB266.7 million for the same period last year. Basic earnings per share attributable to the equity holders of the Company increased to RMB0.14 compared with a loss per share of RMB0.57 in 2007.

The following table sets out the Group's revenue contribution by business segments:

	2008 RMB million	2007 RMB million *(Restated)*
Coal fuelled and resource comprehensive utilization plants	**1,755.9**	1,145.2
Gas fuelled plants	**1,006.0**	683.8
Biomass fuelled plants	**274.1**	–
Coal trading	**636.5**	–
Municipal solid waste incineration plant	**20.8**	15.7
Total revenue	**3,693.3**	1,844.7





BUSINESS REVIEW

Acquisition of new power plants

The acquisition of 100% equity interest of Xilingol Guotai Wind Power Generation Co., Ltd., ("Huitengliang Wind Power Plant") and 49% equity interest of China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd, ("China Resources Beijing Cogeneration Plant") were completed in the first quarter of the year. For the Huitengliang Wind Power Plant, we have the right to develop a wind generation power plant with a total installed capacity of 49.5MW in Inner Mongolia. This is the first wind generation power plant of the Group.

Generation Capacity

As at 31 December 2008, the Group (including subsidiaries and associated power plants) operates 14 coal-fuelled cogeneration plants and resources comprehensive utilization plants, 2 gas-fuelled cogeneration plants, 2 biomass cogeneration plants and 1 solid waste incineration plant, with an attributable installed capacity of 697.8MW and an attributable steam extraction capacity of 1,756.4 tonne/h, representing an increase of 17.4% and 12.4% respectively as compared to attributable installed capacity of 594.3MW and attributable steam extraction capacity of 1,562.4 tonne/h as at 31 December 2007. The increase was mainly due to the acquisition of 49% equity interest in China Resources Beijing Cogeneration plant and the expansion of installed capacity in Lianyungang Xinneng Cogeneration Plant and Puyuan Cogeneration Plant during the year.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Generation Capacity *(continued)*

Below are the tables detailing the generation capacity of electricity and steam as at 31 December 2008 and 31 December 2007.

Generation Capacity – Electricity

Plant	Fuel(s)	Approved Generators	Installed Capacity MW	Equity Interest	Attributable Installed Capacity MW 31.12.2008	Attributable Installed Capacity MW 31.12.2007
Kunshan Cogeneration Plant	Coal	2	2 x 24	51%	**24.5**	24.5
Haimen Cogeneration Plant	Coal	2	2 x 15	51%	**15.3**	15.3
Rudong Cogeneration Plant	Coal	2	2 x 15	100%	**30.0**	30.0
Huzhou Cogeneration Plant	Coal	3	2 x 15	94.77%	**28.4**	28.4
Taicang Poly Cogeneration Plant (a)	Coal	3	3 x 15	100%	**45.0**	45.0
Jiaxing Cogeneration Plant (a)	Coal	3	2 x 15 + 1 x 6	95%	**34.2**	34.2
Lianyungang Xinneng Cogeneration Plant (b)	Coal/Sludge	2	1 x 6 + 1 x 15	100%	**21.0**	6.0
Puyuan Cogeneration Plant (b)	Coal	3	2 x 15 + 1 x 6	100%	**36.0**	21.0
Fengxian Cogeneration Plant	Coal/Coal Sludge/Gangue	2	2 x 15	51%	**15.3**	15.3
Yangzhou Cogeneration Plant	Coal/Coal Sludge/Sludge	2	2 x 24	51%	**24.5**	24.5
Dongtai Cogeneration Plant (a)	Coal/Coal Sludge	2	2 x 15	100%	**30.0**	30.0
Peixian Cogeneration Plant (a)	Coal/Coal Sludge/Gangue	2	2 x 15	100%	**30.0**	30.0
Xuzhou Cogeneration Plant (a)	Coal/Coal Sludge/Gangue	2	2 x 15	75%	**22.5**	22.5
Suzhou Cogeneration Plant	Natural Gas	2	2 x 180	51%	**183.6**	183.6
Baoying Cogeneration Plant	Coal/Biomass	2	2 x 15	100%	**30.0**	30.0
Lianyungang Xiexin Cogeneration Plant	Coal/Biomass	2	2 x 15	100%	**30.0**	30.0
Taicang Incineration Plant	Municipal Solid Waste	2	1 x 6	100%	**6.0**	6.0
Sub-total			870		**606.3**	576.3
Funing Cogeneration Plant (c)	Coal/Coal Sludge	2	2 x 15	60%	**18.0**	18.0
China Resources Beijing Cogeneration Plant (d)	Natural Gas	2	2 x 75	49%	**73.5**	N/A
Total (including subsidiaries and associated power plants)			1,050		**697.8**	594.3

Notes:

a. Became a subsidiary from an associated company in November 2007.

b. The Group acquired 100% equity interest in November 2007

c. The Group acquired the 60% equity interest in November 2007.

d. The Group acquired the 49% equity interest in January 2008.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Generation Capacity *(continued)*

Generation Capacity – Steam

Plant	Approved Boilers	Installed Boilers	Steam Extraction Capacity tonne/h	Current Equity Interest	**Attributable Steam Extraction Capacity tonne/h 31.12.2008**	Attributable Steam Extraction Capacity tonne/h 31.12.2007
Kunshan Cogeneration Plant	3	3	160	51%	**81.6**	81.6
Haimen Cogeneration Plant	3	2	100	51%	**51.0**	51.0
Rudong Cogeneration Plant	3	3	100	100%	**100.0**	100.0
Huzhou Cogeneration Plant	4	2	100	94.77%	**94.8**	94.8
Taicang Poly Cogeneration Plant (a)	4	4	150	100%	**150.0**	150.0
Jiaxing Cogeneration Plant (a)	4	4	172	95%	**163.4**	163.4
Lianyungang Xinneng Cogeneration Plant (b)	3	3	125	100%	**125.0**	30.0
Puyuan Cogeneration Plant (b)	3	3	172	100%	**172.0**	122.0
Fengxian Cogeneration Plant	3	3	100	51%	**51.0**	51.0
Yangzhou Cogeneration Plant	3	2	160	51%	**81.6**	81.6
Dongtai Cogeneration Plant (a)	3	2	100	100%	**100.0**	100.0
Peixian Cogeneration Plant (a)	3	3	100	100%	**100.0**	100.0
Xuzhou Cogeneration Plant (a)	3	3	100	75%	**75.0**	75.0
Suzhou Cogeneration Plant	2	2	200	51%	**102.0**	102.0
Baoying Cogeneration Plant	3	3	100	100%	**100.0**	100.0
Lianyungang Xiexin Cogeneration Plant	3	3	100	100%	**100.0**	100.0
Taicang Incineration Plant	3	2	N/A	100%	**N/A**	N/A
Sub-total			2,039		**1,647.4**	1,502.4
Funing Cogeneration Plant (c)	3	3	100	60%	**60.0**	60.0
China Resources Beijing Cogeneration Plant (d)	2	2	100	49%	**49.0**	N/A
Total (including subsidiaries and associated power plants)			2,239		**1,756.4**	1,562.4

Notes:

a. Became a subsidiary from an associated company in November 2007.

b. The Group acquired 100% equity interest in November 2007

c. The Group acquired the 60% equity interest in November 2007.

d. The Group acquired the 49% equity interest in January 2008.

BUSINESS REVIEW *(continued)*

Electricity – Generation Volume

Total gross generation volume of electricity (including subsidiaries and associated power plants) was 5,931,979MWh for the year ended 31 December 2008, representing an increase of 11.9% as compared with 5,300,202MWh in 2007. Total electricity sales volume (including subsidiaries and associated power plants) was 5,462,730MWh for 2008, representing an increase of 13.6% as compared with 4,809,142MWh in 2007. The increase was mainly due to the acquisition of 49% equity interest in China Resources Beijing Cogeneration Plant. The gross generation and electricity sales volume of each of the cogeneration plants are tabled as follows:

Electricity – Generation Volume

Plant	**Gross Generation MWh 2008**	Gross Generation MWh 2007	**Electricity Sales MWh 2008**	Electricity Sales MWh 2007
Kunshan Cogeneration Plant	**410,183**	425,110	**362,150**	377,241
Haimen Cogeneration Plant	**153,602**	196,671	**136,350**	175,450
Rudong Cogeneration Plant	**163,594**	180,809	**145,780**	161,160
Huzhou Cogeneration Plant	**196,530**	201,823	**174,208**	178,936
Taicang Poly Cogeneration Plant (a)	**294,037**	339,912	**265,425**	299,506
Jiaxing Cogeneration Plant (a)	**243,235**	209,050	**208,640**	179,195
Lianyungang Xinneng Cogeneration Plant (b)	**85,273**	52,656	**72,450**	42,880
Puyuan Cogeneration Plant (b)	**178,754**	69,901	**154,781**	61,482
Fengxian Cogeneration Plant	**185,793**	212,364	**160,891**	185,247
Yangzhou Cogeneration Plant	**310,459**	369,728	**277,310**	328,540
Dongtai Cogeneration Plant (a)	**166,995**	198,538	**150,450**	178,910
Peixian Cogeneration Plant (a)	**157,299**	221,737	**138,623**	192,920
Xuzhou Cogeneration Plant (a)	**176,506**	221,993	**155,238**	197,074
Suzhou Cogeneration Plant	**1,801,124**	1,698,204	**1,738,923**	1,634,911
Baoying Cogeneration Plant	**228,834**	234,278	**204,770**	208,101
Lianyungang Xiexin Cogeneration Plant	**225,921**	214,115	**202,327**	193,202
Taicang Incineration Plant	**51,631**	41,450	**42,410**	31,847
Sub-total	**5,029,770**	5,088,339	**4,590,726**	4,626,602
Funing Cogeneration Plant (c)	**150,105**	211,863	**132,890**	182,540
China Resources Beijing Cogeneration Plant (d)	**752,104**	N/A	**739,114**	N/A
Total (including subsidiaries and associated power plants)	**5,931,979**	5,300,202	**5,462,730**	4,809,142

Notes:

a. Became a subsidiary from an associated company in November 2007.

b. The Group acquired 100% equity interest in November 2007

c. The Group acquired the 60% equity interest in November 2007.

d. The Group acquired the 49% equity interest in January 2008.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Average Utilization Hours

The average utilization hours of a cogeneration plant refers to the amount of electricity produced in a specified period (in MWh) divided by the average installed capacity of the power plant in such period (in MW). The average utilization hour for the Group's subsidiary power plants was 5,866 hours in 2008, a decrease of 5.0% compared with 6,173 hours in 2007. The decrease was mainly due to the decrease in electricity generation as a result of surging coal price in 2008.

Electricity – Average Utilization Hours

Plant	**Hours 2008**	Hours 2007
Kunshan Cogeneration Plant (e)	**8,545**	8,857
Haimen Cogeneration Plant	**5,120**	6,556
Rudong Cogeneration Plant	**5,453**	6,027
Huzhou Cogeneration Plant	**6,551**	6,727
Taicang Poly Cogeneration Plant (a)	**6,534**	7,554
Jiaxing Cogeneration Plant (a)	**6,757**	5,807
Lianyungang Xinneng Cogeneration Plant (b) (e)	**4,318**	8,776
Puyuan Cogeneration Plant (b)	**7,222**	3,328
Fengxian Cogeneration Plant	**6,193**	7,079
Yangzhou Cogeneration Plant	**6,468**	7,702
Dongtai Cogeneration Plant (a)	**5,566**	6,618
Peixian Cogeneration Plant (a)	**5,243**	7,391
Xuzhou Cogeneration Plant (a)	**5,884**	7,400
Suzhou Cogeneration Plant	**5,003**	4,717
Baoying Cogeneration Plant	**7,628**	7,809
Lianyungang Xiexin Cogeneration Plant	**7,531**	7,137
Taicang Incineration Plant	**8,605**	6,908
Funing Cogeneration Plant (c)	**5,004**	7,062
China Resources Beijing Cogeneration Plant (d)	**5,014**	N/A

Notes:

a. Became a subsidiary from an associated company in November 2007.

b. The Group acquired 100% equity interest in November 2007

c. The Group acquired the 60% equity interest in November 2007.

d. The Group acquired the 49% equity interest in January 2008.

e. In 2007, the reason that the average utilization hour of the Kunshan and Xinneng cogeneration plant exceeded 8,760 hours (no. of calendar hours per annum) was due to the enormous demand of electricity in these areas and their steam turbine generators worked at their maximum working condition at the level of 60MW and 6.8MW respectively (the rated load and the maximum load of the two steam turbine generating units of Kunshan Cogeneration Plant were 2 x 24 MW and 2 X 30 MW respectively, while the rated load and the maximum load of the steam turbine generating unit of the Lianyungang Xinneng Cogeneration Plant were 6MW and 6.8 MW respectively). If maximum load condition is assumed, the average utilization hours would be 7,086 hours and 7,744 hours respectively.

BUSINESS REVIEW *(continued)*

Approved On-grid Tariff

For electricity output, the major customers of our power plants are their respective local provincial power grid companies. The price is based on the approved on-grid tariff determined by the provincial price bureaus. On-grid tariff depends on the fuel type of the relevant power plant and whether government encouraged desulphurization equipment has been installed. In 2008, the approved on-grid tariff of our subsidiaries and associated companies ranged from RMB472.0/MWh to RMB646.0/MWh (2007: RMB458.0/MWh to RMB575.0/MWh).

Steam – Generation Volume

Total output of steam of the plants (including subsidiaries and associated power plants) was 6,512,915 tonnes for the year ended 31 December 2008, representing an increase of 16.4% as compared with 5,596,645 tonnes in 2007. Steam sales of 5,733,888 tonnes for the year ended 31 December 2008 was recorded in the group's subsidiaries and associated power plant, representing an increase of 18.4% as compared with 4,842,683 tonnes in 2007. The increase was mainly due to the acquisition of China Resources Beijing Cogeneration Plant and the increase in the number of steam customers.

Steam – Generation Volume

Plant	**Total Output tonne 2008**	Total Output tonne 2007	**Steam Sales tonne 2008**	Steam Sales tonne 2007
Kunshan Cogeneration Plant	**572,532**	510,978	**483,221**	448,092
Haimen Cogeneration Plant	**349,809**	379,709	**317,597**	351,952
Rudong Cogeneration Plant	**505,385**	495,436	**433,498**	422,340
Huzhou Cogeneration Plant	**364,836**	265,473	**348,777**	244,474
Taicang Poly Cogeneration Plant (a)	**487,678**	508,971	**420,365**	462,799
Jiaxing Cogeneration Plant (a)	**791,534**	713,038	**749,232**	627,825
Lianyungang Xinneng Cogeneration Plant (b)	**227,768**	192,437	**194,691**	172,221
Puyuan Cogeneration Plant (b)	**650,327**	153,968	**579,192**	126,090
Fengxian Cogeneration Plant	**286,730**	338,894	**246,091**	292,748
Yangzhou Cogeneration Plant	**206,705**	301,050	**167,628**	226,874
Dongtai Cogeneration Plant (a)	**404,772**	402,485	**370,072**	348,171
Peixian Cogeneration Plant (a)	**202,909**	227,267	**170,747**	177,186
Xuzhou Cogeneration Plant (a)	**214,161**	201,372	**176,395**	166,838
Suzhou Cogeneration Plant	**549,789**	486,284	**469,363**	432,288
Baoying Cogeneration Plant	**202,243**	188,520	**151,007**	144,013
Lianyungang Xiexin Cogeneration Plant	**104,456**	54,347	**85,832**	44,101
Sub-total	**6,121,634**	5,420,229	**5,363,708**	4,688,012
Funing Cogeneration Plant (c)	**101,981**	176,416	**80,880**	154,671
China Resources Beijing Cogeneration Plant (d)	**289,300**	N/A	**289,300**	N/A
Total (including subsidiaries and associated power plants)	**6,512,915**	5,596,645	**5,733,888**	4,842,683

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Steam – Generation Volume *(continued)*

Notes:

a. Became a subsidiary from an associated company in November 2007.

b. The Group acquired 100% equity interest in November 2007.

c. The Group acquired the 60% equity interest in November 2007.

d. The Group acquired the 49% equity interest in January 2008.

Approved Steam Price

As incentive projects encourage by the PRC Government, we sell steam to customers exclusively within a certain radius of where our cogeneration plants are located. The steam prices are negotiated commercially between the customers and the cogeneration plants and are subject to the local government pricing guidelines. Prices may vary according to the market forces. In 2008, the approved steam price of our subsidiaries and associate power plants ranged from RMB144.0/tonne to RMB226.0/tonne (2007: RMB120.0/tonne to RMB186.0/tonne).

Fuel Cost

Coal

Coal cost including coal sludge, sludge and gangue represented the major fuel cost of the Group. For the group subsidiary power plants only, the average unit cost of coal (equivalent to 5,000 Kcal) for electricity generation for the year ended 31 December 2008 was RMB334.3/MWh, representing an increase of 30.5% as compared to RMB256.2/MWh in 2007. For the Group subsidiary power plants only, the average unit cost of coal (equivalent to 5,000 Kcal) for steam generation for the year ended 31 December 2008 was RMB98.6/tonne, representing an increase of 24.5% as compared to RMB79.2/tonne in 2007. The increase is mainly due to the increase in coal price during the year.

Natural gas

The cost of natural gas was stable throughout 2008 and our two natural gas cogeneration plants had a stable profit contribution to the Group in 2008. The average unit cost of electricity and steam generation of Suzhou Cogeneration Plant was RMB354.5/MWh and RMB137.0/tonne respectively in 2008.

EMPLOYEES

The Group values quality employees as the most important resources. As at 31 December 2008, the Group had approximately 2,045 employees in Hong Kong and the PRC. Total employee costs for the year ended 31 December 2008, including directors' emoluments, amounted to RMB167.0 million. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, employee benefits include discretionary bonus and share options are granted to the eligible employees.

The management believes our success and long-term growth depends upon the quality, performance and commitment of our employees. To this end, the Group sponsored a number of training and development programmes for its employees at various levels in 2008.

Management Discussion and Analysis

HEALTH AND SAFETY COMPLIANCE

All power plants within our Group have adopted various internal safety policies and are taking protective measures to prevent health and safety hazards. So far, we have not encountered any material unplanned power outage during the year and we do not expect such risks in the future. For health and safety issues, they are closely monitored by our Group.

ENVIRONMENTAL PROTECTION

All existing coal-fuelled cogeneration plants are either installed with circulating fluidized bed ("CFB") boilers or pulverized coal boilers with desulphurization equipment in order to reduce the emission of air pollutants. All power plants within our Group have obtained the required applicable approvals from and have satisfied the emission requirements set forth by local governments.

All power plants within our Group have installed the CEMS (Continuous Emissions Monitoring System) which are required by the PRC Government for the purpose of monitoring pollutant emission of thermal power plants.

We believe that the environmental protection systems and installed facilities of our power plants are adequate to comply with both the national and local environmental protection regulations.

The Company has achieved energy conservation and fuel reduction through several technical innovation projects during the year. The Baoying and Lianyungang Xiexin Biomass Plants have enhanced the level of safety and operating efficiency of the generator units via technical reform of the direct combustion boiler and feeding system resulting in the reduction of raw coal consumption by 200,000 tonnes and the decrease in emission of carbon dioxide and sulfur dioxide by approximately 400,000 tonnes and 0.32 tonnes respectively. Such initiative has contributed significantly to local air quality improvement. As a result, government subsidies of approximately RMB5.6 million were granted under the incentive scheme of the national project of resources conservation and environmental protection.

OUTLOOK

In 2008, an unprecedented surge in coal prices had a negative effect on our Group. As a result of the "coal cost pass-through" mechanism enacted by the National Development and Reform Commission in 2005, electricity tariffs increased on 1 July 2008 and 20 August 2008. However, the level of increase in on-grid tariffs fell below the increase in coal prices which affected our fuel cost significantly in the first half of 2008. Nevertheless, we fared better than traditional coal-fired power plant operators as we were able to derive higher on-grid tariffs and steam prices from our environmental friendly energy power plants.

In November 2008, China announced a huge economic stimulus package totalling US$586 billion on a wide array of national infrastructure projects aimed at bolstering its economy and helping to fight the effects of the global economic slowdown. We believe the effect of this stimulus will be reflected in our economy during the second half of 2009.

Looking forward in 2009, amid the current global economic downturn, we anticipate steady demand for electricity and steam during the first half and a mild increase in demand in the second half of the year. As most of our power plants are located near the Yangtze River Delta region, which is the most important agricultural, industrial and economic centre in China, we believe this area will be the first in China to rebound after the recession and consequently will benefit our Group. Our confidence in 2009 is also based on the recent decrease in interest rates and coal prices which will help ease our costs significantly.

Management Discussion and Analysis

OUTLOOK *(continued)*

We put several investment projects on hold during the fourth quarter of 2008 due to the global banking liquidity problem and credit crunch. At the same time, the Group's management has been taking a more conservative approach in maintaining a reasonable cash level during the depths of this recession.

Recently, as the liquidity problems of Chinese banks have eased off, we will actively seek strategic acquisition opportunities in order to maintain our leadership role in China's environmental friendly energy power sector.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2008 was RMB3,693.3 million, representing an increase of 100.2% as compared with RMB1,844.7 million in the previous year. The significant increase was mainly due to several acquisitions in 2007. The full year revenue was consolidated into the Group's income statement for those power plants which became the subsidiaries of the Group in 2007.

Gross Profit Margin

Overall gross profit margin for the year was 13.5% compared to 19.6% for the same period last year. The decrease was stemming from the substantial surge in coal price in 2008.

Other Income

Other income amounted to RMB168.5 million for the year ended 31 December 2008, representing a 54.3% increase from RMB109.2 million for the same period last year. The increase was mainly due to the consolidation of the first full year other income from acquisition of subsidiaries and increase in (1) government subsidies income granted by local government during the year, (2) revenue from technical support and consultation services provided to customers; and (3) revenue of scrap materials.

Finance costs

The finance costs of the Group for the year was RMB258.7 million, representing an increase of 60.2% compared to RMB161.5 million in 2007. It was mainly due to the consolidation of first full year finance costs from acquisition of subsidiaries.

Share of Results of Associates

For the year ended 31 December 2008, share of results of associates mainly represented the Group's share of 49% profit in China Resources Beijing Cogeneration Plant which was acquired in January 2008.

Income Tax

Income tax expenses for the year ended 31 December 2008 was RMB27.1 million, as compared with a credit of RMB4.0 million for the year ended 31 December 2007. The reason for the increase was due to the fact that the Group has been subject to withholding taxes on dividend income for those subsidiaries established in the PRC since 1 January 2008. Apart from that, Suzhou Cogeneration Plant was no longer entitled to full tax exemption since 1 January 2008.

FINANCIAL REVIEW *(continued)*

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company amounted to RMB131.3 million, compared with a loss of RMB266.7 million in 2007. The loss in 2007 was mainly due to a loss on valuation of the fair value of a convertible note issued.

Utilization of IPO Proceeds

The net proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange of Hong Kong Limited, after deducting the underwriting commissions and other expenses, amounted to HK$1,042.0 million. As at 31 December 2008, an aggregate amount of HK$978.0 million representing 93.9% of the total net proceeds have been utilized as set out below:

	Use of proceeds per Prospectus HK$ million	**Actual utilization** HK$ million
Redemption of the loan amount of the convertible note	275	275
Cash portion of the consideration for the acquisition of certain subsidiaries from Poly (Hong Kong) Investment Limited	50	50
Acquisition of 100% equity interest in Suzhou Fuel Company, Puyuan Cogeneration Plant, Lianyungang Xinneng Cogeneration Plant, Huitengliang Wind Power Plant, 30.6% equity interest in Funing Cogeneration Plant and 49% equity interest in China Resources Beijing Cogeneration Plant	352	352
Expansion of Puyuan Cogeneration Plant, Lianyungang Xinneng Cogeneration Plant, Jiaxing Cogeneration Plant, Rudong Cogeneration Plant, Taicang Incineration Plant and Huitengliang Wind Power Plant	263	206
Repayment of bank loans	50	43
Working capital	52	52
	1,042	**978**

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Liquidity and Financial Resources

	2008 RMB million	2007 RMB million (Restated)
Net cash provided by operating activities	**643.8**	214.0
Net cash used in investing activities	**(489.6)**	(124.0)
Net cash (used in)/provided by financing activities	**(531.9)**	538.3

Net cash provided by operating activities represented the main source of cash for the Group. The net cash provided by operating activities in 2008 amounted to RMB643.8 million which was higher than that of last year of RMB214.0 million due to the increase in profit from operation. Net cash used in investing activities was mainly used in acquisition of a 49% equity interest in China Resources Beijing Cogeneration Plant, properties, power generation plant and machinery. The main financing activities of the Group in 2008 were repayments of loans and bank interest and drawdown of new borrowings. During the year, the Group repaid loans of RMB1,755.3 million and drawdown new loan of RMB1,524.8 million.

The Group's net current liabilities as at 31 December 2008 were RMB1,134.6 million which was higher than that of previous year of RMB409.6 million. The increase in net current liabilities was mainly due to the increase in long term investment and that approximately RMB390.8 million long term borrowings as at 31 December 2007 became short term borrowings in 2008. In view of the fact that the nature of business of the Company is utility related and the Group's profitable performance in 2008, the Board is confident that these short term borrowings will be renewed by the banks on their respective due dates. As at the reporting date, the Group has renewed short-term bank borrowings of approximately RMB151.5 million with corresponding maturity dates extending to 2010. Subsequent to year end, the Group has obtained direct confirmations from certain banks which stated that they do not foresee any reasons to withdraw in the foreseeable future the existing facilities of the above mentioned short-term bank borrowings in the aggregate amount of RMB1,093.7 million and expect to renew the relevant loan facilities with similar terms upon maturity. The Group has also obtained additional banking facilities of approximately RMB120.0 million from banks for operating use subsequent to year end.

To manage the liquidity risk, the Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash in the short and long term. The directors of the Company believe that the Group will have sufficient cash resources to fund its operations for at least the next 12 months.

As at 31 December 2008, the Group's total assets were RMB7,069.5 million (2007: RMB6,866.8 million). As at 31 December 2008, the bank balances, cash and pledged bank deposits held by the Group amounted to RMB701.1 million (2007: RMB1,046.0 million).

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Borrowings

As at 31 December 2008, the Group's total borrowings amounted to RMB3,249.2 million (2007: RMB3,479.7 million). Below is a table showing the borrowing structure and maturity profile of the Group's total borrowings.

	2008 RMB million	2007 RMB million *(Restated)*
Secured borrowings	**2,197.6**	2,502.3
Unsecured borrowings	**1,051.6**	977.4
Maturity profile of borrowings	**3,249.2**	3,479.7
Repayable:		
Within one year	**1,652.0**	1,491.7
After one year but within two years	**403.0**	415.4
After two years but within five years	**666.2**	781.2
After five years	**528.0**	791.4
Group's total borrowings	**3,249.2**	3,479.7

As at 31 December 2008, all of the Group's borrowings were denominated in RMB. The borrowings carry both fixed and floating rate interest at rates with reference to the Benchmark Borrowing Rate of The People's Bank of China.

Key Financial Ratios of the Group

	2008	2007
Current ratio	**0.55**	0.81
Quick ratio	**0.45**	0.75
Net debt to equity	**105.5%**	107.0%

Current ratio	=	balance of current assets at the end of the year/ balance of current liabilities at the end of the year
Quick ratio	=	(balance of current assets at the end of the year – balance of inventories at the end of the year)/balance of current liabilities at the end of the year
Net debt to shareholders' equity	=	(balance of total 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 equity holders of the Company at the end of the year

The current ratio and quick ratio decreased for the year ended 2008 compared to the year ended 2007, were mainly attributable to the acquisition of a 49% equity interest in China Resources Beijing Cogeneration Plant and the increase in investment in new construction projects.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Foreign Currency Risk

All of our revenue, cost of sales and most of the administrative expenses are denominated in RMB. Besides some of the bank deposits which are denominated in Hong Kong Dollars and US Dollars, most of our assets and liabilities are also denominated in RMB. Since RMB is our functional currency, our foreign currency risk exposure therefore is mostly confined to assets denominated in Hong Kong and US Dollars.

For the year ended 31 December 2008, the Group did not purchase any foreign currency and interest rate derivatives or relating hedging instruments.

Pledge of Assets

As at 31 December 2008, property, plant and equipment and prepaid lease payments with a carrying value of approximately RMB3,195.7 million and RMB199.8 million respectively, were pledged as security for certain banking facilities granted to the Group. Apart from these, bank deposits in an aggregate amount of RMB287.4 million were pledged to banks to secure bills and notes payable and short term borrowings granted to the Group. The pledged bank deposits will be released upon repayment of the relevant borrowings and/or bills and notes payable.

Capital Commitments

As at 31 December 2008, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB81.7 million (2007: RMB121.8 million) and authorized but not contracted for capital commitments amounting to RMB40.0 million (2007: RMB125.0 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2008.

Post Balance Sheet Events

(i) On 11 August 2008, the Group entered into a conditional sale and purchase agreement with a company controlled by the controlling shareholder of the Company for the acquisition of 55% equity interest in 內蒙古多倫協鑫礦業有限責任公司 Inner Mongolia Duolun Golden Concord Mining Ltd., a joint venture company established in the PRC and engaged in coal mining business in Inner Mongolia, the PRC. The aggregate consideration for the equity interest and the capital injection will not be more than RMB127.9 million and will be settled by the issue of convertible notes of the Company. As at 31 December 2008, the transaction has not been completed. Details of this transaction are set out in the Company's announcement dated 11 August 2008 and a circular dated 22 September 2008.

(ii) On 15 April 2008, Park Bright Investments Limited ("Park Bright"), a wholly owned subsidiary of the Group, entered into a conditional sale and purchase agreement at a consideration of RMB35.7 million with an independent third party for acquisition of 75% equity interest in Profit Excel Investments Limited, which directly holds 70% equity interest in Lincang Runda Hydropower Plant Company Limited, a joint venture company engaged in operating hydropower plants in Yunan, the PRC. As at 31 December 2008, a deposit of RMB20.0 million has been paid by the Group. Details are set out in Company's announcements dated 15 April 2008. As at 31 December 2008, the transaction has not been completed.

On 12 November 2008, the Group entered into another sale and purchase agreement with a company controlled by the controlling shareholder of the Company for the disposal of the entire issued capital of Park Bright. The consideration for the disposal was HK$25.0 million in cash, resulting in an estimated gain on disposal of RMB1.8 million. A deposit of HK$5.0 million (approximately RMB4.4 million) has been received by the Group before 31 December 2008. As at 31 December 2008, the transaction has not been completed. Details of this transaction are set out in the Company's announcement dated 12 November 2008.

FINANCIAL REVIEW *(continued)*

Post Balance Sheet Events *(continued)*

(iii) On 16 February 2009, 40,980,000 share options were granted by the Company to the employees of the Group (including Directors and executives of the Group) and its associated companies at an exercise price of HK$0.59 per share. Details of the grant are set out in the Company's announcement dated 16 February 2009.

OPERATION STATISTICS

The following tables show certain operating statistics of power plants (including subsidiaries and associated power plants) for the year ended 31 December 2008, 2007, and 2006.

1. Kunshan Cogeneration Plant

	Unit	**2008**	2007	2006
Installed Capacity at Year End	MW	**2 x 24**	2 x 24	2 x 24
Average Utilization Hours	Hours	**8,545**	8,857	8,372
Gross Generation	MWh	**410,183**	425,110	401,872
Power Sales	MWh	**362,150**	377,241	357,691
Steam Extraction Capacity	tonne/h	**160**	160	160
Total Steam Output	tonne	**572,532**	510,978	460,331
Steam Sales	tonne	**483,221**	448,092	400,095

2. Haimen Cogeneration Plant

	Unit	**2008**	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**5,120**	6,556	6,569
Gross Generation	MWh	**153,602**	196,671	197,070
Power Sales	MWh	**136,350**	175,450	178,122
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**349,809**	379,709	380,863
Steam Sales	tonne	**317,597**	351,952	334,768

3. Rudong Cogeneration Plant

	Unit	**2008**	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**5,453**	6,027	6,186
Gross Generation	MWh	**163,594**	180,809	185,578
Power Sales	MWh	**145,780**	161,160	166,321
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**505,385**	495,436	408,328
Steam Sales	tonne	**433,498**	422,340	349,451

Management Discussion and Analysis

OPERATION STATISTICS *(continued)*

4. Huzhou Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**6,551**	6,727	7,540
Gross Generation	MWh	**196,530**	201,823	226,213
Power Sales	MWh	**174,208**	178,936	201,403
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**364,836**	265,473	211,737
Steam Sales	tonne	**348,777**	244,474	192,405

5. Taicang Poly Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**3 x 15**	3 x 15	3 x 15
Average Utilization Hours	Hours	**6,534**	7,554	7,902
Gross Generation	MWh	**294,037**	339,912	355,609
Power Sales	MWh	**265,425**	299,506	321,769
Steam Extraction Capacity	tonne/h	**150**	150	150
Total Steam Output	tonne	**487,678**	508,971	509,018
Steam Sales	tonne	**420,365**	462,799	450,828

6. Jiaxing Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15 + 1 x 6**	2 x 15 + 1 x 6	2 x 15
Average Utilization Hours	Hours	**6,757**	5,807	6,912
Gross Generation	MWh	**243,235**	209,050	207,366
Power Sales	MWh	**208,640**	179,195	180,893
Steam Extraction Capacity	tonne/h	**172**	172	100
Total Steam Output	tonne	**791,534**	713,038	216,822
Steam Sales	tonne	**749,232**	627,825	191,431

7. Lianyungang Xinneng Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**1 x 6 + 1 x 15**	1 x 6	N/A
Average Utilization Hours	Hours	**4,318**	8,776	N/A
Gross Generation	MWh	**85,273**	52,656	N/A
Power Sales	MWh	**72,450**	42,880	N/A
Steam Extraction Capacity	tonne/h	**125**	30	N/A
Total Steam Output	tonne	**227,768**	192,437	N/A
Steam Sales	tonne	**194,691**	172,221	N/A

OPERATION STATISTICS *(continued)*

8. Puyuan Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15 + 1 x 6**	1 x 15 + 1 x 6	N/A
Average Utilization Hours	Hours	**7,222**	3,328	N/A
Gross Generation	MWh	**178,754**	69,901	N/A
Power Sales	MWh	**154,781**	61,482	N/A
Steam Extraction Capacity	tonne/h	**172**	122	N/A
Total Steam Output	tonne	**650,327**	153,968	N/A
Steam Sales	tonne	**579,192**	126,090	N/A

9. Fengxian Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**6,193**	7,079	7,010
Gross Generation	MWh	**185,793**	212,364	210,315
Power Sales	MWh	**160,891**	185,247	187,629
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**286,730**	338,894	275,619
Steam Sales	tonne	**246,091**	292,748	233,764

10. Yangzhou Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 24**	2 x 24	2 x 24
Average Utilization Hours	Hours	**6,468**	7,702	7,098
Gross Generation	MWh	**310,459**	369,728	340,710
Power Sales	MWh	**227,310**	328,540	304,830
Steam Extraction Capacity	tonne/h	**160**	160	160
Total Steam Output	tonne	**206,705**	301,050	98,243
Steam Sales	tonne	**167,628**	226,874	61,726

11. Dongtai Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**5,566**	6,618	6,677
Gross Generation	MWh	**166,995**	198,538	200,300
Power Sales	MWh	**150,450**	178,910	181,700
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**404,772**	402,485	358,901
Steam Sales	tonne	**370,072**	348,171	285,011

Management Discussion and Analysis

OPERATION STATISTICS *(continued)*

12. Peixian Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**5,243**	7,391	7,334
Gross Generation	MWh	**157,299**	221,737	220,024
Power Sales	MWh	**138,623**	192,920	195,423
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**202,909**	227,267	194,083
Steam Sales	tonne	**170,747**	177,186	149,652

13. Xuzhou Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**5,884**	7,400	6,933
Gross Generation	MWh	**176,506**	221,993	207,997
Power Sales	MWh	**155,238**	197,074	185,186
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**214,161**	201,372	186,450
Steam Sales	tonne	**176,395**	166,838	168,735

14. Suzhou Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 180**	2 x 180	2 x 180
Average Utilization Hours	Hours	**5,003**	4,717	4,932
Gross Generation	MWh	**1,801,124**	1,698,204	1,775,549
Power Sales	MWh	**1,738,923**	1,634,911	1,705,798
Steam Extraction Capacity	tonne/h	**200**	200	200
Total Steam Output	tonne	**549,789**	486,284	438,654
Steam Sales	tonne	**469,363**	432,288	373,899

15. Baoying Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**7,628**	7,809	7,470
Gross Generation	MWh	**228,834**	234,278	224,100
Power Sales	MWh	**204,770**	208,101	203,430
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**202,243**	188,520	130,459
Steam Sales	tonne	**151,007**	144,013	92,085

OPERATION STATISTICS *(continued)*

16. Lianyungang Xiexin Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 15**	2 x 15	2 x 15
Average Utilization Hours	Hours	**7,531**	7,137	7,434
Gross Generation	MWh	**225,921**	214,115	223,014
Power Sales	MWh	**202,327**	193,202	202,767
Steam Extraction Capacity	tonne/h	**100**	100	100
Total Steam Output	tonne	**104,456**	54,347	64,432
Steam Sales	tonne	**85,832**	44,101	54,963

17. Taicang Incineration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**1 x 6**	1 x 6	1 x 6
Average Utilization Hours	Hours	**8,605**	6,908	1,377
Gross Generation	MWh	**51,631**	41,450	8,262
Power Sales	MWh	**42,410**	31,847	5,669
Steam Extraction Capacity	tonne/h	**N/A**	N/A	N/A
Total Steam Output	tonne	**N/A**	N/A	N/A
Steam Sales	tonne	**N/A**	N/A	N/A

18. Funing Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x15**	2 x 15	N/A
Average Utilization Hours	Hours	**5,004**	7,062	N/A
Gross Generation	MWh	**150,105**	211,863	N/A
Power Sales	MWh	**132,890**	182,540	N/A
Steam Extraction Capacity	tonne/h	**100**	100	N/A
Total Steam Output	tonne	**101,981**	176,416	N/A
Steam Sales	tonne	**80,880**	154,671	N/A

19. China Resources Beijing Cogeneration Plant

	Unit	2008	2007	2006
Installed Capacity at Year End	MW	**2 x 75**	N/A	N/A
Average Utilization Hours	Hours	**5,014**	N/A	N/A
Gross Generation	MWh	**752,104**	N/A	N/A
Power Sales	MWh	**739,114**	N/A	N/A
Steam Extraction Capacity	tonne/h	**100**	N/A	N/A
Total Steam Output	tonne	**289,300**	N/A	N/A
Steam Sales	tonne	**289,300**	N/A	N/A

Note: The acquisition of 49% equity interest in the China Resources Beijing Cogeneration Plant was completed in January 2008.

Corporate Governance Report

The Board continues to strive to maintain a solid and transparent framework of corporate governance and accordingly adopted sound corporate governance principles and various practices, of which the Board committed to continuously improving.

The Company has complied with the provisions of the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") with terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

As at 31 December 2008, the Board comprised twelve Directors, including seven executive Directors, namely Mr. Zhu Gong Shan (Chairman), Mr. Sha Hong Qiu (Chief Executive Officer), Mr. Ji Jun, Mr. Shu Hua, Mr. Yu Bao Dong, Ms. Sun Wei and Mr. Tong Yee Ming; one non-executive Director, namely Mr. Tam Chor Kiu; and four independent non-executive Directors, namely Mr. Heng Kwoo Seng, Mr. Qian Zhi Xin, Ir Dr. Raymond Ho Chung Tai and Mr. Xue Zhong Su. Biographical details of the Directors are set out under the section headed "Biographical details of the Directors" of this report on pages 12 to 13.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board or between the Chairman and the Chief Executive Officer.

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group in accordance with the International Financial Reporting Standards, disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates which are reasonable and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The Independent Auditor's Report relating to their reporting responsibilities on the financial statements of the Company is set out on pages 68 and 69 of this annual report.

The Board delegates certain responsibilities to various committees including the Strategic Planning Committee, Audit Committee and Remuneration Committee, which was discussed below. Each of these committees has its respective terms of reference, the major terms of which are published on the Group's website (www.gcl-poly.com.hk).

The Board confines itself to setting strategic directions and exercising a number of reserved powers to oversee the operations and monitor the financial performance of the Group.

BOARD OF DIRECTORS *(continued)*

The independent non-executive Directors and non-executive Director are appointed for a specific term of office for three years. All Directors, including the independent non-executive Directors and non-executive Director are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association, provided that every Director shall be retired at least once every three years.

Mr. Zhu Gong Shan is the Chairman and Mr. Sha Hong Qiu is the Chief Executive Officer of the Company.

The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals of the Company, overseeing the performance and effectiveness of the Board and taking a lead to ensure that the Board acts in the best interest of the Company and shareholders as a whole.

The primary responsibilities of the Chief Executive Officer of the Company are to provide leadership for the management of the Company, taking a lead to implement the Company's strategy and oversee the performance of the management in achieving corporate goals.

The independent non-executive Directors play an important role in corporate governance, they contributed to the Group by sharing their valuable expertise, in-depth knowledge and impartial judgement on issues discussed at the board and committee meetings which became more effective.

The Board has adopted the recommended practice under the Listing Rules to appoint one-third of its Directors as independent non-executive Directors. The Company has received an annual written confirmation from each of the independent non-executive Directors of his independence. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out under the Listing Rules.

All Directors have full and timely access to all relevant information, including reports from the Board Committees and briefing on significant legal, regulatory or accounting issues affecting the Group. A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

All Directors have been provided a kit of corporate information and an induction regarding the management, operations and governance practices of the Group and general compliance regulations under the Listing Rules has been provided to all Directors shortly upon their appointments as Directors of the Company. Update on the amendments of applicable rules and regulations were given to the Directors from time to time.

Where vacancies arise at the Board or whenever any member of the Board considers any qualified individual with relevant expertise and experience is likely to be invited to join the Board, the qualifications, experience and awards (if any) of the proposed candidate(s) will be put forward to the Board for its consideration and approval. During the year, the Board approved the appointments of an executive Director, namely Mr. Tong Yee Ming, on 31 July 2008 by Messrs. Zhu Gong Shan, Sha Hong Qiu, Ji Jun, Shu Hua, Yu Bao Dong, Heng Kwoo Seng, Ho Chung Tai, Raymond, Qian Zhi Xin, Xue Zhong Su and Law Wing Cheung, Ryan and Ms. Sun Wei, and a non-executive Director, namely Mr. Tam Chor Kiu, on 3 October 2008 by Messrs. Zhu Gong Shan, Sha Hong Qiu, Ji Jun, Shu Hua, Yu Bao Dong, Tong Yee Ming, Heng Kwoo Seng, Ho Chung Tai, Raymond, Qian Zhi Xin, Xue Zhong Su, Law Wing Cheung, Ryan and Ms. Sun Wei.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

At least four regular Board meetings will be held each year, with additional meetings to be held as and when required. In respect of regular meetings, at least 14 days' notice was given to all Directors to allow them an opportunity to include matters in the agenda and the board papers were sent to all Directors at least 3 days before the meeting. For all other meetings, reasonable notice was given.

Six Board meetings were held during the year ended 31 December 2008 and the attendance is shown in the table below:-

Members of the Board	Number of meetings attended
Executive Directors	
Zhu Gong Shan *(Chairman)*	5
Sha Hong Qiu *(CEO)*	5
Ji Jun	6
Shu Hua	6
Yu Bao Dong	6
Sun Wei	5
Tong Yee Ming (appointed on 31 July 2008)	4
Lau Wai Yip (retired on 30 May 2008)	2
Non-Executive Directors	
Tam Chor Kiu (appointed on 3 October 2008)	3
Law Ryan Wing Cheung (resigned on 3 October 2008)	2
Independent Non-executive Directors	
Qian Zhi Xin	4
Heng Kwoo Seng	6
Raymond Ho Chung Tai	5
Xue Zhong Su	6

COMMITTEES UNDER THE BOARD

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Heng Kwoo Seng, Mr. Qian Zhi Xin and Ir Dr. Raymond Ho Chung Tai. Mr. Heng Kwoo Seng, who is a fellow of the Institute of Chartered Accountants and possesses extensive accounting experience, serves as the Chairman of the Committee.

The terms of reference for the Audit Committee has been updated and revised by the Board at the meeting held on 16 February 2009 to incorporate the latest changes made under the Listing Rules.

COMMITTEES UNDER THE BOARD *(continued)*

Audit Committee *(continued)*

The primary responsibilities of the Audit Committee include:

- monitoring integrity of the financial statements
- reviewing annual report and interim report
- monitoring and assessing the internal control system (including the adequacy of resources, qualifications and experience of accounting and financial reporting staff) and risk management system
- monitoring and assessing the performance of internal control function
- monitoring the independence of an external auditor; and
- monitoring and assessing the performance of external auditor, proposing to the board the appointment or removal of external auditor, and facilitating the communication between external auditor and internal audit function

Three Audit Committee meetings were held in 2008 and the attendance is set out in the following table:

Members of Audit Committee	Number of meetings Attended
Mr. Heng Kwoo Seng *(Chairman)*	3
Mr. Qian Zhi Xin	3
Ir Dr. Raymond Ho Chung Tai	2

In addition to the aforesaid three meetings, the Audit Committee also held a meeting in March 2009, the following work was performed by the Audit Committee for and subsequent to the year ended 31 December 2008:-

i. reviewed and discussed solely with Deloitte Touche Tohmatsu, the Group's external auditors, on the audit scope , audit approach and audit areas of focus for the financial year ended 31 December 2008;

ii. reviewed and approved the audit fees;

iii. reviewed the 2008 audit report from Deloitte Touche Tohmatsu;

iv. reviewed the 2008 interim report and unaudited financial statements, 2008 annual report and audited financial statements and the annual and interim result announcements;

v. reviewed the report on the continuing connected transactions for the financial year ended 31 December 2008;

vi. reviewed the corporate governance report prepared by Baker Tilly Hong Kong Business Services Ltd. and confirmed that the Group has an effective internal control; and

vii. reviewed various aspects of risk management.

Corporate Governance Report

COMMITTEES UNDER THE BOARD *(continued)*

Audit Committee *(continued)*

For the year ended 31 December 2008, the total remuneration in respect of services provided by Deloitte Touche Tohmatsu is analysed as follows:

Nature of service	**Fees** (HK$'000)
Audit services	
– 2008 Annual audit	3,650
– 2008 Interim review	625
	4,275
Non-audit services	
– Taxation	68
	4,343

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely Ir Dr. Raymond Ho Chung Tai, Mr. Heng Kwoo Seng and Mr. Qian Zhi Xin. Ir Dr. Raymond Ho Chung Tai is the chairman of the committee.

The primary responsibilities of the Remuneration Committee include:

- reviewing and approving performance based remuneration evaluation system
- determining and recommending the remuneration package of Directors and senior management to the board for approval
- reviewing, approving and advising the compensation arrangement to Directors and senior management

Two meetings were held by the Remuneration Committee for the year ended 31 December 2008 and the attendance of the meetings is set out in the following table:

Members of Remuneration Committee	**Number of Meetings Attended**
Ir Dr. Raymond Ho Chung Tai *(Chairman)*	2
Mr. Heng Kwoo Seng	2
Mr. Qian Zhi Xin	1

During the year, the Remuneration Committee had reviewed and considered the remuneration package and incentive scheme of the Directors and approved the amount of incentives paid to the Directors as well as the senior executives of the Group. During the review process, no individual Director is involved in decisions relating to his own remuneration. Details of remuneration payable to each Director of the Company have been set out in note 14 to the consolidated financial statements.

COMMITTEES UNDER THE BOARD *(continued)*

Strategic Planning Committee

The Strategic Planning Committee comprises six members, three independent non-executive Directors and three executive Directors. The independent non-executive Directors include Ir Dr. Raymond Ho Chung Tai (who is also the chairman of the committee), Mr. Qian Zhi Xin and Mr. Xue Zhong Su. The executive Directors who are also the committee members are Messrs. Zhu Gong Shan, Sha Hong Qiu and Ji Jun.

The primary responsibilities of the Strategic Planning Committee include:

- reviewing long-term strategic development plans
- reviewing the annual performance of the Company and assessing implementation and progress of the long-term strategic development plans
- reviewing and recommending to the Board for opportunities of upgrading the facilities, expansion, mergers and acquisitions
- reviewing and advising the regulations on electricity and power industry in the PRC
- reviewing and recommending to the Board with regard to the political, social and economic development in the PRC affecting or potentially affecting the business activities of the Group
- reviewing and monitoring the relationship of the Company with its key strategic joint-venture partners or the relationship building with these partners

Two meetings were held during the year and the attendance of the meetings is set out in the following table:

Members of Strategic Planning Committee	Number of meetings Attended
Ir Dr. Raymond Ho Chung Tai *(Chairman)*	1
Mr. Zhu Gong Shan	2
Mr. Sha Hong Qiu	2
Mr. Xue Zhong Su	2
Mr. Qian Zhi Xin	2
Mr. Ji Jun	2

During the two meetings, the Strategic Planning Committee had reviewed the market analysis, competitiveness of the Group and the five years' plan of the Group.

Corporate Governance Report

INTERNAL CONTROLS

The Directors are responsible for maintaining and reviewing the effectiveness of the Group's internal controls. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud. The Directors, through the Company's Audit Committee are kept regularly appraised of significant risks that may impact on the Group's performance.

In addition to the Internal Control Function established internally by the Group, an external independent audit firm, RSM Nelson Wheeler Consulting Limited, was engaged by the Company to review the internal control system of the Group. Subsequently, Baker Tilly Hong Kong Business Services Ltd. was appointed to appraise the internal control system of the Group in November 2008. The internal control plan of the Group covers major activities and processes of the Group's business and service units.

During the year ended 31 December 2008, RSM Nelson Wheeler Consulting Limited provided drafts of certain rules and principles on risk management, operations and conflict of interests for the Group, which were modified and adopted by the Group. Baker Tilly Hong Kong Business Services Ltd. had conducted site visits, walk through tests on various operation cycles and discussed directly with the executives of certain power plants for the purpose of assessing the effectiveness of the internal control system of the Group. A report on result of assessment and recommendations from Baker Tilly Hong Kong Business Services Ltd. was provided to the Audit Committee in March 2009. Based on the review carried out by Baker Tilly Hong Kong Business Services Ltd. and the audit report from Deloitte Touche Tohmatsu, the Audit Committee and the Board concluded that there is no areas of concern that would have significant adverse impact on the Company's financial position or results of operations and considered that the internal control systems are adequate and effective.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board values every opportunity to communicate with the shareholders, analysts and institutional shareholders. The Directors together with the Investor Relations Manager from time to time held meetings, presentations and conference with the analysts, fund managers, institutional shareholders and media. Details of investor relations activities were further described under the section headed "Major Investor Relations Activities" of this report. From time to time, the Company updates the shareholders and the public by means of announcement. Full information contained in the circulars, interim report and annual report (which were available on the Company's website: www.gcl-poly.com.hk) were also sent to the shareholders to ensure they have sufficient information and understanding of the business as well as the performance of the Group. A total of four shareholders' meeting in addition to the annual general meeting were held during the year of 2008.

Major Investor Relations Activities

The Board and the management of the Company believe that good investor relations is a key element that serves to enhance the understanding between investors and the Company, improve the standard of corporate governance and create value for our shareholders. Since our listing, we have engaged various professional investor relations intermediaries and an investor relations team to organize a series of investor relations activities with a view to raising the awareness of the Company within the capital market.

In 2008, we have launched various roadshows in Hong Kong and Singapore upon the announcement of our annual and interim results, whereby we promptly reported the latest information on the Company's business performance and future prospect to the investors. We have grasped every opportunity to take part in investors' seminars, including those organized by JP Morgan Chase, Credit Lyonnais, DBS, Shenyin Wanguo and Morgan Stanley. We have also arranged one-on-one meetings with investors whenever possible. Throughout the year, we participated in over 60 investor relations activities ranging from roadshows, investors' seminars and one-on-one meetings.

In January and October 2008, we organized two reverse roadshows. Representatives from the major media, analysts and fund managers in Hong Kong were invited to visit various power plants operated by the Group in the PRC. Through face-to-face meetings with our frontline management, the media and investors were able to understand more about our operations.

Furthermore, we redesigned the layout and content of our company website. In addition to providing information on the Company, we have also added a lot of information about the industry, which includes relevant policies and regulations, basic technological information and market news, for the investors to have more acquaintance with the latest development of the Company and the industry. We will update the information of our website, and communicate the latest development of the Company to the investors through various channels such as the Bloomberg website and emails, in a timely manner.

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group are investment in, development of, operation and management of cogeneration and power plants, and trading of coal in the PRC. The particulars of the Company's principal subsidiaries and associates are set out in notes 41 and 19 of the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 70.

The Directors recommend the payment of a final dividend of HK2.3 cents per share for the year ended 31 December 2008, which will be payable on 27 July 2009 to all persons registered as holders of ordinary shares of the Company on 25 May 2009 subject to approval at the forthcoming annual general meeting. The register of members will be closed from 21 May 2009 to 25 May 2009, both days inclusive. No interim dividend was paid for the year ended 31 December 2008.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

CHANGE OF PRESENTATION CURRENCY

The Directors considered Renminbi as the functional currency of the group entities as the principal operations of the Company and its subsidiaries are conducting businesses in the PRC in which those transactions are predominantly denominated in RMB. The Group used Hong Kong Dollars as the presentation currency for the convenience of the readers. During the year ended 31 December 2008, the Group implemented a new ERP accounting system and the Directors considered it is more appropriate and convenient to use RMB as both the functional and presentation currency on the financial reporting for the Company. As a result, the comparative figures have been restated and resulted in the decrease of exchange reserve of approximately HK$76,892,000 for the year ended 31 December 2007.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2008 amounted to RMB1,885.6 million (2007: RMB1,757.8 million).

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

BANK BORROWINGS

Particulars of the Group's bank borrowings are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhu Gong Shan *(Chairman)*
Mr. Sha Hong Qiu *(Chief Executive Officer)*
Mr. Ji Jun
Mr. Shu Hua
Mr. Yu Bao Dong
Ms. Sun Wei
Mr. Lau Wai Yip (retired on 30 May 2008)
Mr. Tong Yee Ming (appointed on 31 July 2008)

Non-Executive Director

Mr. Law Ryan Wing Cheung (resigned on 3 October 2008)
Mr. Tam Chor Kiu (appointed on 3 October 2008, retired and re-elected as director at an extraordinary general meeting held on 26 November 2008)

Independent non-executive Directors

Mr. Qian Zhi Xin
Mr. Heng Kwoo Seng
Ir Dr. Raymond Ho Chung Tai
Mr. Xue Zhong Su

In accordance with Article 86(3) of the Articles of Association of the Company, Mr. Tong Yee Ming will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Articles 87(1) and (2) of the Articles of Association of the Company, Messrs. Zhu Gong Shan, Sha Hong Qiu, Ji Jun and Yu Bao Dong will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed their independence and considers that all the independent non-executive directors are independent in accordance with guidelines set out under the Listing Rules.

Report of the Directors

DIRECTORS' SERVICES CONTRACTS

Each of the non-executive Directors has entered into a service contract with the Company for an initial fixed term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Upon the expiry of the notice period, the appointment will be terminated.

No Director proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section headed "CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS" in this report of the Directors, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and which subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

(i) Interests in shares and underlying shares of the Company (all in long positions)

Name of Directors/ Chief Executive	Number of ordinary shares: Corporate interests	Number of ordinary shares: Personal interests	Number of underlying shares	Total	Percentage of issued share capital
Zhu Gong Shan	352,518,443 *(note 1)*	–	118,395,719 *(note 1)*	470,914,162	48.43%
Sha Hong Qiu	–	–	1,680,000 *(note 2)*	1,680,000	0.17%
Ji Jun	–	–	1,500,000 *(note 2)*	1,500,000	0.15%
Shu Hua	–	–	1,500,000 *(note 2)*	1,500,000	0.15%
Yu Bao Dong	–	–	1,500,000 *(note 2)*	1,500,000	0.15%
Sun Wei	–	2,843,000	1,500,000 *(note 2)*	4,343,000	0.45%
Tong Yee Ming	–	20,000	–	20,000	0.002%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(i) Interests in shares and underlying shares of the Company (all in long positions) *(continued)*

Notes:

1. Mr. Zhu Gong Shan, who is the Chairman, a Director and the controlling shareholder of the Company, is the director and the legal and beneficial owner of the entire issued share capital of Highexcel Investments Limited ("HIL") and is deemed to be interested in the 352,518,443 shares held by HIL. Mr. Zhu Gong Shan is also the director and the beneficial owner of Get Famous Investments Limited ("Get Famous"), which entered into the sale and purchase agreement dated 11 August 2008 as vendor with a subsidiary of the Company as purchaser in relation to the acquisition of the 55% equity interest in Duolun Coal Mine and increase in registered capital of the project company of Duolun Coal Mine. Upon the completion of the said agreement, Get Famous or its nominee will receive the convertible notes to be issued by the Company in a total amount not more than RMB127,936,000. Get Famous or its nominee has the right to convert any part of the principal amount of the convertible notes into shares at a conversion price of HK$1.230 (subject to adjustment).

2. These interests represented the interests in underlying shares in respect of share options granted by the Company to these directors and chief executive as beneficial owners, the details of which are set out in the section headed "PRE-IPO SHARE OPTION SCHEME" of this report.

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 22 October 2007. The Pre-IPO Share Option Scheme is to give our employees an opportunity to have a personal stake in the Company and to motivate our employees to optimize their performance and efficiency, and to retain our employees whose contribution are important to the long-term growth and profitability of the Group. No further options under the Pre-IPO Share Option Scheme can be granted after the date of listing of the shares of the Company on the Stock Exchange. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from the date of listing.

Report of the Directors

PRE-IPO SHARE OPTION SCHEME *(continued)*

Details of the Pre-IPO Share Options outstanding and movements during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price HK$	Number of options: Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding during the year as at 01.01.2008	Outstanding during the year as at 31.12.2008
Directors/ Chief Executive								
Sha Hong Qiu	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	–	–	336,000	336,000
		13.11.2011 to 12.11.2017	4.10				504,000	504,000
		13.11.2012 to 12.11.2017	4.10				840,000	840,000
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	–	–	300,000	300,000
		13.11.2011 to 12.11.2017	4.10				450,000	450,000
		13.11.2012 to 12.11.2017	4.10				750,000	750,000
Shu Hua	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	–	–	300,000	300,000
		13.11.2011 to 12.11.2017	4.10				450,000	450,000
		13.11.2012 to 12.11.2017	4.10				750,000	750,000
Yu Bao Dong	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	–	–	300,000	300,000
		13.11.2011 to 12.11.2017	4.10				450,000	450,000
		13.11.2012 to 12.11.2017	4.10				750,000	750,000
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	–	–	300,000	300,000
		13.11.2011 to 12.11.2017	4.10				450,000	450,000
		13.11.2012 to 12.11.2017	4.10				750,000	750,000
Non-director Employee								
(In aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.10	–	(464,000)	–	4,716,000	4,252,000
		13.11.2011 to 12.11.2017	4.10		(696,000)		7,074,000	6,378,000
		13.11.2012 to 12.11.2017	4.10		(1,160,000)		11,790,000	10,630,000
Total				–	(2,320,000)	–	31,260,000	28,940,000

Note: the consideration for the Pre-IPO Share Option granted to each participant was HK$1.00.

During the year under review, a total of 2,320,000 option shares were lapsed and no option was cancelled nor exercised.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007.

The purpose of the Share Option Scheme is to motivate personnel to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executive of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Share Option Scheme shall be valid and effective for a period of 10 years from 22 October 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme shall not, in aggregate, exceed 97,241,948, being 10% of the shares of the Company in issue immediately after the initial public offering ("IPO") on the listing date (i.e. 13 November 2007) which is the effective date of such scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting. The period within which an option may be exercised under the Share Option Scheme or the Pre-IPO Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

No share options were granted under the Share Option Scheme by the Company during the year ended 31 December 2008 and there were no outstanding share options under the Share Option Scheme as at 31 December 2008.

Report of the Directors

SHARE OPTION SCHEME *(continued)*

Subsequent to the financial year end, options ("Options") to subscribe for a total of 40,980,000 new ordinary shares in the Company at an exercise price of HK$0.59 each in the capital of the Company were granted to the grantees on 16 February 2009. Particulars of the Options are as follows:–

Name or category of participant	Date of grant	Exercise period	Exercise price HK$	Number of options granted
Directors/ Chief Executive				
Sha Hong Qiu	16.2.2009	1.04.2009 to 15.02.2019	0.59	336,000
		16.02.2010 to 15.02.2019	0.59	336,000
		16.02.2011 to 15.02.2019	0.59	336,000
		16.02.2012 to 15.02.2019	0.59	336,000
		16.02.2013 to 15.02.2019	0.59	336,000
Ji Jun	16.2.2009	1.04.2009 to 15.02.2019	0.59	300,000
		16.02.2010 to 15.02.2019	0.59	300,000
		16.02.2011 to 15.02.2019	0.59	300,000
		16.02.2012 to 15.02.2019	0.59	300,000
		16.02.2013 to 15.02.2019	0.59	300,000
Shu Hua	16.2.2009	1.04.2009 to 15.02.2019	0.59	300,000
		16.02.2010 to 15.02.2019	0.59	300,000
		16.02.2011 to 15.02.2019	0.59	300,000
		16.02.2012 to 15.02.2019	0.59	300,000
		16.02.2013 to 15.02.2019	0.59	300,000
Yu Bao Dong	16.2.2009	1.04.2009 to 15.02.2019	0.59	300,000
		16.02.2010 to 15.02.2019	0.59	300,000
		16.02.2011 to 15.02.2019	0.59	300,000
		16.02.2012 to 15.02.2019	0.59	300,000
		16.02.2013 to 15.02.2019	0.59	300,000
Sun Wei	16.2.2009	1.04.2009 to 15.02.2019	0.59	300,000
		16.02.2010 to 15.02.2019	0.59	300,000
		16.02.2011 to 15.02.2019	0.59	300,000
		16.02.2012 to 15.02.2019	0.59	300,000
		16.02.2013 to 15.02.2019	0.59	300,000
Tong Yee Ming	16.2.2009	1.04.2009 to 15.02.2019	0.59	300,000
		16.02.2010 to 15.02.2019	0.59	300,000
		16.02.2011 to 15.02.2019	0.59	300,000
		16.02.2012 to 15.02.2019	0.59	300,000
		16.02.2013 to 15.02.2019	0.59	300,000
Non-director Employees (In aggregate)	16.2.2009	1.04.2009 to 15.02.2019	0.59	6,360,000
		16.02.2010 to 15.02.2019	0.59	6,360,000
		16.02.2011 to 15.02.2019	0.59	6,360,000
		16.02.2012 to 15.02.2019	0.59	6,360,000
		16.02.2013 to 15.02.2019	0.59	6,360,000
Total				40,980,000

Note: the consideration for the Options granted to each participant was HK$1.00.

SHARE OPTION SCHEME *(continued)*

Save as disclosed above, during the year ended 31 December 2008, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Long Position in the shares of the Company

Name	*Note*	**Capacity/nature of interest**	**Number of ordinary shares/ underlying shares held**	**Approximate percentage of issued capital**
Get Famous Investments Limited	1	Beneficial owner	118,395,719	12.18%
Highexcel Investments Limited	1	Beneficial owner	352,518,443	36.25%
Morgan Stanley	2	Interest of controlled corporation	160,608,000	16.52%
Poly (Hong Kong) Investments Limited	3	Interest of controlled corporation	134,791,044	13.86%

Notes:

1. Mr. Zhu Gong Shan is the legal and beneficial owner of the entire issued share capital of Highexcel Investments Limited ("HIL") and is deemed to be interested in the 352,518,443 shares held by HIL. Mr. Zhu Gong Shan is also the director and the beneficial owner of Get Famous Investments Limited ("Get Famous"), which entered into the sale and purchase agreement dated 11 August 2008 as vendor with a subsidiary of the Company as purchaser. Upon the completion of the said agreement, Get Famous or its nominee will receive the convertible notes to be issued by the Company in a total amount not more than RMB127,936,000. Get Famous or its nominee has the right to convert any part of the principal amount of the convertible notes into shares at a conversion price of HK$1.230 (subject to adjustment).

   The interest in the 118,395,719 underlying shares and the 352,518,443 ordinary shares refer to the same interest of Mr. Zhu Gong Shan under the section headed "Director's and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" of this report.

2. The interest of Morgan Stanley in the Company is also held through:

   (a) MS China 3 Limited which held 160,080,000 shares and is a wholly-owned subsidiary of Morgan Stanley Emerging Markets Inc. which in turn is wholly-owned by Morgan Stanley. Morgan Stanley is therefore deemed to be interested in 160,080,000 shares held by MS China 3;

   (b) Morgan Stanley & Co. Inc. which held 25,000 shares and is a wholly-owned subsidiary of Morgan Stanley. Morgan Stanley is therefore deemed to be interested in 25,000 shares; and

   (c) Morgan Stanley & Co. International plc. which held 503,000 shares and is wholly-owned by Morgan Stanley UK Group. Morgan Stanley UK Group is wholly-owned by Morgan Stanley Group (Europe) which in turn is held as to 98.3% by Morgan Stanley International Limited. Morgan Stanley International Limited is an indirect wholly-owned subsidiary of Morgan Stanley. Accordingly, Morgan Stanley is deemed to be interested in the 503,000 shares held by Morgan Stanley & Co. International plc.

   Mr. Tam Chor Kiu, the non-executive Director, is currently an employee of Morgan Stanley.

3. The interest of Poly (Hong Kong) Investments Limited is held through its indirect wholly-owned subsidiary, Power Jade Holdings Limited.

4. The total number of ordinary shares of the Company in issue as at 31 December 2008 was 972,419,487.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS *(continued)*

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 31 December 2008, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO.

Save for Messrs. Zhu Gong Shan and Tam Chor Kiu, as at the date of this report, none of the Directors was a director or employee of a company which has an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(A) Connected Transactions

The following are summaries of transactions which were disclosed in the prospectus of the Company dated 31 October 2007 and announcements during the year ended 31 December 2008:–

(1) Acquisitions / Disposal during the year

As disclosed in the prospectus of the Company dated 31 October 2007, the Company has entered into various one-off agreements with Mr. Zhu Gong Shan, the Chairman, a Director and a controlling shareholder of the Company and his associates. Some of these transactions have been completed during the year as disclosed in (a) and (b) below:

(a) 華潤協鑫(北京)熱電有限公司 (China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd.*) ("China Resources Beijing Cogeneration Plant")

A share transfer agreement dated 22 October 2007 was entered into between 國泰能源投資股份有限公司 (Guotai Energy Investment Co., Ltd.*) ("Guotai"), which is indirectly owned by Mr. Zhu Yu Feng, the son of Mr. Zhu Gong Shan and a wholly-owned subsidiary of the Company, pursuant to which Guotai agreed to transfer its 49% equity interest in China Resources Beijing Cogeneration Plant to the Group for a total consideration of approximately RMB145,988,000. The principal activities of China Resources Beijing Cogeneration Plant is the operation of a cogeneration plant in Beijing. The transfer of the interest was completed in January 2008.

(b) 錫林郭勒國泰風力發電有限公司 (Xilingol Guotai Wind Power Generation Co., Ltd*) ("Huitengliang Project Company")

Huitengliang Project Company was wholly-owned by Guotai. The principal activities of Huitengliang Project Company is the development and operation of a wind farm power project in Inner Mongolia Autonomous Region, the PRC. A sale and purchase agreement dated 22 October 2007 was entered into between Guotai and a wholly owned subsidiary of the Group pursuant to which Guotai would transfer its entire interest in Huitengliang Project Company for a total consideration of approximately RMB20,014,000. The acquisition of Huitengliang Project Company was completed on 28 March 2008.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(A) Connected Transactions *(continued)*

(1) Acquisitions / Disposal during the year (continued)

(c) 連雲港保鑫生物質熱電有限公司 (Lianyungang Baoxin Biomass Cogeneration Co. Ltd.*) ("Baoxin Project Company")

In January 2008, a written notice was received from Mr. Zhu Gong Shan and Profit Act Limited, a company then wholly and beneficially owned by Mr. Zhu Gong Shan, informing their intention to transfer 70% equity interest in the Baoxin Project Company to an independent third party of the Company, Directors, chief executives and substantial shareholders of the Company and seeks the Company's decision whether to exercise the option and right of first refusal granted to the Company under the Non-competition Deed (as defined in the section "Deed of Non-Competition" below) to acquire the 70% equity interest in Baoxin Project Company.

Having considered various reasons, the independent non-executive Directors consider that it would not be in the best interests of the Company and the shareholders of the Company as a whole to exercise the option and right of first refusal on the grounds that the Baoxin Project Company cannot secure a stable source of income to the Group and therefore it cannot enhance the profitability of the Group in the foreseeable future and that such non-exercise of the option and the right of the first refusal is based on normal commercial terms.

The non-exercise by the Company of such option granted by the controlling shareholder and right of first refusal is a connected transaction under the Listing Rules, details of which were announced by the Company on 3 March 2008.

(d) 55% equity interests in Doulun Mine project

It was announced on 11 August 2008 that Get Famous Investments Limited ("Get Famous"), which entered into the sale and purchase agreement dated 11 August 2008 as vendor with a subsidiary of the Company as purchaser ("Purchaser"), pursuant to which the Purchaser has conditionally agreed to acquire the entire issued shares of a company which indirectly owns 55% of the equity interests of Doulun Mine from Get Famous. Get Famous is wholly-owned by Mr. Zhu Gong Shan, the Chairman, a Director and controlling shareholder of the Company, and therefore constitutes a connected person of the Company under the Listing Rules. Pursuant to a technical report as at 30 June 2008, the total in-place resources of all seams of the Doulun Mine amount to approximately 82.44 million tonnes and that the commercial operation of the mine would be commenced in early 2009. Upon the first completion (completion of the transfer of shares in respect of the indirect holding company of the Doulun Mine) and the second completion (completion of increase of total investment and registered capital of the immediate holding company of Doulun Mine) of the said agreement, Get Famous or its nominee will receive the convertible notes in an amount of RMB85,000,000 and an amount not more than RMB42,936,000 respectively to be issued by the Company. Get Famous or its nominee has the right to convert any part of the principal amount of the convertible notes into ordinary shares of the Company at the initial conversion price of HK$1.230 (subject to adjustment).

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(A) Connected Transactions *(continued)*

(1) Acquisitions / Disposal during the year (continued)

(d) 55% equity interests in Doulun Mine project *(continued)*

Assuming exercise in full of the conversion right attaching to the conversion notes at the initial conversion price, the Company will allot and issue an aggregate of about 118,395,719 new ordinary shares. As at the date of this report, both the first completion and the second completion have not been occurred.

(e) Acquisition of Park Bright and subsequent disposal

It was announced on 29 February 2008 that a legally binding conditional framework agreement was entered into by a wholly-owned subsidiary, Park Bright Investments Limited ("Park Bright") with the intention to acquire 75% interest in Profit Excel Investments Limited, which in turn owns indirectly 70% equity interest in Lincang Runda Hydropower Plant Company Limited ("Lincang Runda") ("Acquisition"). On 15 April 2008, Park Bright formally entered into a conditional sale and purchase agreement with Nextbest Holdings Limited, an independent third party of the Company, in relation to the Acquisition at a consideration of RMB35,700,000. Park Bright had paid a refundable deposit of RMB20,000,000. Lincang Runda owns and operates a totaled installed capacity of 16.79 MW hydropower plants in the PRC with intention to expand capacity. The completion of such agreement was extended from 15 October 2008 to 15 November 2008 as announced under an announcement of the Company dated 15 October 2008.

On 12 November 2008, the Company entered into another sale and purchase agreement with Sinopro Enterprises Limited ("Sinopro"), pursuant to which the Company agreed to conditionally dispose the entire issued shares of Park Bright at a consideration of HK$25,000,000 to Sinopro. Sinopro is wholly-owned by Mr. Zhu Gong Shan, who is the Chairman, a Director and controlling shareholder of the Company, and therefore, constitutes a connected person of the Company under the Listing Rules. The sale of shares was expected to complete on 31 March 2009. Details of the disposal were set out under an announcement published by the Company on 12 November 2008.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(A) Connected Transactions *(continued)*

(2) Services provided during the year

(a) The Company announced on 8 October 2008 that the Company, through a wholly owned subsidiary, entered into a service agreement with Team Profit International Holdings Limited ("Team Profit") to provide technical support and consultation services to Team Profit before commencement of construction of an incineration plant for a service fee of RMB9,700,000. Team Profit is indirectly wholly owned by Mr. Zhu Gong Shan, the Chairman, a Director and controlling shareholder of the Company, and is therefore a connected person of the Company under the listing Rules. The service agreement was completed in March 2009.

(b) On the same announcement dated 8 October 2008, the Company announced that it, through its wholly owned subsidiary, entered into a preliminary work entrusted agreement with 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*) ("Jiangsu Zhongneng") to provide services to Jiangsu Zhongneng for the planning and organizing of the preliminary work before commencement of construction of a 2x25MW power generation facility for a service fee of RMB10,000,000. Mr. Zhu Gong Shan, the Chairman, a Director and controlling shareholder of the Company, was interested in controlling more than 30% or more of the voting power at the general meetings of Jiangsu Zhongneng as at the date of the announcement. Hence, Jiangsu Zhongneng is an associate of Mr. Zhu Gong Shan and a connected person of the Company under the Listing Rules.

Such agreement was terminated and a termination agreement dated 2 March 2009 was executed by the same parties. The termination was due to the construction schedule of the power plant cannot meet Jiangsu Zhongneng's production schedule for the following two reasons: (i) the production schedule of Jiangsu Zhongneng has moved forward for about seven months; and (ii) the construction schedule of the power facility is delay for approximately six months due to the approval for environmental assessment appraisal for cogeneration plant project is required to be approved by the relevant department at the ministry level instead of the provincial level. As a result, only RMB4,000,000 was charged and paid by Jiangsu Zhongneng under the preliminary work entrusted agreement. Details of the termination of the preliminary work entrusted agreement was announced by the Company on 2 March 2009.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(A) Connected Transactions *(continued)*

(2) Services provided during the year (continued)

(c) On 12 November 2008, the Company announced that, through its non-wholly owned subsidiary as the owner ("Owner"), entered into a construction agreement on 10 November 2008 with 蘇州工業園區市政公用工程建設有限公司 (Suzhou Industrial Park Utilities Construction Co., Ltd.* as contractor ("Contractor"). The Contractor is responsible for the construction of steam supply pipes for the Owner at a contract fee of RMB2,855,000. The Owner is owned as to 51% indirectly by the Company, 30% by 中新蘇州工業園區市政公用發展集團有限公司 (Suzhou Industrial Park Utilities Development Co., Ltd.*) (the "Substantial Shareholder"). The Contractor, being a non-wholly owned subsidiary of the Substantial Shareholder and is therefore a connected person of the Company under the Listing Rules. The construction work was completed in November 2008.

(d) The Company announced on 3 December 2008 that the Company, through its wholly owned subsidiary, entered into a consultant agreement with 徐州金山橋熱電有限公司 (Xuzhou Jinshanqiao Co-gen Co., Ltd.*) ("Jinshanqiao"), to provide consultation services to Jinshanqiao for a fee of RMB4,000,000. Mr. Zhu Yu Feng, the son of Mr. Zhu Gong Shan, indirectly controls 70% equity interest of Jinshanqiao. Hence Jinshanqiao constitutes a connected person of the Company under the Listing Rules. The agreement was completed in February 2009.

(B) Continuing Connected Transactions

The Board, including the independent non-executive Directors, has reviewed and confirmed that the continuing connected transactions for the year ended 31 December 2008 were entered into:

i. in the ordinary course of business of the Group;

ii. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third party; and

iii. in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions and the auditor has reported the factual findings on these procedures to the Board committee.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(B) Continuing Connected Transactions *(continued)*

The auditor of the Company have confirmed to the Board committee in writing in respect of the continuing connected transactions set out below for the year ended 31 December 2008:

(a) were approved by the Board;

(b) were entered into in accordance with the relevant agreement governing the transactions; and

(c) did not exceed the relevant cap amount for the financial year ended 31 December 2008 as set out in the Prospectus and/or announcements.

Details of the continuing connected transactions of the Company for the year ended 31 December 2008 are as follows:

(1) Procurement of office services in Hong Kong

An agreement dated 22 October 2007 (the "Office Services Agreement") was entered into between Golden Concord Holdings Limited ("GCL (Hong Kong)"), a company wholly owned by Mr. Zhu Gong Shan, and the Company relating to the procurement of office services to the Company by GCL (Hong Kong) for a term commencing from 1 May 2007 to 31 December 2009. Such services include a licence to use certain area of the premises at Suites 3601-3604, Two Exchange Square, 8 Connaught Road Central, Hong Kong, access to facilities and furniture therein and administrative assistance services including air-conditioning, office cleaning and office management services provided by GCL (Hong Kong) to the Company.

As disclosed in the Prospectus, the annual cap for the financial year ended 31 December 2008 and the year ending 31 Decermber 2009 are HK$2,400,000 and HK$2,500,000 respectively. The aggregate value of the procurement of office services in Hong Kong for the year ended 31 December 2008 was approximately HK$2,330,000.

(2) Lease of office premises in Shanghai

A lease agreement took effect from 1 January 2007 (as amended by a supplemental lease agreement dated 15 August 2007) (collectively the "Shanghai Office Lease") entered into between 上海越源機械成套設備有限公司 (Shanghai Yueyuan Machinery and Equipment Co., Ltd.*), which was novated to 上海國能投資有限公司 (Shanghai Guoneng Investment Co., Ltd.*) on 1 April 2008 (as landlord) in which Mr. Zhu Yu Feng (an associate of Mr. Zhu Gong Shan under the Listing Rules) holds 70% equity interest and 上海保利協鑫電力運行管理有限公司 (Shanghai GCL-Poly Electricity Operating Management Co., Ltd.*) (the "Management Company", as tenant), a wholly owned subsidiary of the Company, relating to the lease of office premises located at 9th Floor, 360 Pudong South Road, Shanghai with a lease area of approximately 1,434.14 sq.m. to the tenant for a term of three years from 1 January 2007 to 31 December 2009.

As disclosed in the Prospectus, the annual caps for the rent payable for both the financial year ended 31 December 2008 and the year ending 31 December 2009 are RMB3,000,000. The aggregate rent paid for the year ended 31 December 2008 was approximately RMB2,827,000.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(B) Continuing Connected Transactions *(continued)*

(3) Provision of entrusted management services

太倉港協鑫發電有限公司 (Taicang Harbour Golden Concord Electric-Power Generation Co., Ltd.) ("Taicang Harbour Power Plant") is a company in which Mr. Zhu Gong Shan and his associate have an aggregate equity interest of 37% but subject to an acquisition option granted to the Company under the Non-competition Deed.

In order to enhance the Group's benefits from economies of scale and centralized management system and to ensure the Group will have sufficient level of control and understanding over the affairs of Taicang Harbour Power Plant before the option to acquire the same is exercised by the Company, pursuant to an agreement dated 28 December 2006 and a supplemental agreement dated 15 August 2007 entered into between Suzhou Chonggao Power Investment Co., Ltd. ("Chonggao") and the Management Company (collectively the "Entrusted Management Agreement"), Chonggao, in its capacity as an equity interest holder of the Taicang Harbour Power Plant, entrusted to the Management Company to provide certain services on its behalf (the "Entrusted Management Services"), including: (i) exercising rights as an equity interest holder of the Taicang Harbour Power Plant (but not including the rights to receiving dividend and disposing the equity interest in the Taicang Harbour Power Plant) for a fixed term of two years from 1 January 2007 to 31 December 2008. Such equity interest holder's rights entrusted include, among others, attending and voting at general meetings, nomination of representative(s) to the board of directors of the Taicang Harbour Power Plant; (ii) the high-level supervision of the operation of the Taicang Harbour Power Plant such as evaluation of the performance of the management team of the Taicang Harbour Power Plant, supervision of financial management and overseeing compliance with legal and environmental protection regulations.

As disclosed in the Prospectus, the annual cap of the fee payable for the financial year ended 31 December 2008 is RMB5,600,000. The aggregate fee paid under the Entrusted Management Services for the year ended 31 December 2008 was RMB5,600,000.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(B) Continuing Connected Transactions *(continued)*

(4) Provision of operation and management services

(i) 南京協鑫生活污泥發電有限公司 (Nanjing Xiexin Life Sludge Power Co., Ltd.*) ("Nanjing Cogeneration Plant") and 蘭溪協鑫環保熱電有限公司 (Lanxi Golden Concord Environmental Protection Cogen-Power Co., Ltd.*) ("Lanxi Cogeneration Plant") are indirectly wholly owned by Mr. Zhu Gong Shan. 徐州龍固坑口矸石發電有限公司 (Xuzhou Longgu Mine-site Gangue Power Generation Co., Ltd.*) ("Longgu Cogeneration Plant") are indirectly owned by Mr. Zhu Gong Shan as to 59% of its equity interests. Thus, Nanjing Cogeneration Plant, Lanxi Cogeneration Plant and Longgu Cogeneration Plant are associates of Mr. Zhu Gong Shan and connected persons of the Company under the Listing Rules.

The Management Company has entered into (i) an agreement dated 1 January 2007 (as amended by a supplemental agreement dated 15 August 2007) with Nanjing Cogeneration Plant and (ii) an agreement dated 1 January 2007 with Longgu Cogeneration Plant relating to the provision of operation and management services ("Operation and Management Services") by the Management Company. The scope of the Operation and Management Services consists of two major components, namely (i) operation services; and (ii) management services. Operation services include, among others, coordination in the following areas: competitive bidding strategy, heat and electricity pricing, coal supply, purchase of production accessories, equipment maintenance, capital management, technical training and transfer of technology, utilization of professional services specific to the power industry and other general professional services. Management services include, among others, providing guidance in the following areas: operational target management, establishment of performance assessment system, corporate planning and budgeting, corporate asset management, cost management and financial management, corporate safety target management, production technology management, human resources management, IT management and reporting system management.

The fee and the annual caps of the Operation and Management Services are set out below:

	Aggregate fee for the year ended 31 December 2008	**Annual cap for the year ended 31 December 2008**
	RMB	RMB
Nanjing Cogeneration Plant	2,400,000	2,400,000
Longgu Cogeneration Plant	2,400,000	2,400,000

The above two agreements were renewed on 20 October 2008 for a term of two years from 1 January 2009 to 31 December 2010 with the following annual caps.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(B) Continuing Connected Transactions *(continued)*

(4) Provision of operation and management services (continued)

(i) *(continued)*

The Management Company also entered into an agreement dated 20 October 2008 with Lanxi Cogeneration Plant to provide similar operation and management services to Lanxi Cogeneration Plant for a period from 1 November 2008 and 31 December 2010 with the following annual caps. An announcement dated 20 October 2008 was published by the Company with details of the aforesaid agreements.

	Annual caps for the years ending	
	31 December 2009	**31 December 2010**
	RMB	RMB
Nanjing Cogeneration Plant	2,880,000	2,880,000
Longgu Cogeneration Plant	2,880,000	2,880,000
Lanxi Cogeneration Plant	1,200,000	1,200,000

(ii) The Company, through its indirectly wholly-owned subsidiary, 桐鄉濮院協鑫環保熱電有限公司 (Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co. Ltd.*) ("Puyuan Cogeneration Plant") entered into an operation agreement with 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*) ("Jiangsu Zhongneng") to provide operation and maintenance services for the seven sets 25 tonne boilers and rental of four sets of boilers to be installed in the plant of Jiangsu Zhongneng for an aggregate annual fee of RMB10,000,000 for a period of two years commencing from 1 November 2008 to 30 October 2010. Full information on the operation agreement was announced under the announcement of the Company dated 20 October 2008. Mr. Zhu Gong Shan, the Chairman, a Director and controlling shareholder of the Company, was interested in controlling more than 30% or more of the voting power at the general meetings of Jiangsu Zhongneng as at the date of the announcement. Hence, Jiangsu Zhongneng is an associate of Mr. Zhu Gong Shan and a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(B) Continuing Connected Transactions *(continued)*

(4) Provision of operation and management services (continued)

(ii) *(continued)*

The fee and the annual caps of the operation agreement are set out below:

	Aggregate amount for the year ended 31 December	Annual caps for the years ended/ending 31 December		
	2008	**2008**	**2009**	**2010**
	RMB	RMB	RMB	RMB
Operation agreement	6,700,000	6,700,000	5,800,000	7,500,000

(5) Lease of assets

Pursuant to a lease agreement ("Original Lease") dated 2 September 2005 and entered into between 蘇州工業園區熱電有限公司 (Suzhou Industrial Park Thermoelectricity Co., Ltd.*) ("Suzhou Industrial Park Thermoelectricity", as lessor), a state-owned enterprise, and the 蘇州工業園區藍天燃氣熱電有限公司 (Suzhou Inudstrial Park Blue Sky Gas Co-genereation Power Co., Ltd.*) ("Suzhou Cogeneration Plant", an indirect non-wholly owned subsidiary of the Company, as lessee), as supplemented by an agreement dated 15 September 2005 among Suzhou Industrial Park Thermoelectricity, the Suzhou Cogeneration Plant and 蘇州工業園區市政公用發展集團有限公司 (Suzhou Industrial Park Municipal Utilities Development Group Co., Ltd*) ("Suzhou Industrial Park Utilities Development"), whereby all parties agreed the rights and obligations under the Original Lease was transferred from Suzhou Industrial Park Thermoelectricity to its controlling shareholder, Suzhou Industrial Park Utilities Development. The Original Lease was further supplemented by an agreement dated 2 September 2007 between Suzhou Industrial Park Utilities Development as lessor and Suzhou Cogeneration Plant as lessee, Suzhou Industrial Park Utilities Development leased certain assets, comprising, among other things, certain buildings, equipment and machineries to the Suzhou Cogeneration Plant for a term of one year from 15 September 2007 to 14 September 2008. The Original Lease and all the supplemental agreements are collectively known as the Previous Lease Agreement.

Suzhou Industrial Park Utilities Development is interested in 30% of the equity interest in Suzhou Cogeneration Plant and is therefore, a connected person of the Company under the Listing Rules.

The land and the power generation plant, being part of the assets leased under the Original Lease, was transferred from Suzhou Industrial Park Utilities Development to its fellow subsidiary, Suzhou Construction Development on 20 June 2008 subject to the Previous Lease Agreement.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(B) Continuing Connected Transactions *(continued)*

(5) *Lease of assets (continued)*

As the Previous Lease Agreement was expired on 14 September 2008, the Suzhou Congeneration Plant entered into an asset lease agreement ("Asset Lease Agreement") with Suzhou Industrial Park Utilities Development for leasing the buildings and related facilities, equipment and machineries and a lease ("Lease") with Suzhou Construction Development for leasing the land and power generation plant for a term of one year from 15 September 2008 to 14 September 2009 on 17 September 2008 for annual caps as stipulated below, an announcement was published on the same date by the Company setting out all the terms of the Asset Lease Agreement and the Lease. The aggregate fee for the year ended 31 December 2008 and the annual cap for the financial year ending 31 December 2009 are as follows:

	Aggregate fee for the year ended 31 December 2008 RMB	**Annual cap for the year ended/ending 31 December 2008** RMB	**Annual cap for the year ended/ending 31 December 2009** RMB
Previous Lease Agreement	2,833,000	2,833,000	–
Lease	350,000	350,000	850,000
Asset Lease Agreement	817,000	817,000	1,983,333
	4,000,000	4,000,000	2,833,333

(6) *Procurement of coal*

(a) 華潤天能集團公司 (Huarun Tianneng Group Co. Ltd.*) ("Huarun Tianneng ")

Huarun Tianneng, formerly known as 江蘇天能集團公司 (Jiangsu Natural Power Group Co. Ltd. *) owns 24% equity interest in 徐州保鑫污泥發電有限公司 (Xuzhou Baoxin Sludge Power Co., Ltd. ("Xuzhou Cogeneration Plant") and hence becomes a connected person of the Company under the Listing Rules after Xuzhou Cogeneration Plant becomes a subsidiary of the Company. Each of the following subsidiaries of the Company, namely (i) 豐縣鑫源生物質環保熱電有限公司 (Fengxian Xinyuan Biological Environmental Heat and Power Co. Ltd.) ("Fengxian Cogeneration Plant"), (ii) 沛縣坑口環保熱電有限公司 (Peixian Mine-site Environmental Cogen-Power Co., Ltd.) ("Peixian Cogeneration Plant") and (iii) Xuzhou Cogeneration Plant, have entered into coal supply agreements all dated 18 September 2004 as supplemented by three agreements all dated 11 October 2007 (collectively, the "Huarun Tianneng Coal Supply Agreements") in relation to the supply of coal by Huarun Tianneng to each of the three plants.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(B) Continuing Connected Transactions *(continued)*

(6) Procurement of coal (continued)

(a) *(continued)*

The aggregate value and the annual caps of the coal purchase of the three cogeneration plants are as follows:–

	Aggregate fee for the year ended 31 December 2008 RMB	Annual cap for the year ended/ending 31 December 2008 RMB	31 December 2009 RMB
Fengxian Cogeneration Plant	1,724,000	30,000,000	30,000,000
Peixian Cogeneration Plant	4,876,000	30,000,000	30,000,000
Xuzhou Cogeneration Plant	542,000	25,000,000	25,000,000
	7,142,000	85,000,000	85,000,000

(b) 鄭州煤電股份有限公司 (Zhengzhou Coal Industry & Electric Power Co., Ltd.*) & 鄭州煤炭工業(集團)有限責任公司 (Zhengzhou Coal Industry (Group) Co., Ltd.*)

It was announced on 29 July 2008 that the Company, through its indirect wholly-owned subsidiary, 蘇州保利協鑫燃料有限公司 (Suzhou GCL-Poly Power Fuel Co., Ltd.* (Now known as: 保利協鑫電力燃料有限公司 GCL-Poly Power Fuel Co., Ltd.*) ("Suzhou Fuel Company"), entered into a coal supply agreement with 鄭州煤電股份有限公司 (Zhengzhou Coal Industry & Electric Power Co., Ltd) ("ZCIE") and 鄭州煤炭工業(集團)有限責任公司 (Zhengzhou Coal Industry (Group) Co., Ltd.*) ("ZCIG") on 9 December 2007, which was supplemented by two supplemental agreements dated 14 April 2008 and 10 June 2008 respectively (the agreements collectively referred as "Coal Supply Agreements"). Under the Coal Supply Agreements, blended coal was supplied to Suzhou Fuel Company for a term of three years from 10 June 2008 to 10 June 2011 by ZCIE and ZCIG at the market price of eastern China. Full information on the Coal Supply Agreements were set out in an announcement dated 29 July 2008 and a circular dated 19 August 2008 dispatched to the shareholders by the Company.

ZCIE is the holding company of a joint venture company of which Mr. Zhu Gong Shan controls more than 30% equity interests. The joint venture company was established with a business licence dated 24 March 2008. ZCIE became the associate of Mr. Zhu Gong Shan on 24 March 2008 pursuant to the Listing Rules. As ZCIE is a subsidiary of ZCIG, ZCIG has also become an associate of Mr. Zhu Gong Shan and a connected person of the Company under the Listing Rules on the same date.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(B) Continuing Connected Transactions *(continued)*

(6) Procurement of coal (continued)

(b) *(continued)*

The aggregate coal amount purchased for the year ended 31 December 2008 and the annual caps for the years ended/ending 31 December 2008, 2009, 2010 and 2011 are as follows:–

	Aggregate coal amount for the year ended 31 December	Annual Caps for the years ended/ending 31 December			
	2008*	**2008***	**2009**	**2010**	**2011****
	RMB	RMB	RMB	RMB	RMB
Coal Supply Agreements	53,289,000	84,000,000	413,000,000	899,000,000	403,000,000

Note: * for the period from 10 June to 31 December 2008

** for the period between 1 January to 10 June 2011 only

(7) trading of coal

Subsequent to the acquisition of the entire equity interest of Suzhou Fuel Company in December 2007, it became a wholly-owned subsidiary of the Company. In addition to act as a central procurement arm of coal for the Group companies, it also trades coal to increase income for the Group.

Pursuant to the Prospectus, Suzhou Fuel Company entered into a coal supply agreement dated 31 January 2007 with Nanjing Cogeneration Plant to supply blended coal to Nanjing Cogeneration Plant for a period from 1 February 2007 to 31 December 2007, which is supplemented by a supplemental agreement dated 15 August 2007 to extend the effective period of coal supply to 31 December 2009 (collectively referred to "Coal Sale Agreement"). Under the Coal Sale Agreement, annual caps approved by the shareholders of the Company for the year ended 31 December 2008 and the year ending 31 December 2009 are both RMB136,500,000. As the entire equity interest of Nanjing Cogeneration Plant is wholly-owned by Mr. Zhu Gong Shan, it is an associate of Mr. Zhu Gong Shan. Accordingly, it is a connected person of the Company under the Listing Rules.

It has come to the attention of the Company that the sale amount of the blended coal may exceed the annual caps for the Coal Sale Agreement for the year ended 31 December 2008 and the year ending 31 December 2009, and therefore, the Company has entered into a supplemental agreement ("Nanjing Supplemental Agreement") with Nanjing Cogeneration Plant to extend the effective period from 31 December 2009 to 30 June 2011 and to increase the annual caps. Details of the revision of the annual caps for the year ended 31 December 2008 and the year ending 31 December 2009 were disclosed in an announcement dated 20 October 2008 and a circular dated 10 November 2008 was issued by the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(B) Continuing Connected Transactions *(continued)*

(7) *trading of coal (continued)*

It was mentioned under the same announcement and circular that Suzhou Fuel Company, also entered into a coal sale agreement on 20 October 2008 with each of Lanxi Cogeneration Plant and 蘇州東吳熱電有限公司 (Suzhou Dongwu Cogneration Co., Ltd.*) ("Dongwu Cogeneration Plant") respectively (the "Lanxi Coal Sale Agreement" and the "Dongwu Coal Sale Agreement") to supply coal to them for a period between 1 November 2008 to 30 June 2011 at the market price of Eastern China and Tianjin Port. As Lanxi Cogeneration Plant is wholly owned by Mr. Zhu Gong Shan and thus, it is an associate of Mr. Zhu Gong Shan, therefore, it is a connected person to the Company under the Listing Rules. 蘇州蘇鑫資產投資有限公司 (Suzhou Suxin Asset Investments Co., Ltd.*), the controlling shareholder of Dongwu Cogeneration Plant, is also a substantial shareholder of a subsidiary of the Company. Thus Dongwu Cogeneration Plant is an associate of 蘇州蘇鑫資產投資有限公司 (Suzhou Suxin Asset Investments Co., Ltd.*) and a connected person of the Company under the Listing Rules.

The sale amount for the year ended 31 December 2008, and the annual caps for the year ended 31 December 2008 and the years ending 31 December 2009, 2010 and 2011 in respect of the Nanjing Supplemental Agreement, Lanxi Coal Sale Agreement and the Dongwu Coal Sale Agreement are as follows:–

	Aggregate coal amount for the year ended 31 December	Annual Caps for the years ended/ending 31 December			
	2008*	**2008***	**2009**	**2010**	**2011****
	RMB	RMB	RMB	RMB	RMB
Nanjing Supplemental Agreement	162,400,000	203,255,000	333,600,000	363,600,000	198,900,000
Lanxi Coal Sale Agreement	2,257,000*	18,740,000*	124,200,000	138,240,000	76,020,000
Dongwu Coal Sale Agreement	–	18,740,000*	124,200,000	138,240,000	76,020,000

Note: * for the period from 1 November 2008 to 31 December 2008

** for the period between 1 January to 30 June 2011 only

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(C) The following continuing connected transactions were entered into after the year ended 31 December 2008:

(a) *Steam supply to Hande*

In January 2009, the Company, through a non-wholly owned subsidiary of the Company, Funing Cogeneration Plant, entered into a steam supply agreement ("Funing Steam Supply Agreement) with 漢德風電設備(阜寧)有限公司 (Hande Wind Power Equipment (Funing) Co., Ltd.*) ("Hande"). Pursuant to the Funing Steam Supply Agreement, the Company has agreed to provide technology service and to supply steam to Hande for a period from 22 January 2009 to 30 September 2011 at the then approved steam price of RMB199 per ton, which is adjustable in future by application and approval of Funing Price Bureau (阜寧縣物價局). The aggregate technology service fee of RMB1,700,000 charged under the Funing Steam Supply Agreement and the technology service fee of RMB800,000 received in December 2008 under a technology agreement dated 18 December 2008 entered into between the same parties was RMB2,500,000. Mr. Zhu Gong Shan, the Chairman, executive Director and controlling shareholder of the Company, indirectly owns more than 30% equity interest in Hande. Thus, Hande is a connected person of the Company under the Listing Rules. An announcement dated 23 January 2009 in respect of the Funing Steam Supply Agreement was published by the Company.

The annual caps for the years ending 2009 to 2011 are set out below:

	Annual caps for the years ending 31 December		
	2009	**2010**	**2011****
	RMB	RMB	RMB
Funing Steam Supply Agreement	8,335,000*	6,647,000	5,293,000

Note: * including the aggregate RMB2,500,000 technology fee
** for the period between 1 January to 30 September 2011 only

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

(C) The following continuing connected transactions were entered into after the year ended 31 December 2008: *(continued)*

(b) Steam supply to Huarun Tianneng

On 17 February 2009, the Company, through a non-wholly owned subsidiary of the Company, Peixian Cogeneration Plant, entered into a steam supply agreement ("Peixian Steam Supply Agreement) with 華潤天能集團公司 (Huarun Tianneng Group Co. Ltd.*) ("Huarun Tianneng"). Pursuant to the Peixian Steam Supply Agreement, the Company has agreed, for a period from 17 February 2009 to 31 December 2011, to supply steam to Huarun Tianneng at the then approved steam price of RMB190 per ton, which is adjustable in future by application and approval of Peixian Price Bureau (沛縣物價局). Huarun Tianneng is a substantial shareholder of 徐州保鑫污泥發電有限公司 (Xuzhou Baoxin Sludge Power Co., Ltd.*), which is a non-wholly owned subsidiary of the Company. Accordingly, Huarun Tianneng is a connected person of the Company under the Listing Rules. An announcement dated 17 February 2009 in respect of the Peixian Steam Supply Agreement was published by the Company.

The annual caps for the years ending 2009 to 2011 are set out below:

	Annual caps for the years ending 31 December		
	2009	**2010**	**2011****
	RMB	RMB	RMB
Peixian Steam Supply Agreement	2,100,000	2,400,000	2,650,000

DIRECTORS' INTERESTS IN COMPETING BUSINESS

1. Directors' interests as a director of competing business

A. The details of the Directors' interests as at 31 December 2008, in competing business as a director of such company conducting such business are set out below.

Name of the Company's Director	Name of company in which the relevant Director is also a director	Principal activities of the competing company	Interest of the relevant Director in the competing company
Mr. Zhu Gong Shan	Taicang Harbour Power Plant	Operation of a cogeneration plant in Taicang, Jiangsu, the PRC	Mr. Zhu and his associate owns an aggregate interest of 37%

Though Mr. Zhu holds directorship in Taicang Harbour Power Plant, he is not involved in the day to day operation of such power plant. As set out in the corporate governance report, out of the twelve Directors, four of them are independent non-executive Directors who shall exercise impartial and independent influence at the board decision making process. Meanwhile, the Articles of Association of the Company has also provided provisions to govern the board meetings progress should there be any conflict of interests arise. As such, the Directors are of the view that they and the management team are able to manage the Company independently.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(continued)*

2. Directors' interests as a shareholder of competing business

As at 31 December 2008, the interests of Directors or their respective associates in businesses which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

Name of the Company's Director	Name of company in which the relevant Director is a shareholder	Principal activities of the competing company	Interest of the relevant Director in the competing company
Mr. Zhu Gong Shan	Taicang Harbour Power Plant	Operation of a cogeneration in Taicang, Jiangsu, the PRC	Mr. Zhu and his associate owns an aggregate interest of 37%
	Nanjing Cogeneration Plant	Operation of a cogeneration plant in Nanjing, Jiangsu, the PRC	Mr. Zhu, through companies controlled by him, holds 100% interest
	Longgu Cogeneration Plant	Operation of a power plant in Longgu, Peixian, Jiangsu, the PRC	Mr. Zhu, through companies controlled by him, holds 59% interest
	Guohua Taicang Power Plant	Operation of a power plant in Taicang, Jiangsu, the PRC	Mr. Zhu and his associate owns an interest of 18.5%
	Lanxi Cogeneration Plant	Operation of a cogeneration plant in Lanxi, Zhejiang, the PRC	Mr. Zhu, through companies controlled by him, holds 100%
	Guangzhou Yonghe Project	the cogeneration power plant is in the pre-construction stage	Mr. Zhu, beneficially owns 100% interest
	Lianyungang Baoxin Biomass Cogeneration Plant	the cogeneration power plant is in the pre-construction stage	Mr. Zhu, beneficially owns 100% interest

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(continued)*

2. Directors' interests as a shareholder of competing business *(continued)*

Names of the Company's Director	Name of company in which the relevant Director is a shareholder	Principal activities of the competing company	Interest of the relevant Director in the competing company
	Dongwu Cogeneration Plant	Operation of a cogeneration power plant in Suzhou, Jiangsu, the PRC	Mr. Zhu, through company controlled by him, holds 10% interest
	Xuzhou Incineration Power Plant	pre-construction stage of an incineration power plant in Xuzhou, Jiangsu, the PRC	Mr. Zhu, through company controlled by him, holds 100% interest
	Xuzhou Jinshanqiao Cogeneration Power Plant	Operation of a cogeneration plant in Xuzhou, Jiangsu, the PRC	Mr. Zhu, through him and his associate, controls 100% interest
	Jiema Hydropower Station	Construction stage of a hydro-power station in Sichuan, the PRC	Mr. Zhu through his associate controls 70% equity interest

DEED OF NON-COMPETITION

Highexcel Investments Limited, Mr. Zhu Gong Shan and Mr. Zhu Yu Feng, collectively the "Covenantors", entered into a deed of non-competition ("Non-Competition Deed") in favour of the Company on 27 October 2007. Under the Non-Competition Deed, the Covenantors have granted to the Company options under which the Company has the right to acquire their interests in the Nanjing Cogeneration Plant, the Longgu Cogeneration Plant, the Taicang Harbour Power Plant, the Guohua Taicang Power Plant, the Lanxi Cogeneration Plant, Yonghe Project and Lianyungang Baoxin Biomass Cogeneration Project subject to the terms and at the consideration as set out at the Non-Competition Deed. In addition, each of the Covenantors undertakes, inter alia, offer to the Group (i) an option to acquire such interests at a fair market value to be agreed by the parties; and (ii) the first right of refusal for any business opportunity which he/it has acquired after the execution of the Non-Competition Deed.

Report of the Directors

DEED OF NON-COMPETITION *(continued)*

Two meetings were held in 2008 and one meeting was attended by all the independent non-executive Directors and another meeting by three independent non-executive Directors. Representative(s) from the Covenantors had also attended these two meetings. During these meetings, the independent non-executive Directors reviewed the business portfolios of the Covenantors in relation to the business of the Group (which is listed under the section headed "Directors' Interests as a shareholder of Competing Business" of this report) and considered whether there were any opportunities to operate such business portfolios. Full information on the status of operation or development, shareholders and financial position of each of the projects under the business portfolios was provided by the Covenantors to the independent non-executive Directors for their review and consideration.

Up to the date of this report, Nanjing Cogeneration Plant and Longgu Cogeneration Plant had resolved all outstanding issues as stated in the Prospectus, including: (i) obtaining the land use right certificate and buildings ownership certificate by Nanjing Cogeneration Plant; and (ii) completion of the shareholding re-structure by the minority shareholders of Longgu Cogeneration Plant. Taicang Harbour Power Plant is implementing technological changes to supply steam in addition to electricity, which are in line with the Group's business.

The Covenantors have provided confirmations to the Company that they have complied with the Non-Competition Deed and provided all information necessary for the updating of the independent non-executive Directors in relation to the business portfolios and the independent non-executive Directors confirmed that the non-competition undertakings have been complied with.

EMOLUMENT POLICY

The emolument policy of the Group to reward its employees is based on their performance, qualifications, competence and market comparables. Remuneration package generally comprises salary, housing allowance, contribution to pension schemes and bonuses relating to the profit of the relevant company.

The remuneration package of the executive Directors and the senior management are also linked more to the performance of the Group and the return to its shareholders. This is achieved by way of share option schemes. The remuneration policy of the executive Directors and the Group's senior management is overseen by the Remuneration Committee of the Company.

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme as an incentive to Directors and eligible employees, details of the schemes are set out under the section headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in this report and in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or relevant laws of the Cayman Islands which would oblige the Company offer new Shares on a pro rata basis to the existing shareholders.

USE OF PROCEEDS

The net proceeds from the Company's initial public offering, after deduction of related expenses, amounted to HK$1,042.0 million. The proceeds have been applied for in the year ended 31 December 2008 progressively and in accordance with the uses as set out in the Prospectus.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In 2008, the Group's largest supplier accounted for 22% of total purchases. The five largest suppliers accounted for 60% of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at fair market terms.

The Group's largest customer accounted for 52% of our revenue for the year 2008. In 2008, the Group's five largest customers accounted for 64% of our revenue.

To the best knowledge of the Directors, there is no Directors or any of their associates or any shareholder who holds more than 5% of the ordinary shares of the Company has any interests in the suppliers or customers disclosed above.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 39 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

AUDITOR

The financial statements for the year ended 31 December 2008 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire on conclusion of the forthcoming annual general meeting. A resolution for re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

POST BALANCE SHEET EVENTS

Details of the post balance events of the Group are set out in the note 38 to the consolidated financial statements.

On behalf of the Board

Zhu Gong Shan
Chairman

Hong Kong, 25 March 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF GCL-POLY ENERGY HOLDINGS LIMITED
保利協鑫能源控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 147 which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 *(Restated)*
Revenue	8	**3,693,330**	1,844,661
Cost of sales		**(3,196,020)**	(1,482,227)
Gross profit		**497,310**	362,434
Other income	10	**168,476**	109,245
Distribution and selling expenses		**(7,093)**	–
Administrative expenses		**(213,426)**	(142,594)
Other expenses		**(24,352)**	(66,633)
Profit from operations		**420,915**	262,452
Finance costs	11	**(258,746)**	(161,513)
Share of results of associates	19	**44,693**	19,772
Loss on increase in fair value of convertible note	29	**–**	(339,738)
Discount on acquisition of a subsidiary	32	**–**	3,188
Profit (loss) before tax		**206,862**	(215,839)
Income tax (expense) credit	12	**(27,140)**	4,027
Profit (loss) for the year	13	**179,722**	(211,812)
Attributable to:			
Equity holders of the Company		**131,298**	(266,744)
Minority interests		**48,424**	54,932
		179,722	(211,812)
		RMB	RMB
Earnings (loss) per share – Basic	16	**0.14**	(0.57)

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	**4,948,386**	4,657,533
Prepaid lease payments	18	**227,824**	234,132
Interests in associates	19	**245,322**	72,992
Goodwill	20	**116,011**	116,703
Other intangible assets	21	**14,053**	14,795
Available-for-sale investments	22	**8,692**	11,660
Pledged bank deposits	25	**56,359**	–
Deferred tax assets	30	**14,503**	11,376
Deposits for acquisitions of property, plant and equipment		**31,000**	–
		5,662,150	5,119,191
CURRENT ASSETS			
Inventories	23	**258,804**	125,985
Trade and other receivables	24	**468,489**	546,793
Prepaid lease payments	18	**8,608**	8,952
Amounts due from related companies	26	**25,785**	19,326
Tax recoverables		**943**	614
Pledged bank deposits	25	**231,034**	241,931
Bank balances and cash	25	**413,727**	804,048
		1,407,390	1,747,649
CURRENT LIABILITIES			
Trade and other payables	27	**827,485**	615,402
Amounts due to related companies	26	**54,003**	45,606
Tax payables		**8,474**	4,589
Borrowings – due within one year	28	**1,652,066**	1,491,706
		2,542,028	2,157,303
NET CURRENT LIABILITIES		**(1,134,638)**	(409,654)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,527,512**	4,709,537
NON-CURRENT LIABILITIES			
Deferred income		**74,510**	62,373
Borrowings – due after one year	28	**1,597,181**	1,987,981
Deferred tax liabilities	30	**32,094**	22,303
		1,703,785	2,072,657
NET ASSETS		**2,823,727**	2,636,880

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
CAPITAL AND RESERVES			
Share capital	31	**92,779**	92,779
Reserves		**2,322,978**	2,180,012
Equity attributable to equity holders of the Company		**2,415,757**	2,272,791
MINORITY INTERESTS		**407,970**	364,089
TOTAL EQUITY		**2,823,727**	2,636,880

The consolidated financial statements on pages 70 to 147 were approved and authorised for issue by the Board of Directors on 25 March 2009 and are signed on its behalf by:

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 *(note a)*	Contribution from a shareholder RMB'000	Other reserves RMB'000 *(note b)*	Share options reserve RMB'000	Investment revaluation reserve RMB'000 *(note c)*	(Deficit) retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007 *(Restated)* *(Restated)*	101	102,736	115,972	59,519	2,843	–	–	34,004	315,175	206,881	522,056
Revaluation arising from acquisition of subsidiaries *(note 32)*	–	–	–	–	–	–	6,390	–	6,390	–	6,390
(Loss) profit for the year	–	–	–	–	–	–	–	(266,744)	(266,744)	54,932	(211,812)
Total recognized income (expenses) for the year	–	–	–	–	–	–	6,390	(266,744)	(260,354)	54,932	(205,422)
Issue of new shares upon conversion of convertible note	19,394	775,749	–	–	–	–	–	–	795,143	–	795,143
Capitalisation issue	37,038	(37,038)	–	–	–	–	–	–	–	–	–
Issue of new shares for acquisition of subsidiaries and an associate *(note 31)*	8,770	350,779	–	–	–	–	–	–	359,549	–	359,549
Issue of new shares for cash	27,476	1,099,054	–	–	–	–	–	–	1,126,530	–	1,126,530
Issue costs of new shares	–	(79,315)	–	–	–	–	–	–	(79,315)	–	(79,315)
Acquisitions of subsidiaries *(note 32)*	–	–	–	–	–	–	–	–	–	178,815	178,815
Capital contribution arising from acquisitions of subsidiaries from a shareholder *(note 32)*	–	–	–	5,736	–	–	–	–	5,736	–	5,736
Capital contribution arising from acquisition of an associate from a shareholder *(note 19)*	–	–	–	8,227	–	–	–	–	8,227	–	8,227
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	1,039	1,039
Transfer of ownership of subsidiaries to the Group	–	–	–	–	–	–	–	–	–	1,169	1,169
Employee share option	–	–	–	–	–	2,100	–	–	2,100	–	2,100
Transfer to reserves	–	–	–	–	7,345	–	–	(7,345)	–	–	–
Dividends to minority shareholders	–	–	–	–	–	–	–	–	–	(78,747)	(78,747)
At 31 December 2007 and 1 January 2008 *(Restated)*	**92,779**	**2,211,965**	**115,972**	**73,482**	**10,188**	**2,100**	**6,390**	**(240,085)**	**2,272,791**	**364,089**	**2,636,880**
Profit and total recognised income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131,298**	**131,298**	**48,424**	**179,722**
Capital contribution arising from acquisition of an associate from a shareholder *(note 19)*	**-**	**-**	**-**	**915**	**-**	**-**	**-**	**-**	**915**	**-**	**915**
Contribution from a minority shareholder	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,600**	**1,600**
Employee share option	**-**	**-**	**-**	**-**	**-**	**10,753**	**-**	**-**	**10,753**	**-**	**10,753**
Transfer to reserves	**-**	**-**	**-**	**-**	**8,044**	**-**	**-**	**(8,044)**	**-**	**-**	**-**
Dividends to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,143)**	**(6,143)**
At 31 December 2008	**92,779**	**2,211,965**	**115,972**	**74,397**	**18,232**	**12,853**	**6,390**	**(116,831)**	**2,415,757**	**407,970**	**2,823,727**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

Notes:

(a) Capital reserve represents the excess of the net assets of subsidiaries acquired by the Company under the group reorganisation over consideration paid.

(b) Other reserves represent the aggregate amount of reserve fund and enterprise development fund.

Pursuant to a Board resolution of each relevant subsidiary established in the PRC, the subsidiary is required to transfer 3% of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund until the fund balance reaches 50% of the registered capital of the subsidiary. The transfer to this fund must be made before distributing dividends to shareholders. The fund can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary.

Pursuant to a Board resolution of each relevant subsidiary established in the PRC, the subsidiary is required to transfer 2% of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the enterprise development fund. The fund can only be used for development and is not available for distribution to shareholders.

(c) Investment revaluation reserve represents the differences between the fair value and carrying amount of the net assets attributable to the previous interest in the associates when the acquisition of a subsidiary is achieved in stages .

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit (loss) before tax		**206,862**	(215,839)
Adjustments for:			
Interest expenses		**258,746**	161,513
Depreciation		**245,530**	159,173
Release of prepaid lease payments		**8,572**	3,502
Amortization of intangible assets		**742**	49
Loss on disposal of property, plant and equipment		**3,288**	110
Exchange loss		**12,610**	11,755
Share of results of associates		**(44,693)**	(19,772)
Interest income		**(17,505)**	(10,496)
Waiver of other payable		**(4,070)**	–
Amortisation of connection fee income		**(5,957)**	(2,329)
Share based payment expense		**10,753**	2,100
Allowance for trade and other receivables		**4,794**	4,270
Impairment of goodwill		**692**	–
Impairment of available-for-sale investments		**2,968**	–
Loss on increase in fair value of convertible note		**–**	339,738
Subscription interest income		**–**	(22,293)
Discount on acquisition of a subsidiary	*32*	**–**	(3,188)
Operating cash flows before movements in working capital		**683,332**	408,293
Increase in inventories		**(132,819)**	(19,374)
Decrease (increase) in trade and other receivables		**74,209**	(86,107)
(Increase) decrease in amounts due from related companies		**(16,819)**	22,277
Increase (decrease) in trade and other payables		**24,985**	(46,637)
Increase (decrease) in amounts due to related companies		**9,755**	(88,176)
Increase in deferred income		**18,094**	26,793
Cash generated from operations		**660,737**	217,069
Income taxes paid		**(16,920)**	(3,072)
NET CASH FROM OPERATING ACTIVITIES		**643,817**	213,997

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(335,633)**	(256,355)
Value-added tax refund on purchase of plant and machinery		**36,868**	13,945
Increase in deposits for acquisition of property, plant and equipment		**(31,000)**	–
Acquisitions of subsidiaries	*32*	**(16,568)**	(88,194)
Acquisitions of associates	*19*	**(145,988)**	(26,633)
Acquisition of prepaid lease payments		**(1,920)**	(7,604)
Increase in pledged bank deposits		**(41,603)**	(34,150)
Repayment from related companies		**10,681**	86,209
Proceeds on disposal of property, plant and equipment		**3,646**	1,275
Interest received		**12,947**	10,496
Dividend from an associate		**18,945**	53,187
Acquisitions arising from achieving control on associates	*32*	**–**	100,921
Subscription interest received		**–**	22,293
Decrease in loan receivable		**–**	600
NET CASH USED IN INVESTING ACTIVITIES		**(489,625)**	(124,010)
FINANCING ACTIVITIES			
New loans raised		**1,524,858**	963,900
Repayments of borrowings		**(1,755,298)**	(785,007)
Advance from related companies		**(4,799)**	(151,346)
Dividends paid to minority shareholders		**(46,483)**	(47,437)
Interest paid		**(251,781)**	(162,468)
Contribution from minority shareholders		**1,600**	1,039
Proceeds from issue of new shares		**–**	1,126,530
Redemption of convertible note		**–**	(328,518)
Issue cost of new shares		**–**	(78,380)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(531,903)**	538,313
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(377,711)**	628,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**804,048**	187,503
Effect of foreign exchange rate changes		**(12,610)**	(11,755)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**413,727**	804,048

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 12 July 2006 under the Companies Law, Cap 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2007. The address of the registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Suite 3601–3604, Two Exchange Square, 8 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are development, construction, management and operation of cogeneration and power plants and trading of coal in the People's Republic of China (the "PRC").

Change of Presentation Currency

The directors considered Renminbi ("RMB") as the functional currency of the group entities as the principal operations of the Company and its subsidiaries (the "Group") are conducting businesses in the PRC in which those transactions are predominantly denominated in RMB. The Group used Hong Kong Dollars ("HK$") as the presentation currency for the convenience of the readers. During the year ended 31 December 2008, the Group implemented a new ERP accounting system and the directors considered it is more appropriate and convenient to use RMB as both the functional and presentation currency on the financial reporting for the Company. As a result, the comparative figures have been restated and resulted in the decrease of exchange reserve of approximately HK$76,892,000 for the year ended 31 December 2007.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group finance its capital intensive operations by short–term and long–term bank borrowings and shareholders' equity. It had net current liabilities of approximately RMB1,134,638,000 as at 31 December 2008 with short–term bank borrowings of approximately RMB1,267,163,000 which will be matured in 2009. The directors of the Company believe those short–term bank borrowings could be renewed on an annual basis at the discretion of the Company within the limit approved by banks.

As at the reporting date, the Group has renewed short–term bank borrowings of approximately RMB151,500,000 with banks and with corresponding maturity dates extended to 2010. Further, subsequent to year end, the Group has obtained direct confirmations from certain banks which stated that they do not foresee any reasons to withdraw in the foreseeable future the existing facilities of the above mentioned short–term bank borrowings in the aggregate amount of RMB1,093,663,000 and expect to renew the relevant loan facilities with similar terms upon maturity. The Group has obtained additional banking facilities of approximately RMB120,000,000 from banks for operating use subsequent to year end.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the balance sheet date. Hence, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC–Int 11	IFRS 2: Group and Treasury Share Transactions
IFRIC–Int 12	Service Concession Arrangements
IFRIC–Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellation[2]
IFRS 3 (Revised)	Business Combination[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC 17	Distributions of Non–cash Assets to Owners[3]
IFRIC 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfers on or after 1 July 2009

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

The application of IFRS 3 (revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (revised) will affect the accounting treatment on changes to the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which were measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are consolidated or deconsolidated respectively in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra–group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests as at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined when they first came under common control.

Business combination other than entities under common control

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss, whereas the acquisition from the equity holders of the Company, the excess is recognised in equity.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination achieved in stages

When a business combination involves more than one exchange transaction, each exchange transaction is treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction. The acquiree's net assets are stated at fair value at the date of acquisition when control is achieved. Any adjustment to those fair values relating to previously held interests (including but not limited to interests which were equity accounted under IAS 28 "*Investments in Associates*") of the acquirer is a revaluation and is accounted for as an adjustment directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash–generating units, or groups of cash–generating units, that are expected to benefit from the synergies of the acquisition. A cash–generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash–generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash–generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the business, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for pre-acquisition dividends and post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equal or exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss, whereas the acquisition from the equity holders of the Company, the excess is recognised in equity.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Payment for obtaining land use rights is accounted for as prepaid lease payments and is charged to the consolidated income statement on a straight line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC and the remaining of operating licence of the PRC entities, which ever is the shorter.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight–line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment losses on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of electricity is recognised when electricity has been delivered on grid and measured at tariff determined by the relevant local government authority.

Revenue from the sales of steam is recognised when steam has been delivered and measured at prices specified under the terms of the relevant contracts.

Sales of coal and scrap materials are recognised when the goods are delivered and title has passed.

Consultancy fee and management fee income are recognised when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

Connection fee income in relation to transmission of steam is recognised on a straight line basis over the period of expected lives of steam transmission services with reference to the terms of the operating licence of the relevant entities.

Deferred income

Deferred income represents connection fee income not yet recognised in relation to steam transmission services.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight–line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight–line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight–line basis.

Foreign currencies

The functional currency of the Company and its subsidiaries is RMB. The consolidated financial statements are also presented in RMB.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non–monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non–monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

Retirement benefit costs

Payments to defined contribution retirement benefit plans or state–managed retirement benefit schemes or the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs (other than financial assets and financial liabilities at fair value through profit or loss) that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available–for–sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non–derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held–to–maturity investments.

At each balance sheet date subsequent to initial recognition, available–for–sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Convertible note of the Company was designated at FVTPL on initial recognition.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL were measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss included any interest paid on the financial liabilities.

Convertible note

The convertible note of the Company consisted of the liability component and embedded derivatives (such as embedded conversion option, early redemption option and interest adjustment derivative). Conversion options that were not settled by the exchange of a fixed amount for a fixed number of the Company's equity instrument was considered as embedded derivatives not closely related to the host contract (the liability component).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Convertible note (continued)

The Group elected to designate its convertible note with embedded derivatives as financial liabilities at FVTPL on initial recognition. At each balance sheet date subsequent to initial recognition, the entire convertible note was measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Transaction costs that were directly attributable to the issue of the convertible note designated as financial liabilities at FVTPL were recognised immediately in profit or loss.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Transaction costs of equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Transaction costs related jointly to concurrent offering of some shares and listing of shares are allocated using a basis of allocation that is rational and consistent with similar transactions.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and key sources of estimation uncertainty at 31 December 2008, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write–off or write–down obsolete or non–strategic assets that have been abandoned or sold. As at 31 December 2008, the carrying amount of property, plant and equipment is RMB4,948,386,000 (2007: RMB4,657,533,000 restated).

Estimated impairment of trade and other receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade and other receivables is RMB468,489,000 (2007: RMB546,793,000 restated), net of allowance for doubtful debts of RMB10,564,000 (2007: RMB5,770,000 restated).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Expected lives of steam transmission services in relation to the recognition of connection fee income

The Group's management determines the estimated lives of steam transmission services in relation to the recognition of connection fee income with reference to the remaining terms of the operating licence of the relevant entities. This estimate is based on the historical experience with respect to the estimated useful lives of steam transmission services of similar nature and functions. Management will accelerate the recognition of connection fee income where the actual service periods of steam transmission are shorter than the estimated lives of steam transmission services. As at 31 December 2008, the carrying amount of deferred connection fee income is RMB74,510,000 (2007: RMB62,373,000, restated).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consist of debts, which includes amounts due to related companies and borrowings, as disclosed in notes 26 and 28 respectively, net of bank balances and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a periodical basis. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issue of new shares, new debts or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,132,688**	1,496,304
Available–for–sale financial assets	**8,692**	11,660
Financial liabilities		
Amortised cost	**4,057,131**	4,078,268

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, amounts due from (to) related companies, borrowings, pledged bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments includes market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rate risk and foreign currency rate risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from 2007. Details of each type of market risks are described as follows:

(i) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed–rate pledged bank deposits and bank deposits and fixed–rate borrowings (see note 28 for details of these borrowings). The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the pledged bank deposits, bank deposits and borrowings.

The Group's cash flow interest rate risk relates primarily to variable–rate borrowings (see note 28 for details of these borrowings) and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

It is the Group's policy to maintain an appropriate level between its fixed–rate and variable–rate borrowings so as to minimise the fair value and cash flow interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to interest rates for variable–rate borrowings and bank balances at the balance sheet date. In the opinion of the directors, the variable-rate bank balances are not interest sensitive to the market risk, and accordingly, no such sensitivity analysis is presented. For variable–rate borrowings, the analysis is prepared assuming the variable–rate borrowings outstanding at the balance sheet date were outstanding throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by approximately RMB9,555,000 (2007: loss for the year increase/decrease by approximately RMB8,439,000, restated). This is mainly attributable to the Group's exposure to interest rates on its variable–rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable–rate borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

(ii) Currency risk

The Group does not have significant exposure to foreign currency risk as majority of the Group's operations are in the PRC and transactions are denominated in RMB which is the functional currency of the group entities except for certain bank balances denominated in Hong Kong dollars ("HK$") and United States dollars ("US$"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2008 are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
HK$	**2,175**	48,994	**2,818**	–
US$	**33,133**	306,447	**–**	–

As at 31 December 2007, part of the bank balances kept as bank deposits were the proceeds raised from IPO not yet utilised and were denominated in HK$ and United States Dollars ("US$"), which are not the functional currency of the relevant group entities and hence expose the Group to foreign currency risk.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% increase and decrease in RMB against the US$ and HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If RMB had strengthened/weakened 5% against HK$, the Group's profit for the year ended 31 December 2008 would have increased/decreased by RMB32,000 (2007: loss for the year decreased/increased by RMB2,450,000, restated). If RMB had strengthened/weakened 5% against US$, the Group's profit for the year ended 31 December 2008 would have decreased /increased by RMB1,656,000 (2007: loss for the year increased/decreased by RMB15,322,000, restated).

The Group's sensitivity to foreign currency has decreased during the current year mainly due to conversion of bank deposits from US$ and HK$ to RMB.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has been dependent on the local electric power bureaus and a small number of steam customers for a substantial portion of its business. The local electric power bureaus accounted for a total of 57% (2007: 68%) of the Group's trade receivables as at 31 December 2008. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's results. The management considers that the local electric power bureaus are state–owned and have strong financial ability and good creditability and accordingly, there is no significant credit risk.

The credit risk on liquid funds is limited because the counterparties are reputable banks in PRC and Hong Kong.

Liquidity risk

The Group has net current liabilities amounting to approximately RMB1,134,638,000 at 31 December 2008 (2007: RMB409,654,000, restated). The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of bank borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group has borrowings of approximately RMB3,249,247,000 (2007: RMB3,479,687,000, restated). Details of which are set out in note 28.

As mentioned in note 2, the directors of the Company believe the short–term bank borrowings of approximately RMB1,267,163,000 could be renewed on an annual basis at the discretion of the Company within the limit approved by banks and accordingly they are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2008								
Trade and other payables	–	667,786	86,095	–	–	–	753,881	753,881
Amounts due to related companies	–	54,003	–	–	–	–	54,003	54,003
Fixed-rate borrowings	6.55	215,934	688,875	4,364	58,713	–	967,886	918,663
Variable-rate borrowings	7.04	84,988	844,386	545,814	753,446	594,725	2,823,359	2,330,584
		1,022,711	1,619,356	550,178	812,159	594,725	4,599,129	4,057,131
At 31 December 2007 *(Restated)*								
Trade and other payables *(Restated)*	–	531,739	21,236	–	–	–	552,975	552,975
Amounts due to related companies *(Restated)*	–	45,606	–	–	–	–	45,606	45,606
Fixed-rate borrowings *(Restated)*	6.78	231,121	790,326	99,683	354,631	220,454	1,696,215	1,493,960
Variable-rate borrowings *(Restated)*	7.29	87,227	593,282	395,640	557,005	626,393	2,259,547	1,985,727
		895,693	1,404,844	495,323	911,636	846,847	4,554,343	4,078,268

c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at cost or amortised cost in the consolidated financial statements approximate their corresponding fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Sales of electricity	**2,188,735**	1,470,168
Sales of steam	**827,214**	374,493
Sales of coal	**677,381**	–
	3,693,330	1,844,661

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is principally engaged in development, construction, management and operation of power plants and trading of coal in PRC.

After the initial public offering ("IPO") in November 2007, the Group acquired 7 subsidiaries which composed of 6 cogeneration plants (fuelled by coal and other low heat value fuels) and a coal trading company. The Group also acquired 2 associates which are engaged in cogeneration plants fuelled by natural gas and coal and coal sludge respectively. Their performance and results were accounted into the financial statements of the Group since their respective dates of acquisitions. Besides, 2 cogeneration plants fuelled by biomass fuels were approved as biomass power plants by the PRC Government in November 2007.

For management purposes, the Group classified its business into five business segments in the current year. Two additional segments, namely biomass fuelled plants and coal trading were introduced in the current year as a result of the conversion of coal fuelled plants to biomass fuelled plants and the acquisitions set out above.

1. Coal fuelled & resources comprehensive utilisation ("RCU") plants: cogeneration plants fuelled by coal, gangue, coal sludge and other low heat value fuels.

2. Gas fuelled plants: cogeneration plant mainly fuelled by natural gas.

3. Biomass fuelled plants: cogeneration plants mainly fuelled by biomass materials.

4. Coal trading: procurement and sales of coal for intra–group cogeneration plants and other external customers.

5. Incineration plant & others: including a municipal solid waste incineration plant, a wind power plant (which is currently under construction) and other activities relating to the power plant industry.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segmental information about these businesses are presented below:

Consolidated Income Statement

For the year ended 31 December 2008

	Coal-fuelled & RCU plants RMB'000	Gas-fuelled plant RMB'000	Biomass fuelled plants RMB'000	Coal trading RMB'000	Incineration plant & Others RMB'000	Consolidated RMB'000
Revenue	1,755,853	1,005,983	274,069	1,556,106	20,843	4,612,854
Inter-segment sales	–	–	–	(919,524)	–	(919,524)
External sales	1,755,853	1,005,983	274,069	636,582	20,843	3,693,330
Segment result	200,680	164,478	40,359	26,106	41,589	473,212
Unallocated income						17,505
Unallocated expense						(69,802)
Finance costs						(258,746)
Share of results of associates	2,118	42,575	–	–	–	44,693
Profit before tax						206,862
Income tax expenses						(27,140)
Profit for the year						179,722

Inter–segment sales are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Consolidated Balance Sheet

At 31 December 2008

	Coal-fuelled & RCU plants RMB'000	Gas-fuelled plant RMB'000	Biomass fuelled plants RMB'000	Coal trading RMB'000	Incineration plant & Others RMB'000	Consolidated RMB'000
Assets						
Segment assets	3,729,074	1,117,592	626,463	73,790	542,466	6,089,385
Interests in associates	74,788	170,534	–	–	–	245,322
Unallocated corporate assets						734,833
Consolidated total assets						7,069,540
Liabilities						
Segment liabilities	539,654	85,787	44,851	48,952	248,939	968,183
Unallocated corporate liabilities						3,277,630
Consolidated total liabilities						4,245,813

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Other Information

For the year ended 31 December 2008

	Coal-fuelled & RCU plants RMB'000	Gas-fuelled plant RMB'000	Biomass fuelled plants RMB'000	Coal trading RMB'000	Incineration plant & Others RMB'000	Consolidated RMB'000
Capital additions of property, plant and equipment	170,485	28,897	41,742	1,052	338,009	580,185
Capital additions of prepaid lease payments	1,920	–	–	–	–	1,920
Depreciation of property, plant and equipment	172,425	51,165	12,824	728	8,388	245,530
Release of prepaid lease payments to income statement	7,680	356	156	–	380	8,572
Amortisation of intangible assets	742	–	–	–	–	742
Impairment of available-for-sale investments	2,968	–	–	–	–	2,968
Impairment of goodwill	692	–	–	–	–	692
Allowance on trade and other receivables	4,622	–	172	–	–	4,794
Loss on disposal of property, plant and equipment	3,104	4	–	165	15	3,288

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Consolidated Income Statement

For the year ended 31 December 2007

	Coal-fuelled & RCU plants RMB'000 *(Restated)*	Gas-fuelled plant RMB'000 *(Restated)*	Incineration plant & Others RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Revenue – External sales	1,145,241	683,760	15,660	1,844,661
Segment result	195,569	105,166	29,732	330,467
Unallocated income				32,789
Unallocated expense				(100,804)
Finance costs				(161,513)
Share of results of associates	18,134	1,638	–	19,772
Loss on increase in fair value of convertible note				(339,738)
Discount on acquisition of a subsidiary				3,188
Loss before tax				(215,839)
Income tax credit				4,027
Loss for the year				(211,812)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Consolidated Balance Sheet

At 31 December 2007

	Coal-fuelled & RCU plants RMB'000 *(Restated)*	Gas-fuelled plant RMB'000 *(Restated)*	Incineration plant & Others RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Assets				
Segment assets	4,306,477	1,173,831	251,931	5,732,239
Interests in associates	72,992	–	–	72,992
Unallocated corporate assets				1,061,609
Consolidated total assets				6,866,840
Liabilities				
Segment liabilities	502,875	117,378	82,660	702,913
Unallocated corporate liabilities				3,527,047
Consolidated total liabilities				4,229,960

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Other Information

For the year ended 31 December 2007

	Coal–fuelled & RCU plants RMB'000 *(Restated)*	Gas–fuelled plant RMB'000 *(Restated)*	Incineration plant & Others RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Capital additions of property, plant and equipment	1,573,095	1,023,430	3,171	2,599,696
Capital additions of prepaid lease payments	153,222	17,028	–	170,250
Depreciation of property, plant and equipment	110,918	40,020	8,235	159,173
Release of prepaid lease payments to income statement	2,827	295	380	3,502
Amortisation of intangible assets	49	–	–	49
Loss on disposal of property, plant and equipment	110	–	–	110
Allowance on trade and other receivables	4,270	–	–	4,270

Geographical segments

Substantially all of Group's assets are located in the PRC and operations were substantially carried out in the PRC. Accordingly, no geographical segment information for the year is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. OTHER INCOME

	2008 RMB'000	2007 RMB'000 *(Restated)*
Government grants *(Note 40)*	**60,483**	42,697
Consultancy fee income *(Note a)*	**36,646**	–
Interest income	**17,505**	10,496
Sales of scrap materials	**14,526**	8,745
Management fee income	**14,111**	12,573
Waiver of other payables	**4,070**	–
Amortisation of connection fee income	**5,957**	2,329
Rental income	**3,166**	4,027
Others	**12,012**	6,085
Subscription interest income *(Note b)*	**–**	22,293
	168,476	109,245

Note:

(a) Consultancy fee income mainly represents (i) provision for consultancy services for the construction of steam supply pipes for the property developer to supply steam to its customers; (ii) provision of consultancy services on the setting up of operation and management system and maintenance services for a power plant and boilers facilities; and (iii) provision of technical support and consultancy services for planning and organization of the preliminary work, including the application of preliminary approval, equipment selection, construction design, open bid preparation and contract review, before the commencement of construction of power generation facilities.

(b) The subscription interest income was the interest income generated from the subscription period before the listing of the Company on the Stock Exchange.

11. FINANCE COSTS

	2008 RMB'000	2007 RMB'000 *(Restated)*
Interest on:		
Bank borrowings	**245,021**	161,947
Discounted bills	**13,387**	4,227
Other finance costs	**338**	214
Total borrowing costs	**258,746**	166,388
Less: Interest capitalised	**–**	(4,875)
	258,746	161,513

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. INCOME TAX (EXPENSE) CREDIT

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
The tax (expense) credit comprises:		
Current tax:		
Current year	**(20,117)**	(4,579)
(Under) overprovision in prior years	**(359)**	517
	(20,476)	(4,062)
Deferred tax *(note 30)*	**(6,664)**	8,089
	(27,140)	4,027

The income tax (expense) credit for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC.

Prior to 1 January 2008, pursuant to the then relevant laws and regulations in the PRC, foreign invested enterprises that were engaged in the energy industry, upon approval by the State Administration of Taxation, enjoyed a preferential enterprise income tax rate of 15% on the assessable profits. All PRC subsidiaries engaged in energy industry enjoyed this preferential tax rate. In addition, certain PRC subsidiaries were exempted from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from their first profit making year and followed by a 50% reduction on the FEIT for the next three years.

In addition, some cogeneration plants within the Group were granted income tax deduction for procuring domestic power generation equipment.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and Implementation Regulation have imposed a single income tax rate of 25% for all PRC enterprises with effect from 1 January 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), those entities that previously enjoyed tax incentive rate of 15% would have to increase their applicable tax rate progressively to 25% over a five–year transitional period. The tax exemption and deduction from FEIT for the foreign investment enterprises is still applicable until the end of the five–years transitional period under the New Law based on the revised income tax rate.

Tax rate of 18% (2007: 15%) is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for year ended 31 December 2008.

The subsidiaries located in other jurisdictions, have no assessable profits for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. INCOME TAX (EXPENSE) CREDIT *(continued)*

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the year.

The Group, which has subsidiaries that are tax resident in the PRC, is subject to the PRC dividend withholding tax of 5% or 10% for those non PRC resident immediately holdings company registered in Hong Kong and British Virgin Islands respectively, when and if undistributed earnings are declared to be paid as dividends commencing on 1 January 2008 to the extent those dividends are paid out of profits that arose on or after 1 January 2008. Accordingly, a provision for dividend withholding tax of RMB10,495,000 has been recognised for the year ended 31 December 2008.

The tax (expense) credit for the year can be reconciled to the profit (loss) before tax as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Profit (loss) before tax	**206,862**	(215,839)
Tax at the PRC tax rate of 18% (2007: 15%)	**(37,235)**	32,375
Tax effect of expenses not deductible for tax purposes	**(10,378)**	(66,595)
Tax effect of different tax rate of subsidiaries	**(1,639)**	(153)
Tax effect of share of results of associates	**8,045**	2,966
Tax effect of income not taxable for tax purposes	**2,338**	5,581
Effect of tax exemption/deduction granted to PRC subsidiaries	**28,953**	28,874
(Under) overprovision in prior years	**(359)**	517
Tax effect of tax losses not recognised	**(6,798)**	–
Withholding tax	**(10,495)**	–
Others	**428**	–
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rates	**–**	462
Tax (expense) credit for the year	**(27,140)**	4,027

Details of movements in deferred tax have been set out in note 30.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. PROFIT (LOSS) FOR THE YEAR

	2008 RMB'000	2007 RMB'000 *(Restated)*
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**148,510**	99,342
Share based payment expense	**10,753**	2,100
Retirement benefits scheme contributions	**7,765**	6,106
Total staff costs	**167,028**	107,548
Auditor's remuneration	**4,839**	4,315
Cost of inventories recognised as expense	**2,760,370**	1,179,678
Depreciation	**245,530**	159,173
Release of prepaid lease payments to income statement	**8,572**	3,502
Amortisation of intangible assets (included in administrative costs)	**742**	49
Allowance for trade and other receivables	**4,794**	4,270
Impairment of available-for-sale investments	**2,968**	–
Impairment of goodwill	**692**	–
Exchange loss, net	**12,610**	11,755
Loss on disposal of property, plant and equipment	**3,288**	110
Listing expenses	**–**	50,498

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

(a) Directors' emoluments

The emoluments paid or payable to each director are set out below:

For the year ended 31 December 2008

Name of director	Directors' fee RMB'000	Salaries and other benefit RMB'000	Retirement benefits scheme contributions RMB'000	Share based payment RMB'000	Total RMB'000
Mr. ZHU Gong Shan	–	–	–	–	–
Mr. SHA Hong Qiu	–	1,883	67	633	2,583
Mr. JI Jun	–	1,526	15	565	2,106
Mr. SHU Hua	–	1,227	49	565	1,841
Mr. YU Bao Dong	–	1,398	43	565	2,006
Ms. SUN Wei	–	–	–	565	565
Mr. LAU Wai Yip *(Note 1)*	–	784	24	–	808
Mr. TONG Yee Ming *(Note 2)*	–	917	41	–	958
Mr. LAW Ryan Wing Cheung *(Note 1)*	–	–	–	–	–
Mr. TAM Chor Kiu *(Note 2)*	–	–	–	–	–
Mr. QIAN Zhi Xin	89	–	–	–	89
Mr. HENG Kwoo Seng	178	–	–	–	178
Ir Dr. HO Raymond Chung Tai	268	–	–	–	268
Mr. XUE Zhong Su	89	–	–	–	89
	624	7,735	239	2,893	11,491

Notes:

(1) Mr. Lau Wai Yip retired as an executive director on 30 May 2008 and Mr. Law Ryan Wing Cheung resigned as a non-executive director on 3 October 2008.

(2) Mr. Tong Yee Ming appointed as non executive director on 31 July 2008 and Mr. Tam Chor Kiu appointed as a non executive director on 3 October 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2007

Name of director	Directors' fee RMB'000 *(Restated)*	Salaries and other benefit RMB'000 *(Restated)*	Retirement benefits scheme contributions RMB'000 *(Restated)*	Share based payment RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
Mr. ZHU Gong Shan	–	–	–	–	–
Mr. SHA Hong Qiu	–	328	11	115	454
Mr. JI Jun	–	278	–	103	381
Mr. SHU Hua	–	58	–	103	161
Mr. YU Bao Dong	–	1,033	35	103	1,171
Ms. SUN Wei	–	–	–	103	103
Mr. LAU Wai Yip	–	684	25	103	812
Mr. LAW Ryan Wing Cheung	–	–	–	–	–
Mr. QIAN Zhi Xin	47	–	–	–	47
Mr. HENG Kwoo Seng	93	–	–	–	93
Ir Dr. HO Raymond Chung Tai	95	–	–	–	95
Mr. XUE Zhong Su	19	–	–	–	19
	254	2,381	71	630	3,336

No directors waived any emoluments and no incentive paid on joining and no compensation for loss of office for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

During the year, of the five highest paid individuals of the Group, five (2007: three) were directors of the Company, whose emoluments are included in (a) above. The emoluments of the five individuals with the highest emoluments during the year are as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Salaries and other allowances	**9,278**	4,489
Retirement benefits scheme contributions	**215**	99
	9,493	4,588

The emoluments of each of the above five individuals are within the following bands:

	2008 Number of employees	2007 Number of employees
Nil to RMB1,000,000	**1**	2
RMB1,000,001 – RMB1,500,000	**–**	3
RMB1,500,001 – RMB2,000,000	**1**	–
RMB2,000,001 – RMB2,500,000	**2**	–
RMB2,500,001 – RMB3,000,000	**1**	–
	5	5

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. DIVIDENDS

The Board proposed the payment of a final dividend of HK2.3 cents per share for the year ended 31 December 2008 based on the register of members of the Company on 25 May 2009 and to be approved by shareholders in annual general meeting.

No dividend was paid or proposed for the year ended 31 December 2007.

16. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Earnings (loss) for the purpose of calculation of basic earnings (loss) per share	**131,298**	(266,744)

	2008 ('000)	2007 ('000)
Weighted average number of shares	**972,419**	467,513

	2008 RMB	2007 RMB *(Restated)*
Basic earnings (loss) per share	**0.14**	(0.57)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

16. EARNINGS (LOSS) PER SHARE *(continued)*

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Earnings (loss) for the purpose of calculation of basic earnings (loss) per share	**131,298**	(266,744)
Represented by:		
Profit from ordinary operation	**131,298**	98,011
Non–recurring items		
Loss on increase in fair value of convertible note	**–**	(339,738)
Listing expenses less subscription interest income	**–**	(28,205)
Discount on acquisition of a subsidiary	**–**	3,188
Loss from non–recurring items	**–**	(364,755)

	2008 **RMB**	2007 RMB *(Restated)*
Basic earnings (loss) per share		
– Profit from ordinary operation	**0.14**	0.21
– Loss from non–recurring items	**–**	(0.78)
	0.14	(0.57)

For the purpose of calculation of number of shares for the calculation of basic loss per share for the year ended 31 December 2007, the 388,220,000 shares issued pursuant to the captialisation issue was assumed to occur as at 1 January 2007.

The employee share options has no dilution effect on the profit (loss) per share for both years as the average market price of the Company's shares was lower than the exercise price of the options.

Notes to the Consolidated Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Power generation plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2007 *(Restated)*	809,402	1,605,608	18,291	10,300	22,170	2,465,771
(Restated)						
Reclassifications	20,076	95,116	2,164	–	(117,356)	–
Additions	11,747	8,495	3,879	2,661	224,430	251,212
Disposals	–	(409)	(1,715)	(692)	–	(2,816)
Acquisitions of subsidiaries *(note 32)*	465,654	1,848,278	9,656	8,126	16,770	2,348,484
Value–added tax refund *(note 40)*	–	(13,945)	–	–	–	(13,945)
At 31 December 2007 and 1 January 2008 *(Restated)*	1,306,879	3,543,143	32,275	20,395	146,014	5,048,706
Reclassifications	15,045	204,875	–	–	(219,920)	–
Additions	9,558	72,991	5,231	2,302	489,735	579,817
Disposals	–	(5,150)	(3,314)	(3,204)	–	(11,668)
Acquisitions of subsidiaries *(note 32)*	–	–	43	–	325	368
Value–added tax refund *(note 40)*	–	(12,602)	–	–	(24,266)	(36,868)
At 31 December 2008	**1,331,482**	**3,803,257**	**34,235**	**19,493**	**391,888**	**5,580,355**
ACCUMULATED DEPRECIATION						
At 1 January 2007 *(Restated)*	(63,881)	(156,714)	(8,460)	(4,376)	–	(233,431)
(Restated)						
Provided for the year	(34,864)	(118,295)	(3,565)	(2,449)	–	(159,173)
Eliminated on disposals	–	213	738	480	–	1,431
At 31 December 2007 and 1 January 2008 *(Restated)*	(98,745)	(274,796)	(11,287)	(6,345)	–	(391,173)
Provided for the year	(55,045)	(177,530)	(7,328)	(5,627)	–	(245,530)
Eliminated on disposals	–	1,105	1,734	1,895	–	4,734
At 31 December 2008	**(153,790)**	**(451,221)**	**(16,881)**	**(10,077)**	**–**	**(631,969)**
CARRYING VALUES						
At 31 December 2008	**1,177,692**	**3,352,036**	**17,354**	**9,416**	**391,888**	**4,948,386**
At 31 December 2007 *(Restated)*	1,208,134	3,268,347	20,988	14,050	146,014	4,657,533

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The following rates are used for depreciation of property, plant and equipment other than construction in progress:

Buildings	3%–5%
Power generation plant and machinery	3%–5%
Office equipment	20%–33%
Motor vehicles	20%

The Group has pledged buildings with carrying values of approximately RMB786,656,000 at 31 December 2008 (2007: RMB814,680,000, restated) and power generation plant and machinery with carrying values of approximately RMB2,409,029,000 at 31 December 2008 (2007: RMB2,509,653,000, restated) to secure banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in the PRC under medium–term lease.

Analysed for reporting purposes as:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Non–current assets	**227,824**	234,132
Current assets	**8,608**	8,952
	236,432	243,084

The Group has pledged land use rights with carrying values of approximately RMB199,831,000 at 31 December 2008 (2007: RMB222,287,000, restated) to secure banking facilities granted to the Group.

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19. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Unlisted investments in associates, at cost	**200,443**	72,806
Share of post–acquisition profits, net of dividends received	**44,879**	186
Carrying amounts of interests in associates	**245,322**	72,992

As at 31 December 2008 and 2007, the Group had interests in the following associates established and operated in the PRC:

Name of company	Equity interests held by the Group 2008	Equity interests held by the Group 2007	Proportion of voting power held 2008	Proportion of voting power held 2007	Principal activity
阜寧協鑫環保熱電有限公司 Funing Golden Concord Environmental Protection Co-generation Co., Ltd ("Funing Cogeneration Plant)	**60%**	60% *(Note a)*	**54.5%**	54.5%	Operation of a power station and trading of coal
華潤協鑫(北京)熱電有限公司 China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd ("China Resources Beijing Cogeneration Plant")	**49%** *(Note b)*	–	**42.9%**	–	Operation of a power station

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19. INTERESTS IN ASSOCIATES *(continued)*

Notes:

(a) On 13 November 2007, the Group acquired 29.4% interest on Funing Cogeneration Plant, resulting in a goodwill of RMB15,994,000 (see note 32(iii)). On 27 November 2007, the Group acquired additional 30.6% equity interest in Funing Cogeneration Plant from a company controlled by a shareholder of the Company at a cash consideration of approximately RMB26,633,000. The discount on acquisition of approximately RMB8,227,000 was credited directly to equity of the Group as a capital contribution from a shareholder.

Following the completion of acquisition, the Group holds 60% of the registered capital of Funing Cogeneration Plant. However, under the articles of association of Funing Cogeneration Plant, the Group can only appoint six out of eleven directors to the board of directors of Funing Cogeneration Plant, which is less than two–thirds majority which is required to pass financing and operating policies of Funing Cogeneration Plant. The directors of the Company consider that the Group does exercise significant influence over Funing Cogeneration Plant and it is therefore classified as an associate of the Group.

In 2008, the associate declared pre–acquisition dividend of approximately RMB321,000 which is set off against the cost of investment. Such dividend has not yet paid as at year end.

(b) In January 2008, the Group acquired 49% equity interest of China Resources Beijing Cogeneration Plant from a company controlled by a shareholder of the Company for a consideration of RMB145,988,000, including professional fee of RMB200,000. A discount on a acquisition of RMB915,000 has been credited directly to equity of the Group as a capital contribution from a shareholder.

Subsequent to the acquisition, the Group received pre–acquisition dividend of 2007 of approximately RMB 18,945,000 which is set off with the cost of investment for the year ended 31 December 2008.

The Group is able to exercise significant influence over China Resources Beijing Cogeneration Plant because it has the power to appoint three out of seven directors of that company.

The summarised financial information in respect of the Group's associates is set out below:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Total assets	**896,400**	239,010
Total liabilities	**450,383**	144,014
Net assets	**446,017**	94,996
Group's share of net assets of associates	**229,328**	56,998
Revenue	**364,955**	680,902
Profit for the year	**90,417**	41,933
Group's share of results of associates for the year	**44,693**	19,772

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20. GOODWILL

	2008 RMB'000	2007 RMB'000 *(Restated)*
COST		
At 1 January	**116,703**	–
Acquisitions of subsidiaries *(note 32)*	**–**	116,703
As at 31 December	**116,703**	116,703
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised	**(692)**	–
As at 31 December	**(692)**	–
CARRYING AMOUNTS		
At 31 December	**116,011**	116,703

For the purposes of impairment testing, goodwill have been allocated to individual cash generating units ("CGUs"), including four subsidiaries, namely Dongtai Suzhong Environmental Protection Co–generation Co., Ltd. ("Dongtai Cogeneration Plant"), Jia Xing Environmental Protection Cogen-Power Co., Ltd. ("Jiaxing Cogeneration Plant"), Peixian Mine–site Environmental Cogen-Power Co., Ltd. ("Peixian Cogeneration Plant") and Xuzhou Baoxin Sludge Power Co., Ltd. ("Xuzhou Cogeneration Plant") which are included in coal–fuelled or RCU cogeneration plants segment. The carrying amounts of goodwill allocated to these units are as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Dongtai Cogeneration Plant	**29,298**	29,298
Jiaxing Cogeneration Plant	**65,818**	65,818
Peixian Cogeneration Plant	**20,895**	20,895
Xuzhou Cogeneration Plant	**–**	692
	116,011	116,703

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20. GOODWILL *(continued)*

During the year, the Group has not assessed the recoverable amount of goodwill allocated to Xuzhou Cogeneration Plant and directly recognized an impairment loss of RMB692,000 (2007: Nil) to that CGU as the amount involved is minimal. Other than above, the Group determines that the recoverable amounts exceed the carrying amounts of the remaining CGUs containing goodwill and therefore, no impairment has been recognised.

The recoverable amounts of the remaining CGUs are determined by reference to a business valuation performed by Jones Lang LaSalle Sallmanns Limited, an independent and recognised international business valuer as at 31 December 2008 and 2007. The recoverable amounts of these CGUs have been determined based on value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five–year period for Dongtai Cogeneration Plant, Peixian Cogeneration Plant and Jiaxing Cogeneration Plant at a discount rate of 13.93% (2007: 13.38%). No growth rate has been assumed beyond the five-year period up to the remaining operating licences of these CGUs. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these CGUs to exceed the aggregate recoverable amount of these CGUs.

21. OTHER INTANGIBLE ASSETS

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
COST		
As 1 January	**14,844**	–
Acquisitions of subsidiaries *(note 32)*	**–**	14,844
At 31 December	**14,844**	14,844
AMORTISATION		
At 1 January	**49**	–
Provided for the year	**742**	49
At 31 December	**791**	49
CARRYING AMOUNTS		
At 31 December	**14,053**	14,795

The intangible assets represent customer lists and were purchased as part of a business combination from a third party. The intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over 20 years.

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22. AVAILABLE-FOR-SALE INVESTMENTS

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Unlisted equity investments	**8,692**	11,660

The unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment, if any, at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, one of the investments is placed under liquidation. The Company has assessed for the impairment of such investment based on objective evidence, to the extent that the carrying amount exceeded the estimated net recoverable amount, an impairment loss of RMB2,968,000 (2007: Nil) has been recognised.

23. INVENTORIES

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Fuel	**221,502**	102,349
Spare parts	**35,797**	23,441
Consumables	**1,505**	195
	258,804	125,985

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24. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Trade receivables	**373,940**	383,726
Less: allowance for doubtful debts	**(7,915)**	(3,230)
	366,025	380,496
Other receivables	**42,407**	53,043
Less: allowance for doubtful debts	**(2,649)**	(2,540)
	39,758	50,503
Prepayments	**42,706**	115,794
Deposit for acquisition of a subsidiary *(note 38)*	**20,000**	–
	468,489	546,793

Trade receivables at the balance sheet date mainly comprise amounts receivable from the sales of electricity, steam and coal trading. The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade receivables, net of allowances, is as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
0–90 days	**362,487**	376,119
91–180 days	**3,033**	3,188
Over 180 days	**505**	1,189
	366,025	380,496

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24. TRADE AND OTHER RECEIVABLES *(continued)*

Over 98% of the trade receivables are neither past due nor impaired. The management considers that these receivables have the best credit scoring attributable under the credit review policy used by the Group.

Included in the Group's trade receivables are debtors with a carrying amount of approximately RMB3,538,000 which are past due at 31 December 2008 (2007: RMB4,377,000, restated) for which the Group has not provided allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these receivables.

Full allowance has been made for impairment of certain trade and other receivables which has been past due and considered as doubtful debts by the management of the Group. Movement of the allowance for doubtful debts for trade and other receivable is set out as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Balance at beginning of the year	**5,770**	1,500
Impairment loss recognised on receivables	**4,794**	4,270
Balance at end of the year	**10,564**	5,770

25. BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank balances

Bank balances carry interest at floating rates ranging from 0.01% to 5.22% (2007: 0.72% to 4.80%) and fixed rates at 0.10% to 8.22% per annum.

Pledged bank deposits

These bank deposits carry fixed interest rates ranging from 0.36% to 8.22% (2007: 0.72% to 5.49%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bills and notes payable and bank borrowings.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB231,034,000 (2007: RMB241,931,000, restated) have been pledged to secure bills and notes payables and short term borrowings granted to the Group and are therefore classified as current assets. Deposits amounting to RMB56,359,000 (2007: Nil) have been pledged to secure long term borrowings granted to the Group and are therefore classified as non–current assets.

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26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Amounts due from:		
Non-trade related:		
Related companies in which directors of the Company have beneficial interests		
上海思創能源有限公司	–	6,991
嘉興市秀洲工業區宏業開發建設投資有限公司	–	20
徐州天能鍋爐機械銷售有限公司	–	2
	–	7,013
Associates	**8,960**	12,295
A shareholder	–	12
	8,960	19,320
Trade-related:		
Related companies in which directors of the Company have beneficial interests aged within 90 days	**16,825**	6
	25,785	19,326

For non–trade related amounts due from related companies, the amounts are unsecured and non–interest bearing.

For trade related amounts due from related companies, the amounts are unsecured, non–interest bearing and with a credit term of 90 days.

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26. AMOUNTS DUE FROM (TO) RELATED COMPANIES *(continued)*

	2008 RMB'000	2007 RMB'000 *(Restated)*
Amounts due to:		
Non-trade related:		
Related companies in which directors of the Company have beneficial interests	**43,158**	44,516
Trade–related:		
Related companies in which directors of the Company have beneficial interests aged within 90 days	**10,845**	1,090
	54,003	45,606

For non–trade related amounts due to related companies, the amounts are unsecured, non–interest bearing and repayable on demand.

For trade related amounts due to related companies, the amounts are unsecured, non–interest bearing and with a credit term of 90 days.

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27. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Trade payables		
0–90 days	**87,535**	130,437
91–180 days	**11,311**	4,045
Over 180 days	**10,784**	4,786
	109,630	139,268
Bills and notes payable (trade)		
0–90 days	**72,417**	10,068
91–180 days	**64,000**	9,841
	136,417	19,909
Bills and notes payable (non–trade)	**20,161**	–
Construction payables	**360,468**	158,337
Other payables	**69,772**	148,837
Dividend payables to minority shareholders of subsidiaries	**40,245**	80,585
Deposits received from customers	**37,671**	26,319
Deposit received for disposal of a subsidiary *(note 38)*	**4,403**	–
Other tax payables	**18,371**	25,943
Interest payables	**17,188**	6,039
Accruals	**13,159**	10,165
	827,485	615,402

Trade payables principally comprise amounts outstanding for purchases of coal and ongoing costs. The average credit period for trade purchases is 30 to 90 days.

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28. BORROWINGS

	2008 RMB'000	2007 RMB'000 (Restated)
Short–term bank borrowings	**1,267,163**	1,151,256
Long–term bank borrowings		
due within one year	**384,903**	340,450
due after one year	**1,597,181**	1,987,981
	3,249,247	3,479,687
Representing:		
Secured	**2,197,624**	2,502,277
Unsecured	**1,051,623**	977,410
	3,249,247	3,479,687

The bank borrowings are repayable as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Within one year	**1,652,066**	1,491,706
In the second year	**403,014**	415,396
In the third year	**237,404**	402,396
In the fourth year	**216,404**	238,396
In the fifth year	**212,404**	140,396
After five years	**527,955**	791,397
	3,249,247	3,479,687
Less: Amounts due within one year shown under current liabilities	**(1,652,066)**	(1,491,706)
Amounts due after one year	**1,597,181**	1,987,981

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28. BORROWINGS *(continued)*

The bank borrowings carry fixed and variable interest rates with reference to the People's Bank of China's Benchmark Borrowing Interest Rate of the PRC ("Benchmark Rate") are analysed as follows:

	2008		2007	
	RMB'000	**Interest**	RMB'000 *(Restated)*	Interest
Fixed–rate borrowings	**918,663**	**5.04% to 7.56%**	1,493,960	4.19% to 7.81%
Variable–rate borrowings	**2,330,584**	**Benchmark Rate –1% to +3.0%**	1,985,727	Benchmark Rate – 1% to + 2.0%
	3,249,247		3,479,687	

The borrowings are arranged at fixed and variable interest rates and expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively. Certain borrowings are guaranteed by minority shareholders of subsidiaries and related companies which have common directors to the Company.

Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits as set out in notes 17, 18 and 25, respectively.

All bank borrowings are denominated in RMB which is the functional currency of the Group.

29. CONVERTIBLE NOTE

The movement of the convertible note was set out as follows:

	Total	
	(US$'000)	**Shown as** RMB'000 *(Restated)*
At 1 January 2007	100,000	783,923
Change in fair value recognised in income statement	50,999	339,738
Conversion to ordinary shares of the Company	(106,852)	(795,143)
Redemption	(44,147)	(328,518)
At 31 December 2007	–	–

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29. CONVERTIBLE NOTE *(continued)*

In November 2006, the Company issued a convertible note for a principal amount of US$88,000,000 to an independent third–party, MS China 3 Limited (the "Note Holder"). 60% of the principal amount, representing US$52,800,000 (the "Convertible Amount") was convertible and redeemable and the remaining 40% of the principal amount, representing US$35,200,000 (the "Loan Amount") was redeemable but not convertible. The convertible note was denominated in United States dollars and was secured by certain equity interests of the Company's subsidiaries and associates.

The initial conversion price was US$112.20 per share and the initial number of ordinary shares issuable upon conversion of the Convertible Amount was 470,588 (assuming a total of 1,000,000 ordinary shares issued and outstanding as of note issuance date), which should represent 32% of the total number of ordinary shares issued and outstanding as of the note issuance date on a fully diluted basis. The conversion price was subject to certain anti–dilution adjustments.

The fair value of the convertible note at the conversion date was determined based on the fair value of the shares issued and cash settled by the Company to the Note Holder, in aggregate of approximately US$150,999,000 (equivalent to approximately RMB1,123,661,000, restated).

Upon listing of the Company's shares on 13 November 2007, all the Convertible Amount was automatically converted into 203,280,000 shares of the Company at a price of HK$4.1 each, amounting to approximately HK$833,448,000 (equivalent to approximately RMB795,143,000, restated) and all the Loan Amount was redeemed together with interest on the note, amounting to US$44,174,000 (equivalent to approximately RMB328,518,000, restated).

The increase in fair value of the convertible note of approximately US$50,999,000 (equivalent to approximately RMB339,738,000, restated) was recognised in the consolidated income statement for the year ended 31 December 2007.

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30. DEFERRED TAX

The followings are the major deferred tax (liabilities) assets recognised and the movement thereon, during the year.

	Intangible assets RMB'000	Property, plant and equipment RMB'000	Prepaid lease payments RMB'000	With-holding tax RMB'000	Borrowings RMB'000	Deferred income RMB'000	Total RMB'000
At 31 December 2006 *(Restated)*	–	–	–	–	–	1,738	1,738
Effect of change in tax rate *(Restated)*	–	–	–	–	–	462	462
Acquisitions of subsidiaries *(note 32) (Restated)*	(3,311)	(2,331)	(20,375)	–	(1,024)	6,287	(20,754)
Credit to the income statement for the year *(Restated)*	–	157	147	–	393	6,930	7,627
At 31 December 2007 and 1 January 2008 *(Restated)*	(3,311)	(2,174)	(20,228)	–	(631)	15,417	(10,927)
Credit (charge) to the income Statement for the year	54	185	498	(10,494)	54	3,039	(6,664)
At 31 December 2008	(3,257)	(1,989)	(19,730)	(10,494)	(577)	18,456	(17,591)

Deferred tax liabilities and assets are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted.

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Deferred tax assets	**14,503**	11,376
Deferred tax liabilities	**(32,094)**	(22,303)
	(17,591)	(10,927)

At the balance sheet date, the Group has unused tax losses of RMB42,613,000 (2007: Nil) available for offset against future profits. No deferred tax asset has been recognized.

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31. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	**2008**	2007
	('000)	('000)	**(HK$'000)**	(HK$'000)
Ordinary shares of HK$0.1 each				
Authorised:				
At beginning of year	**10,000,000**	3,800	**1,000,000**	380
Increase on 22 October 2007 *(Note a)*	**–**	9,996,200	**–**	999,620
At end of year	**10,000,000**	10,000,000	**1,000,000**	1,000,000

	Number of shares		Amount	
	2008	2007	**2008**	2007
	('000)	('000)	**RMB'000**	RMB'000
				(Restated)
Issued and fully paid:				
At beginning of year	**972,419**	1,000	**92,779**	101
Capitalisation issue *(Note a)*	**–**	388,220	**–**	37,038
Issue of shares upon conversion of convertible note *(Note b)*	**–**	203,280	**–**	19,394
Issue of shares on 13 November 2007 for the acquisitions of subsidiaries and associate *(Note c)*	**–**	91,919	**–**	8,770
Issue of shares on 13 November 2007 pursuant to IPO *(Note d)*	**–**	288,000	**–**	27,476
At end of year	**972,419**	972,419	**92,779**	92,779

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31. SHARE CAPITAL *(continued)*

Notes:

(a) Pursuant to the written resolution of Highexcel Investment Limited, the then sole shareholder of the Company, on 22 October 2007, the authorised share capital was increased to HK$1,000,000,000. The directors of the Company were authorised to capitalise the sum of HK$38,822,000 (approximately RMB37,038,000) and apply in paying up in full at par 388,220,000 shares for allotment and issue to the shareholder whose name appeared on the register of members of the Company at the close of business on 22 October 2007 (or as he might direct) in proportion (as nearly as possible without involving fractions) to his then existing shareholdings in the Company and such shares to be allotted and issued shall rank pari passu in all respects with existing issued shares.

(b) On 13 November 2007, the Company issued 203,280,000 shares to the Note Holder upon conversion of the Convertible Amount of the convertible note at a price of HK$4.1 per share, amounting to HK$833,448,000 (equivalent to RMB795,143,000), the details of which have been set out in note 29.

(c) On 13 November 2007, the Company issued 91,919,487 shares to Poly (Hong Kong) Investment Company Limited ("Poly Hong Kong"), at a price of HK$4.1 each, amounting to approximately HK$376,870,000 (equivalent to RMB359,549,000), as partial consideration in exchange for the equity interests in certain entities which have then become subsidiaries and an associate of the Company. Details are set out in note 32 to the consolidated financial statements.

(d) On 13 November 2007, the Company issued 288,000,000 shares for cash pursuant to the IPO at a price of HK$4.1 each and listing of the Company's shares on the Stock Exchange.

32. ACQUISITION OF SUBSIDIARIES

(i) In March 2008, the Group acquired 100% equity interest of 錫林郭勒國泰風力發電有限公司 from a company controlled by a shareholder of the Company for a consideration of approximately RMB20,014,000. The acquisition of the subsidiary is accounted for as acquisition of assets and assumption of liabilities.

The net assets of the subsidiary acquired as of the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	368
Deposits for purchase of property, plant and equipment	21,452
Bank balances and cash	3,446
Other payables	(5,252)
	20,014
Total consideration satisfied by:	
Cash	20,014
Net cash outflow arising from the acquisition:	
Cash consideration paid	(20,014)
Cash and cash equivalents acquired	3,446
	(16,568)

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32. ACQUISITION OF SUBSIDIARIES *(continued)*

(ii) Upon the amendment to the Articles of Association of Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd. ("Suzhou Cogeneration Plant") registered on 13 March 2007, the Group obtained the power to control Suzhou Cogeneration Plant, accordingly, it was accounted for as a subsidiary of the Group since 13 March 2007. The net assets of Suzhou Cogeneration Plant as of the date of transfer from an associate to a subsidiary were as follows:

	Carrying amounts of net assets approximate to fair value RMB'000 *(Restated)*
Property, plant and equipment	1,004,865
Prepaid lease payments	13,725
Inventories	16,042
Trade and other receivables	98,562
Amounts due from related companies	57,711
Bank balances and cash	96,394
Trade and other payables	(93,513)
Dividend payables to minority shareholders	(27,238)
Amounts due to related companies	(49)
Deferred income	(4,623)
Borrowings	(845,904)
Deferred tax liabilities	(2,529)
	313,443
Minority interests	(153,587)
Transfer from an associate to a subsidiary	159,856
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	96,394

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32. ACQUISITION OF SUBSIDIARIES *(continued)*

(iii) On 13 November 2007, the Company issued 91,919,487 shares to Poly Hong Kong, at a price of HK$4.1 each, amounting to approximately HK$376,870,000 (equivalent to RMB359,549,000) together with a cash of HK$50,000,000 (equivalent to RMB47,702,000) as consideration to acquire the entire share capital of NCHK Power (Taicang) Limited, Well United Interments Limited, Master Chief Holding Limited, Green Island Development Limited, High Praise Development Limited, Giant Merit Development Limited and Golden Concord Energy (Jia Xing) Limited from Poly Hong Kong which indirectly held 50.1% equity interests in each of Dongtai Cogeneration Plant and Peixian Cogeneration Plant, 51% equity interests in each of Jiaxing Cogeneration Plant and Taicang Poly Xiexin Thermal Power Co., Ltd. ("Taicang Poly Cogeneration Plant"), 36.75% equity interest in Xuzhou Cogeneration Plant and 29.4% equity interest in Funing Cogeneration Plant (collectively the "Poly Acquisition").

Upon completion of the Poly Acquisition, Dongtai Cogeneration Plant, Peixian Cogeneration Plant, Jiaxing Cogeneration Plant, Xuzhou Cogeneration Plant and Taicang Poly Cogeneration Plant became subsidiaries of the Group and their results had then been consolidated by the Group, resulting in goodwill on acquisition of Dongtai Cogeneration Plant, Peixian Cogeneration Plant, Jiaxing Cogeneration Plant and Xuzhou Cogeneration Plant of approximately of RMB116,703,000 and discount on acquisition of Taicang Poly Cogeneration Plant of approximately RMB3,188,000.

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32. ACQUISITION OF SUBSIDIARIES *(continued)*

(iii) *(continued)*

The net assets acquired from Poly Acquisition to the Group as of the date of acquisition were as follows:

	Carrying amounts in the book of acquiree before acquisition RMB'000 *(Restated)*	Fair value adjustments RMB'000 *(Restated)*	Fair value RMB'000 *(Restated)*
Property, plant and equipment	1,072,538	7,346	1,079,884
Prepaid lease payments	56,250	78,558	134,808
Interest in an associate	37,604	7,487	45,091
Available–for–sale investments	160	–	160
Goodwill	9,501	–	N/A
Other intangible assets	7,876	1,423	9,299
Deferred tax assets	5,593	–	5,593
Inventories	33,984	–	33,984
Trade and other receivables	119,347	–	119,347
Amounts due from related companies	21,086	–	21,086
Pledged bank deposits	52,500	–	52,500
Bank balances and cash	52,228	–	52,228
Trade and other payables	(157,196)	–	(157,196)
Tax payables	(1,265)	–	(1,265)
Dividend payables to minority shareholders	(12,008)	–	(12,008)
Amounts due to related companies	(25,556)	–	(25,556)
Deferred income	(23,336)	–	(23,336)
Borrowings	(745,910)	–	(745,910)
Deferred tax liabilities	(2,111)	(20,507)	(22,618)
	501,285	74,307	566,091
Goodwill			116,703
Discount on acquisition			(3,188)
Minority interests			(25,228)
Revaluation reserve on previously held interests			(6,390)
Interests in associates			(240,737)
			407,251
Total consideration satisfied by:			
Cash			47,702
Fair value of shares issued			359,549
			407,251
Net cash inflow arising on acquisitions:			
Cash consideration paid			(47,702)
Cash and cash equivalents acquired			52,229
			4,527

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

32. ACQUISITION OF SUBSIDIARIES *(continued)*

(iv) On 19 November 2007 and 29 November 2007, the Group aggregately acquired 100% equity interests of Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd. 桐鄉濮院協鑫環保熱電有限公司 ("Puyuan Cogeneration Plant") from companies controlled by a shareholder of the Company for a total consideration of RMB90,740,000, restated. In the opinion of the directors, the fair value of net assets acquired approximated to the carrying amounts of those net assets at the acquisition date. The acquisition had been accounted for using the purchase method. The discount on acquisition of approximately RMB3,894,000, restated was credited directly to equity of the Group as a capital contribution from a shareholder.

The net assets of Puyuan Cogeneration Plant at the date of acquisition were as follows:

	Carrying amounts of net assets approximate to fair value RMB'000 *(Restated)*
Property, plant and equipment	262,710
Prepaid lease payments	14,113
Other intangible assets	5,545
Inventories	5,285
Trade and other receivables	46,501
Bank balances and cash	4,532
Trade and other payables	(47,896)
Amounts due to related companies	(44,956)
Borrowings	(150,000)
Deferred tax liabilities	(1,200)
	94,634
Discount on acquisition directly to equity	(3,894)
	90,740
Total consideration satisfied by:	
Cash	90,740
Net cash outflow arising on acquisition:	
Cash consideration paid	(90,740)
Cash and cash equivalents acquired	4,532
	(86,208)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

32. ACQUISITION OF SUBSIDIARIES *(continued)*

(v) On 30 November 2007, the Group acquired 100% equity interests of 蘇州保利協鑫燃料有限公司 ("Suzhou Fuel Company") from a company controlled by a shareholder of the Company for a consideration of RMB13,360,000. In the opinion of the directors, the fair value of net assets acquired approximated to the carrying amounts of those net assets at the acquisition date. The acquisition had been accounted for using the purchase method. The discount on acquisition of approximately RMB1,842,000 was credited directly to equity of the Group as a capital contribution from a shareholder.

The net assets of Suzhou Fuel Company as of the date of acquisition were as follows:

	Carrying amounts of net assets approximate to fair value RMB'000 *(Restated)*
Property, plant and equipment	1,025
Inventories	9,110
Trade and other receivables	63,245
Amounts due from related companies	40,556
Bank balances and cash	11,374
Trade and other payables	(53,799)
Amounts due to related companies	(35,372)
Tax Payable	(937)
Borrowings	(20,000)
	15,202
Discount on acquisition directly to equity	(1,842)
	13,360
Total consideration satisfied by:	
Cash	13,360
Net cash outflow arising on acquisition:	
Cash consideration paid	(13,360)
Cash and cash equivalents acquired	11,374
	(1,986)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

32. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2007, the subsidiaries acquired contributed RMB9,972,000 to the Group's profit for the period between the date of acquisitions and the balance sheet date.

If the acquisitions had been completed on 1 January 2007, total group revenue for the year ended 31 January 2007 would have been RMB2,547,652,000 and loss for the year ended 31 December 2007 would have been RMB177,734,000. The proforma information was for illustrative purpose only and was not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2007, nor was it intended to be a projection of future results.

33. MAJOR NON–CASH TRANSACTIONS

On 13 November 2007, the Company issued 91,919,487 new shares at HK$4.1 each amounting to approximately HK$376,870,000 as partial consideration to Poly Hong Kong for acquisition of equity interests in certain subsidiaries and an associate as set out in note 32.

34. OPERATING LEASES

The Group as lessee

	2008 RMB'000	2007 RMB'000 *(Restated)*
Minimum lease payments paid under operating leases in the year:		
Buildings	**6,827**	5,997
Staff quarters	**867**	486
Motor vehicles and other assets	**259**	415
Natural gas transmission network	**7,839**	6,669
Others	**320**	–
	16,112	13,567

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Within one year	**6,538**	6,012
In the second to fifth years inclusive	**3,299**	6,199
After five years	**–**	49
	9,837	12,260

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

34. OPERATING LEASES *(continued)*

Operating lease payments represent rental payables by the Group for certain properties, motor vehicles and other assets. Leases are negotiated and rentals are fixed for terms from one to three years.

The Group as lessor

	2008 RMB'000	2007 RMB'000 *(Restated)*
Rental income credited to the income statement during the year:		
Pipeline transmission networks	**2,045**	3,834
Staff quarters	**886**	72
Land use rights	**35**	–
Motor vehicles	**–**	121
Others	**200**	–
	3,166	4,027

At the balance sheet date, the Group had contracted with tenants for the future minimum lease payments.

	2008 RMB'000	2007 RMB'000 *(Restated)*
Within one year	**1,027**	144
In the second to fifth years inclusive	**1,609**	573
After five years	**1,935**	1,953
	4,571	2,670

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

35. CAPITAL COMMITMENTS

	2008 RMB'000	2007 RMB'000 *(Restated)*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**81,731**	121,802
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**40,000**	125,000

36. SHARE BASED PAYMENT TRANSACTIONS

Equity–settled share option scheme:

Pursuant to a written resolution of the sole shareholder on 22 October 2007, a share option scheme ("Pre–IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre–IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company.

The total number of shares may be issued upon the exercise of all options granted on 13 November 2007 under the Pre–IPO Share Option Scheme for directors and employees under continuous employment contract is 28,940,000 (2007: 31,260,000) shares representing approximately 3.0% (2007: 3.2%) of issued share capital of the Company at the balance sheet date. The estimated fair value of the options at the date of grant was approximately HK$1.7626 per share and exercise period from 13 November 2010 to 12 November 2017.

There was no movement on the number of share options granted under Pre–IPO Share Option Scheme between the date of grant to 31 December 2007. The following table discloses movement of the Company's share option held by directors and employees during the year.

	Outstanding at 1 January 2008	**Exercised during the year**	**Lapsed or cancelled during the year**	**Outstanding at 31 December 2008**
Directors	7,680,000	–	–	7,680,000
Employees under continuous employment contract	23,580,000	–	(2,320,000)	21,260,000
	31,260,000	–	(2,320,000)	28,940,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

36. SHARE BASED PAYMENT TRANSACTIONS *(continued)*

Note:

On or before 12 November 2010, no options granted to the directors and/or employees shall vest.

During the period from 13 November 2010 to 12 November 2011, a cumulative maximum of 20% of the share options granted to the directors and/or employees shall vest.

During the period from 13 November 2011 to 12 November 2012, a cumulative maximum of 50% of the share options granted to the directors and/or employees shall vest.

During the period from 13 November 2012 to 12 November 2013, a cumulative maximum of 100% of the share options granted to the directors and/or employees shall vest.

The fair value of the options has been estimated using the Binominal model. The inputs into the model are as follows:

	2007
Market price	HK$4.10
Exercise price	HK$4.10
Expected volatility	44.68%
Expected life	3–5 years
Risk–free rate	3.47%
Expected dividend yield	1.50%

Expected volatility was determined by using the volatility of the stock return of comparable listed companies as at the valuation date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB10,753,000 (2007: RMB2,100,000, restated) for the year ended 31 December 2008 in relation to share options granted by the Company.

Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

37. RETIREMENT BENEFITS SCHEME

(a) The PRC

The Group's full–time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 18% to 22% of employees' salaries, which are charged to operations as an expense when the contributions are due.

(b) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Amount contributed and charged to the consolidated income statement	**328**	166

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

38. POST BALANCE SHEET EVENTS

(i) On 11 August 2008, the Group entered into a conditional sale and purchase agreement with a company controlled by a shareholder of the Company for the acquisition of 55% equity interest in 內蒙古多倫協鑫礦業有限責任公司 Inner Mongolia Duolun Golden Concord Mining Ltd., a joint venture company established in the PRC and engaged in coal mining business in Inner Mongolia, the PRC. The aggregate consideration for the equity interest and the capital injection will not be more than RMB127,936,000 and will be settled by the issue of convertible notes of the Company. As at 31 December 2008, the transaction has not been completed. Details of this transaction are set out in the Company's announcement dated 11 August 2008 and a circular dated 22 September 2008.

(ii) On 15 April 2008, Park Bright Investments Limited ("Park Bright"), a wholly owned subsidiary of the Group, entered into a conditional sale and purchase agreement at a consideration of RMB35,700,000 with an independent third party for acquisition of 75% equity interest in Profit Excel Investments Limited, which directly holds 70% equity interest in Lincang Runda Hydropower Plant Company Limited, a joint venture company engaged in operating hydropower plants in Yunan, the PRC. As at 31 December 2008, a deposit of RMB20,000,000 has been paid by the Group (see note 24). Details are set out in Company's announcements dated 15 April 2008. The transaction has not been completed.

On 12 November 2008, the Group entered into another sale and purchase agreement with a company controlled by a shareholder of the Company for the disposal of the entire issued capital of Park Bright. The consideration for the disposal was HK$25,000,000 in cash, resulting in an estimated gain on disposal of RMB1,751,000. A deposit of HK$5,000,000 (approximately RMB4,403,000) has been received by the Group before 31 December 2008 (see note 27). As at 31 December 2008, the transaction has not been completed. Details of this transaction are set out in the Company's announcement dated 12 November 2008.

(iii) On 16 February 2009, 40,980,000 share options have been granted by the Company to the employees of the Group (including directors and executives of the Group) and its associated companies at an exercise price of HK$0.59 per share. Details of the grant are set out in the Company's announcement dated 16 February 2009.

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For the year ended 31 December 2008

39. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related companies disclosed in the consolidated balance sheet on pages 71 and 72 and in note 26 and transactions and other arrangements with related companies disclosed in notes 19, 28 and 32, the Group had also entered into the following significant transactions with related parties during the year.

	2008 RMB'000	2007 RMB'000 *(Restated)*
Transactions with related companies in which directors of the Company have beneficial interests:		
Construction related services expense	**5,199**	10,807
Consultancy service fee income	**20,200**	–
Deposit received	**4,448**	–
Management fee income	**14,400**	10,833
Office expense	**2,078**	1,586
Purchase of coal	**47,159**	343,227
Rental expense	**2,827**	11,252
Rental income	**1,086**	–
Sale of coal	**145,714**	3,570
Training income	**184**	–
Purchase of property, plant and equipment and construction in progress	**–**	976
Purchase of consumables and spare parts	**–**	990
Service fee expense	**–**	1,335
Transactions with associates:		
Management income	**500**	–
Sale of coal	**27,892**	1,738
Purchase of coal	**–**	1,006
Service fee income	**–**	2,881
Transactions with minority shareholders of a subsidiary and its controlling shareholders:		
Purchase of coal	**6,320**	8,557
Rental expense	**4,000**	–
Sales of steam	**685**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

39. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management are as follows:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Salaries and other allowances	**11,251**	5,832
Retirement benefits scheme contributions	**239**	110
	11,490	5,942

The remuneration of directors and key executives is determined by having regard to the performance of individuals and market trends.

40. GOVERNMENT GRANTS INCOME

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Incentive subsidies *(Note a)*	**45,935**	30,293
Value-added tax refund related to expenses *(Note b)*	**14,548**	12,404
Amounts credited to consolidated income statement	**60,483**	42,697
Value-added tax refund related to depreciable assets *(note 17) (Note c)*	**36,868**	13,945
Total government grants income	**97,351**	56,642

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

40. GOVERNMENT GRANTS INCOME *(continued)*

Notes:

(a) Incentive subsidies were received from the relevant PRC Government to encourage the operations of certain PRC subsidiaries for the growth in supply of electricity and development of environmental friendly electricity generation. There were no specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt. The subsidies were granted on a discretionary basis to the Group during the year.

(b) During the years ended 31 December 2008 and 2007, the Group received refund of value–added tax from the relevant PRC Tax Authority for purchasing environmental friendly raw materials. They were granted if the total environmental friendly raw materials consumed represented more than 60% of total raw materials of PRC subsidiaries. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt. The directors believe that the Group can continue maintaining the usage of environmental friendly materials. In addition, the Group received refund of value–added tax from local government to encourage the establishment of operation in that region.

(c) The refund of value–added tax on purchases of depreciable assets has been deducted from the carrying amount of the relevant assets. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a reduction of depreciation charges by approximately RMB1,446,000 for the year ended 31 December 2008 (2007: RMB755,000, restated). As at 31 December 2008, an amount of approximately RMB61,638,000 (2007: RMB26,215,000, restated) remains to be amortised.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Date of incorporation/ establishment/ registration	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group % At 31 December 2008	2007	Principal activity
Baoying Xiexin Biomass Electric–Power Co., Ltd. *1 寶應協鑫生物質發電有限公司	27 February 2004	PRC	US$17,700,000	**100**	100	Operation of a power station
Lianyungang Xiexin Biomass Electric–Power Generation Co., Ltd.*1 連雲港協鑫生物質發電有限公司	4 March 2004	PRC	RMB105,500,000	**100**	100	Operation of a power station
Rudong Golden Concord Environmental Protection Cogen-Power Co., Ltd.*1 如東協鑫環保熱電有限公司	21 November 2003	PRC	RMB81,960,000	**100**	100	Operation of a power station

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Date of incorporation/ establishment/ registration	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group % At 31 December 2008	2007	Principal activity
Taicang Xiexin Refuse Incineration Power Co., Ltd. *2 太倉協鑫垃圾焚燒發電有限公司	14 June 2004	PRC	RMB88,000,000	**100**	100	Operation of a power station
Huzhou Golden Concord Environmental Protection Cogen–Power Co., Ltd.3 湖州協鑫環保熱電有限公司	16 October 2003	PRC	US$10,710,000	**94.77**	94.77	Operation of a power station
Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd.3 豐縣鑫源生物質環保熱電有限公司	6 June 2003	PRC	RMB66,000,000	**51** *(Note a)*	51	Operation of a power station
Haimen Xinyuan Environmental Protection Co–generation Co., Ltd.3 海門鑫源環保熱電有限公司	30 December 2002	PRC	US$8,000,000	**51** *(Note a)*	51	Operation of a power station
Kunshan Xinyuan Environmental Protection Cogen–Power Co., Ltd.3 昆山鑫源環保熱電有限公司	21 August 2002	PRC	RMB116,200,000	**51** *(Note a)*	51	Operation of a power station
Yangzhou Harbour Sludge Power Co., Ltd.3 揚州港口污泥發電有限公司	3 January 2003	PRC	US$14,068,000	**51** *(Note a)*	51	Operation of a power station

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Date of incorporation/ establishment/ registration	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group % At 31 December 2008	2007	Principal activity
Shanghai GCL–Poly Electricity Operating Management Co., Ltd.*[5] 上海保利協鑫電力運行管理有限公司	12 October 2006	PRC	RMB1,000,000	**100**	100	Provision of management services
Hugesuccess Investments Limited 宏成投資有限公司	28 April 2006	British Virgin Islands ("BVI")	US$1	**100**	100	Investment holding
Wise Able Investments Limited 智能投資有限公司	22 March 2006	BVI	US$1	**100**	100	Investment holding
Tongxiang City Wu Town Xiexin Thermal Power Company Limited[3] 桐鄉市烏鎮協鑫熱力有限公司	2 February 2007	PRC	RMB3,000,000	**94.77**	94.77	Operation of boilers and trading of steam
Lianyungang Xinneng Sludge Power Co., Ltd.*[4] 連雲港鑫能污泥發電有限公司	19 October 2006	PRC	US$9,550,000	**100**	100	Operation of a power station
Winpak Investment Limited 榮栢投資有限公司	31 August 2006	Hong Kong	HK$1	**100**	100	Investment holding
Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd.[3] 蘇州工業園區藍天燃氣熱電有限公司	30 December 2003	PRC	RMB300,000,000	**51** *(Note a)*	51	Operation of a power station

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Date of incorporation/ establishment/ registration	Place of incorporation/ establishment registration	Issued and fully paid share/ registered capital	Attributable equity interest of the Group % At 31 December 2008	2007	Principal activity
Dongtai Suzhong Environmental Protection Co–generation Co., Ltd.[4] 東台蘇中環保熱電有限公司	15 May 2001	PRC	US$8,000,000	**100**	100	Operation of a power station
Jia Xing Environmental Protection Cogen–Power Co., Ltd. *[3] 嘉興協鑫環保熱電有限公司	26 September 2003	PRC	RMB98,400,000	**95**	95	Operation of a power station
Peixian Mine–site Environmental Cogen–Power Co., Ltd.[1] 沛縣坑口環保熱電有限公司	16 August 2000	PRC	US$8,000,000	**100**	100	Operation of a power station
Taicang Poly Xiexin Thermal Power Co., Ltd.[1] 太倉保利協鑫熱電有限公司	4 November 1996	PRC	US$15,200,000	**100**	100	Operation of a power station
Xuzhou Baoxin Sludge Power Co., Ltd.[3] 徐州保鑫污泥發電有限公司	23 December 2001	PRC	RMB99,200,000	**75**	75	Operation of a power station
Tongxiang Puyuan Xiexin Environmental Protection Cogeneration Co., Ltd.*[4] 桐鄉濮院協鑫環保熱電有限公司	18 April 2006	PRC	US$14,800,000	**100**	100	Operation of a power station
GCL–Poly Power Fuel Co., Ltd.*[4] 保利協鑫電力燃料有限公司	15 December 2006	PRC	US$7,000,000	**100**	100	Coal trading
Xilingol Guotai Wind Power Generation Co., Ltd*[4] 錫林郭勒國泰風力發電有限公司	16 August 2007	PRC	RMB100,000,000	**100**	–	Operation of a wind power station (under construction)

* *For identification only*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

1. These companies were established in the PRC in the form of sino–foreign equity joint venture enterprise and approved to be converted into wholly foreign–owned enterprise upon the Corporate Reorganisation in 2007.

2. These companies were established in the PRC in the form of domestic–invested company and approved to be converted into wholly foreign–owned enterprise upon the Corporate Reorganisation in 2007.

3. These companies were established in the PRC in the form of sino–foreign equity joint venture enterprise.

4. These companies were established in the PRC in the form of wholly foreign–owned enterprise.

5. The company was established in the PRC in form of foreign invested enterprise (wholly owned by legal entity).

Note a: The Group has the right to appoint a majority of the directors on the respective boards of directors and control the operating and financial activities of these subsidiaries.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

42. COMPARATIVE FIGURES

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

Corporate Information

CHAIRMAN
Zhu Gong Shan

CHIEF EXECUTIVE OFFICER
Sha Hong Qiu

EXECUTIVE DIRECTORS
Zhu Gong Shan
Sha Hong Qiu
Ji Jun
Shu Hua
Yu Bao Dong
Sun Wei
Tong Yee Ming

NON-EXECUTIVE DIRECTOR
Tam Chor Kiu

INDEPENDENT NON-EXECUTIVE DIRECTORS
Heng Kwoo Seng
Qian Zhi Xin
Raymond Ho Chung Tai
Xue Zhong Su

COMPOSITION OF BOARD COMMITTEES

Audit Committee
Heng Kwoo Seng *(Chairman)*
Qian Zhi Xin
Raymond Ho Chung Tai

Remuneration Committee
Raymond Ho Chung Tai *(Chairman)*
Heng Kwoo Seng
Qian Zhi Xin

Strategic Planning Committee
Raymond Ho Chung Tai *(Chairman)*
Zhu Gong Shan
Sha Hong Qiu
Ji Jun
Qian Zhi Xin
Xue Zhong Su

COMPANY SECRETARY
Chan Yuk Chun

AUTHORIZED REPRESENTATIVES
Yu Bao Dong
Tong Yee Ming

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Beijing, 200026
PRC

COMPANY WEBSITE

www.gcl-poly.com.hk

Information for Investors

LISTING INFORMATION

Listing: Main Board of the Hong Kong Stock Exchange
Stock Code: 3800

SHARE INFORMATION

Board Lot Size:
1,000 shares

FINANCIAL CALENDAR

25 March 2009:
Announcement of 2008 Final Results
20 April 2009:
Publication of Annual Report
20 May 2009:
Last Day to Register for Final Dividend
25 May 2009:
Annual General Meeting
27 July 2009:
Payment of Final Dividend

ENQUIRIES CONTACT

Investor Relations Department

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Glossary of Terms

"Baoying Cogeneration Plant"	寶應協鑫生物質發電有限公司 (Baoying Xiexin Biomass Electric-Power Co., Ltd.*)
"Board" or "Board of Directors"	the board of Directors
"China" or "PRC"	the People's Republic of China, for the purpose of this report, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"China Resources Beijing Cogeneration Plant"	華潤協鑫(北京)熱電有限公司 (China Resources Golden Concord (Beijing) Co-generation Power Co., Ltd.*)
"Company" or "GCL-Poly"	GCL-Poly Energy Holdings Limited
"Convertible Note"	the convertible redeemable note for the principal amount of US$88 million issued by the Company to MS China 3 Limited, on 7 November 2006
"Director(s)"	director(s) of the Company or any one of them
"Dongtai Cogeneration Plant"	東台蘇中環保熱電有限公司 (Dongtai Suzhong Environmental Protection Co-generation Co., Ltd.)
"Dongwu Cogeneration Plant"	蘇州東吳熱電有限公司 (Suzhou Dongwu Cogeneration Co., Ltd.*)
"Fengxian Cogeneration Plant"	豐縣鑫源生物質環保熱電有限公司 (Fengxian Xinyuan Biological Environmental Heat and Power Co., Ltd.)
"Funing Cogeneration Plant"	阜寧協鑫環保熱電有限公司 (Funing Golden Concord Environmental Protection Co-generation Co., Ltd.)
"Group"	the Company and its subsidiaries
"Guohua Taicang Power Plant"	國華太倉發電有限公司 (Guohua Taicang Power Generation Co., Ltd.)
"Guangzhou Yonghe Project"	A project to develop a gas-fired cogeneration plant in Guangzhou Province, the PRC pursuant to the approval issued by the provincial Development and Reform Committee of Guangdong Province dated 23 April 2007
"Haimen Cogeneration Plant"	海門鑫源環保熱電有限公司 (Haimen Xinyuan Environmental Protection Co-generation Co., Ltd.)
"Huitengliang Wind Power Plant"	錫林郭勒國泰風力發電有限公司 (Xilingol Guotai Wind Power Generation Co., Ltd.*)
"Huzhou Cogeneration Plant"	湖州協鑫環保熱電有限公司 (Huzhou Golden Concord Environmental Protection Cogen-Power Co., Ltd.)
"IPO"	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 13 November 2007
"Jiaxing Cogeneration Plant"	嘉興協鑫環保熱電有限公司 (Jia Xing Environmental Protection Cogen-Power Co., Ltd.*)
"Jiema Hydropower Station"	小金縣吉泰電力投資有限公司 (Xiao Jin Xian Jie Tai Electricity Investment Co., Ltd*)
"Kunshan Cogeneration Plant"	昆山鑫源環保熱電有限公司 (Kunshan Xinyuan Environmental Protection Cogen-Power Co., Ltd.)
"Lanxi Cogeneration Plant"	蘭溪協鑫環保熱電有限公司 (Lanxi Golden Concord Environmental Protection Cogen-Power Co., Ltd.*)

Glossary of Terms

"Lianyungang Baoxin Biomass Cogeneration Plant"	連雲港保鑫生物質熱電有限公司 (Lianyungang Baoxin Biomass Cogeneration Co. Ltd.*)
"Lianyungang Xiexin Cogeneration Plant"	連雲港協鑫生物質發電有限公司 (Lianyungang Xiexin Biomass Electric-power Generation Co., Ltd.)
"Lianyungang Xinneng Cogeneration Plant"	連雲港鑫能污泥發電有限公司 (Lianyungang Xinneng Sludge Power Co., Ltd.*)
"Listing"	listing of the Shares on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longu Cogeneration Plant"	徐州龍固坑口矸石發電有限公司 (Xuzhou Longgu Mine-site Gangue Power Generation Co., Ltd. *)
"Management Company"	上海保利協鑫電力運行管理有限公司 (Shanghai GCL-Poly Electricity Operating Management Co., Ltd.*)
"Nanjing Cogeneration Plant"	南京協鑫生活污泥發電有限公司 (Nanjing Xiexin Life Sludge Power Co., Ltd.)
"Peixian Cogeneration Plant"	沛縣坑口環保熱電有限公司 (Peixian Mine-site Environmental Cogen-Power Co., Ltd.)
"Poly Group"	Poly (Hong Kong) Investments Limited and/or any and/or all of its subsidiaries
"Prospectus"	this prospectus of the Company dated 31 October 2007 issued in connection with IPO
"Puyuan Cogeneration Plant"	桐鄉濮院協鑫環保熱電有限公司 (Tongxiang Puyuan Xiexin Environmental Protection Co-generation Co., Ltd *)
"Rudong Cogeneration Plant"	如東協鑫環保熱電有限公司 (Rudong Golden Concord Environmental Protection Cogen-Power Co. Ltd.*)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Cogeneration Plant"	蘇州工業園區藍天燃氣熱電有限公司 (Suzhou Industrial Park Blue Sky Gas Cogen-Power Co., Ltd.)
"Suzhou Fuel Company"	保利協鑫電力燃料有限公司 (GCL-Poly Power Fuel Co., Ltd.*)
"Taicang Harbour Power Plant"	太倉港協鑫發電有限公司 (Taicang Harbour Golden Concord Electric-Power Generation Co., Ltd.)
"Taicang Incineration Plant"	太倉協鑫垃圾焚燒發電有限公司 (Taicang Xiexin Refuse Incineration Power Co. Ltd.*)
"Taicang Poly Cogeneration Plant"	太倉保利協鑫熱電有限公司 (Taicang Poly Xiexin Thermal Power Co., Ltd.)
"Xuzhou Cogeneration Plant"	徐州保鑫污泥發電有限公司 (Xuzhou Baoxin Sludge Power Co., Ltd.)
"Xuzhou Incineration Power Plant"	保利協鑫（徐州）再生能源發電有限公司 (GCL-Poly (Xuzhou) Renewable Energy Power Co., Ltd.*)
"Xuzhou Jinshanqiao Cogeneration Power Plant"	徐州金山橋熱電有限公司 (Xuzhou Jinshanqiao Co-gen Co., Ltd.*)
"Yangzhou Cogeneration Plant"	揚州港口污泥發電有限公司 (Yangzhou Harbour Sludge Power Co., Ltd.)

保利協鑫