Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and all of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the PRC power industry; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Share Offer.

RISKS RELATING TO THE GROUP

Our Power Plants commenced operation before the power business permits were obtained

Pursuant to the "Regulations on Power Business Permit", all power plants in the PRC are required to obtain the power business permit as the pre-requisite for the commencement of the operation. Before obtaining the respective power business permit, Our Power Plants have commenced commercial operation and have sold electricity to power grid companies. The Company's PRC legal adviser advised that according to the "Regulations on Power Business Permit", enterprises which have not obtained power business permit and conduct power generation business could be penalized for an amount up to five times of the relevant income. According to the Company's representation and the Company's PRC legal adviser's physical meeting with Hangzhou office of SERC which is the responsible authority for the relevant approvals, "Regulations on Power Business Permit" was effective from 1 December 2005 and extensive and substantial procedures were required for SERC to review application documents and complete the approval process since then. The official of SERC of Hangzhou has confirmed in such physical meeting that Our Power Plants have duly submitted all the required documents for approval according to their instructions, and has further advised that enterprises which have duly completed filing of application documents according to their requests would not be penalized for their past acts. In addition, we have obtained a written confirmation from the Hangzhou office of the SERC that the authority has rectified and confirmed that Our Power Plants' act of power generation before obtaining the power business permit will not be penalised and the relevant income was considered legal. For details, please refer to the paragraph headed "Legal compliance and proceedings" under the section headed "Business". However, there can be no assurance that SERC will not seek legal remedy against us in future and our business operation and financial performance may be affected if we are involved in such proceedings.

Cost of natural gas represented a significant proportion of our cost of sales. Increase in fuel costs, which are determined by the PRC government, may materially and adversely affect our operating results if we are unable to pass on such increases to our customers through corresponding increases in on-grid tariffs

Our Power Plants are fuelled by natural gas. Therefore, our results of operations have been directly affected by the costs of natural gas, representing approximately 73.3%, 66.0% and 68.4% of our total turnover during the three years ended 31 December 2006, 2007 and 2008, respectively. Gas prices applicable to Our Power Plants have been determined by the local provincial price bureau based on a number of factors, including but not limited to well-head price, cost of transportation, general market conditions, and applicable VAT and taxes. See "Financial Information — Management Discussion and Analysis of Financial Condition and Results of Operation — Significant Factors Affecting Our Results of Operations and Financial Condition — Cost of gas consumed". Increase in natural gas costs will increase our operating cost and may adversely affect our profitability.

The approved on-grid tariff (including VAT) applicable to Our Power Plants increased from RMB600 per MWh (De-Neng Power Plant and Blue Sky Power Plant) and RMB650 per MWh (Jing-Xing Power Plant) as at 31 December 2006 to RMB705 per MWh as at 31 December 2008, while the gas price (including VAT) applicable to Our Power Plants increased from RMB1.71 per m^3 as at 31 December 2006 to RMB1.85 per m^3 as at 31 December 2008. As the cost of natural gas represented a significant proportion of our cost of sales, if, in future, the government authorities decide to increase the price of natural gas, but not the on-grid tariffs, or the on-grid tariffs are not adjusted accordingly on a timely manner, or the rate of increase in on-grid tariffs is less than the rate of increase in gas prices, we will not be able to pass on the increase in cost of gas to our customers, and as a result, our profitability may be affected.

Our business relies exclusively on natural gas as fuel source currently provided by only one supplier and our business may be materially and adversely affected if there is a shortage or interruption in the supply of natural gas in Zhejiang province

We are a gas-fired power plant operator and our business relies exclusively on natural gas. During the Track Record Period, all of the natural gas we required was purchased from Zhejiang Gas Company, which is responsible for the operation of natural gas pipelines and the sale and distribution of natural gas in Zhejiang province and is our only supplier. Zhejiang Gas Company purchases natural gas from PetroChina, the largest petroleum and natural gas supplier in the PRC and distributes natural gas in Zhejiang province. Currently, gas used by us is mainly transported through the West-East Gas Pipeline (Phase I) and will be supplied by West-East Gas Pipeline (Phase II) and Sichuan-East Gas Pipeline in the near future. However, there can be no assurance that the supply of natural gas in Zhejiang province will always be sufficient in future. For example, the supply of natural gas to the Group was significantly lower in the period from April to September 2008 than those in the respective period in prior years as a result of certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympics and earthquake in Sichuan where energy source including the natural gas in the PRC was reserved in priority for the affected areas leading to the decrease in volume of power generation of Our Power Plants during the year ended 31 December 2008. Although we signed a long-term supply contract with a term of 20 years with Zhejiang Gas Company, the minimum amount of natural gas as stipulated in the supply contract to be sold to us by Zhejiang Gas Company at any given time in the future may not be sufficient to satisfy our actual production requirement, which consequently may adversely affect our financial performance.

In addition, the gas pipeline of the suppliers transmitting natural gas to Our Power Plants may break down due to natural disasters, accidents, unforeseen engineering, design, environmental or geological problems. Gas companies or suppliers may also schedule for and conduct regular repairs and maintenance and/or major inspections on gas pipelines. This may interrupt the supply of natural gas, which in turn may have material adverse impact on our operations.

Our turnover was wholly derived from power sales to two customers during the Track Record Period and may be materially and adversely affected by the reduction in the planned output and on-grid tariffs which are determined by the PRC government

Each of De-Neng Power Plant and Blue Sky Power Plant has entered into a dispatch agreement* (併網調度協定) and a power sale agreement* (購售電合同) with Zhejiang Electric Power Corporation for a term of one year, subject to automatic renewal upon mutual consent by both parties. The relevant agreements continue to be in force since their respective agreement dates. Jing-Xing Power Plant entered into the dispatch agreement* (併網調度協定) and the on-grid economic agreement* (併網經濟協議) with Huzhou Electric Power Bureau for a two-year and three-year term, respectively, subject to automatic renewal upon mutual consent by both parties. The relevant agreements continue to be in force since their respective agreement dates. For the three years ended 31 December 2008, sales to Zhejiang Electric Power Corporation and Huzhou Electric Power Bureau accounted for 100% of the Group's total turnover. For the same periods, sales to Zhejiang Electric Power Corporation accounted for approximately 96.3%, 77.0% and 75.0% respectively of the Group's total turnover. Sale of power represented 100% of our total turnover in the Track Record Period. Our sale of power is primarily determined by two factors: the actual amount of power purchased by grid companies and on-grid tariffs. Power producers in the PRC are required to sell their electricity directly to the relevant provincial grid company at prices, the on-grid tariffs, determined by the relevant provincial government authorities. The final daily volume of power to be dispatched by Our Power Plants were determined by the grid companies primarily based on the estimated supply and demand situation of electricity in the province and the actual versus planned utilization hours of the power plants. During the Track Record Period, planned utilization hours per year approved by the Zhejiang provincial government to each of Our Power Plants were 3,500 hours (that was the equivalent number of hours of power generation under full installed capacity). Such planned output applicable to Our Power Plants are reviewed annually by the Zhejiang provincial government based on the local economy, dispatch priority among different types of power plants and the market conditions. As a result, our turnover is subject to the exclusive control by the PRC government and reductions in either the on-grid tariffs or the planned output may reduce our turnover and adversely affect our results of operations. In addition, power grid companies may also schedule for and conduct regular repairs and maintenance and/or major inspections on the respective power grids which may affect their operation and purchase of power from Our Power Plants. Although in such event power grid companies would schedule to allow Our Power Plants to make up the shortfall in order that Our Power Plants are able to generate the approved planned utilization hours in a given year, there is no assurance that Our Power Plants will make up the entire shortfall which may adversely affect our results of operation. See also "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations and Financial Condition — On-grid Tariff and Planned Utilization Hours".

We may not have the level of experience, technical expertise, human resources and other attributes necessary to optimally operate power plants or systems utilizing new forms of energy and new technologies if we decide to extend our business into areas beyond Our Power Plants

As an important part of our business strategy, we intend to develop power plants generating alternative forms of energy, such as cogeneration, gas-based distributed energy systems that have less or no adverse impact on the environment. However, we may not be able to promptly expand our human resources to cope with the development of the new business segment of operation of power plants using new forms of energy, which is different from our core business of gas-fired power plants.

As of the Latest Practicable Date, we had only operated gas-fired power plants. Accordingly, we may not have the experience, appropriate level of technical expertise, human resources management expertise or other attributes necessary to successfully operate power plants other than gas-fired power plants. Although we have conducted extensive investment feasibility studies in connection with each proposed investment in power plants utilizing alternative energy sources, there can be no assurance that such investment feasibility studies have identified all the risks and uncertainties that we may encounter. If we lack the necessary experience and technical expertise to address unidentified risks and uncertainties particularly associated with power plants that utilize alternative forms of energy, our business operation and financial performance may be adversely affected.

Current favorable government policies and various incentives available to Our Power Plants may no longer be available or become less favorable in the future

Because we purchased certain PRC-manufactured power generation equipment, we are entitled to VAT refund and corporate income tax credit of up to 40% of the respective purchase amount within the specified period. Also, during the Track Record Period, Our Power Plants were granted subsidies by the PRC government as a financial incentive to encourage our development and investment in China's gas-fired power industry. For each of the three years ended 31 December 2006, 2007 and 2008, the Group recorded other net income, representing the government grants of about RMB300,000, RMB4,978,000 and RMB17,086,000, respectively. Please refer to paragraph headed "Government grants" under the section headed "Financial Information" for more details of the government grants to Our Power Plants. There can be no assurance that the current favorable policies and various incentives available to Our Power Plants will not be withdrawn or revoked by the PRC government or become less favorable. If the current favorable government policies and incentives are reduced or are no longer available in the future, our financial results in the future may be adversely affected.

We have a high level of debt and we may need additional external financing to fund our working capital and capital expenditure requirements, but we may not be able to obtain such additional external financing on acceptable terms or at all

As of 31 December 2008, we had total interest-bearing borrowings of approximately RMB519 million, including approximately RMB219 million due within 2009. This translates into a debt-to-equity ratio of 1.15 (without taking into account of the increase in share capital through the Share Offer).

We intend to continue to fund our operations, including our working capital and capital expenditure needs, primarily by the cash flow generated from our operations, extension of existing bank and other financing upon maturity through roll-over or renewal, additional bank financing and the issuance of additional equity or debt securities. Our ability to meet our working capital and capital expenditure needs will be affected by several factors including general economic and market conditions, covenants in our existing debt and credit agreements, credit availability from banks and other financial institutions, investors' confidence in us, our partners and the regional power markets, the financial performance of our subsidiaries, our levels of indebtedness, our cash flows, and tax and securities laws that may impact raising capital.

If we fail to secure sufficient cash flow from our operations or external financing to fund our working capital and capital expenditure required for the implementation of our expansion plans, our future plans to acquire new power plants and reconstruct and upgrade our existing power plants may be adversely affected or curtailed.

In addition, obtaining additional external financing may require us to sell additional equity or debt securities or obtain additional bank loans. The sale of additional equity or convertible debt securities could result in dilution to our Shareholders' equity interests and the incurrence of additional indebtedness would result in increased fixed obligations and could result in operating covenants that restrict our operations. Furthermore, we cannot assure you that financing will be available in amounts or on terms including interest rate acceptable to us, if at all.

The Group had net current liabilities position as at 31 December 2006, 2007 and 2008

The Group had net current liabilities of approximately RMB167.1 million, RMB118.2 million and RMB119.7 million as at 31 December 2006, 2007 and 2008, respectively. The Group's net current liability position was principally due to the utilization of short-term bank and other borrowings for financing the Group's capital expenditure. Currently, the Company is taking appropriate steps to improve the net current liabilities position of the Group, including taking procedures to settle the short-term bank and other borrowings with long-term loans, to seek conversion of its short-term borrowings to long-term and to monitor the cash flow on a regular basis and, if required, to adjust the cash flow to ensure that the cash flow is adequate for the business operation. There can be no assurance that the Group will always be able to raise the necessary finance by borrowings from banks and other financial institutions to finance its business, operations and capital expenditure. In the event that the banks and other financial institutions providing existing banking and credit facilities do not continue to extend similar or more favorable facilities to the Group and the Group fails to obtain alternative banking and credit facilities on reasonable terms, the Group's business and financial position may be adversely affected.

We may be adversely affected by the recent economic turmoil in the world

The recent economic turmoil during the second half of the financial year ended 31 December 2008 which can be reflected by the credit tightening, the increased unemployment rate and the liquidity problems of financial institutions, have adversely affected the U.S. and the world economies. With a deteriorating worldwide economy, demand for electricity may diminish, which in turn will affect the demand for our supply of electricity in the PRC. In addition, the credit tightening environment may aggravate the interest expenses on our bank borrowings, or the banks may even reduce the amount of or discontinue the banking facilities currently granted to us. If the economic downturn continues, our business operation and financial position may be adversely affected.

The success of the Group depends significantly on its ability to retain its senior management team and its ability to attract additional management and other qualified personnel to join the Group

The success of the Group to date has been, and the future success of the Group will be, dependent on the continued services of its key management and various engineering and technical personnel. The Group expects that its senior management team will continue to play a pivotal role in the future growth and success of its business. In particular, Mr. Chai, the President and executive Director of the Company, played a significant role in the business operations of the Group during the Track Record Period and is instrumental to the future development of the Group. However, there is no assurance that the Group will be able to continue to retain the service of any or all of its senior management team and the engineering and technical personnel. If any of these personnel was unable or unwilling to continue to serve in his/her present position, the Group may not be able to find a suitable replacement in a timely manner. The loss of their services and/or the Group's failure to find a suitable replacement may cause disruption to its business and have an adverse impact on its ability to manage or operate its business effectively. The results of operations may be adversely affected as a result.

Our results of operations for the single year in 2006 may not be comparable with any other years during the Track Record Period or future periods

Our Power Plants commenced commercial operation at different times during the Track Record Period but all of which have been in full operation since 2007. Accordingly, our results of operations for the single year in 2006 may not be comparable with our results of operations for any other years during the Track Record Period or future periods.

The limited operating history of Our Power Plants may make it difficult for you to evaluate our business and prospects

As part of the Corporate Reorganization, the Company was incorporated on 8 September 2008 as the holding company of the Group. In addition, Our Power Plants have a limited operating history of about three years, in which our first power plant, De-Neng Power Plant commenced commercial operation in December 2005, while Blue Sky Power Plant and Jing-Xing Power Plant commenced commercial operation in March 2006 and December 2006, respectively. As a result, there is limited historical operational data available to establish long-term trends, to evaluate the performance and prospects of our business.

The registration of our Group's logo as a trademark in Hong Kong has not yet been approved

Our Group submitted an application to the Trade Marks Registry of the Intellectual Property Department of Hong Kong for registration of its logo as appear on the cover of this prospectus as a trademark on 22 October 2008. On 19 June 2009, the Group received a notice of application for extension of time to oppose the said registration under Class 4 from a third party and the extended date of the opposition deadline is 19 August 2009. There is no assurance that the use of the logo by the Company on this prospectus will not infringe the intellectual property rights of any third party or in breach of the laws of Hong Kong. Any liability claim in relation to the use of the logo by the Company made or threatened to be made against the Group in the future, regardless of its merits, could result in litigation and put strain on the Group's administrative and financial resources.

RISKS RELATING TO THE PRC POWER INDUSTRY

Future increase in the supply of power overall or the supply of power generated by plants which are more efficient than ours in Zhejiang province or in the PRC may materially and adversely affect the number of planned utilization hours allocated to Our Power Plants and ultimately our power sales

In recent years, a significant number of new power plants have been built, both in Zhejiang province and throughout the PRC. The total installed capacity of the power plants in the PRC has increased accordingly. See paragraph headed "Supply and Demand for Power in the PRC" in the section "Industry Overview" for details. There can be no assurance that the rate of increase in the supply will not exceed the rate of increase in the demand of power in Zhejiang province and in the PRC. Furthermore, more efficient and advanced power generation technologies and plants may become more widely used and commercialized in China in the future. As a result, the planned utilization hours allocated to Our Power Plants each year may reduce in the future and our power sales may be materially and adversely affected.

Our power plant development and acquisition plan may not be successful due to increasing competition and potential substantial regulatory approvals involved

Our ability to expand our business depends on our ability to upgrade our existing power plants and to develop or acquire new power plants or projects. Such upgrading, development and acquisition of power plants can be time-consuming and highly complex. In identifying and developing new projects, we compete against various players, including large power companies and smaller local power plants. If we are not successful in such competition, our development plan may be delayed. In addition, in connection with the development of a new power plant, we must generally obtain various governmental approvals, licenses and permits, land use rights or leases, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation agreements and sufficient equity capital and debt financing. We may not be successful in resolving or addressing any of these matters or in doing so on a timely basis, and such failure or delay may adversely affect our financial condition.

The construction of power plants is subject to risks which could give rise to delays or cost overruns

The construction of a power plant, including its ancillary facilities, such as transmission lines or substations, may be adversely affected by many factors commonly associated with the construction of infrastructure projects that are beyond our control, including but not limited to:

- shortages of equipment, materials or labor;
- work stoppages and labor disputes;
- weather conditions;
- natural disasters;
- accidents;
- unforeseen engineering, design, environmental or geological problems;
- delays in receiving requisite approvals, licenses or permits; and
- unanticipated cost increases,

any of which could give rise to delays or cost overruns. Construction delays of any of Our Power Plants can result in loss or delayed receipt of revenues, increase in financing costs, or failure to meet profit and earnings projections. Additionally, the failure to complete construction according to specifications can result in reduced plant efficiency, higher operating costs and reduced or delayed earnings.

Our operations are subject to hazards customary to the power generation industry and our existing insurance coverage may not be sufficient to cover all of these hazards

Operating power plants involves many risks and hazards which may adversely affect profitability, including machine breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labor disturbances, natural disasters, environmental hazards and industrial accidents. These hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. We maintain insurance coverage that is typical in the power industry in China and in the amounts that we believe to be adequate. Our insurance, however, may not provide adequate coverage in certain circumstances. Although each of Our Power Plants has a record of safe operation and we have not suffered any material hazards during the Track Record Period, there is no assurance that the aforementioned incidents will not occur in the future. The occurrence of any incident for which we have no insurance coverage may adversely affect our financial condition.

Regulatory changes of the PRC power industry and the uncertainties associated with the reform of the PRC power industry may adversely affect our business and results of operations

Our Power Plants are subject to PRC governmental and power grid regulations, including the amount and timing of electricity generation, the setting of on-grid tariffs, the performance of scheduled maintenance, and compliance with power grid control and dispatch directives. Our operations and profitability will be affected by any material changes in the PRC government laws and regulations relating to the power industry. In addition, the PRC power industry has experienced and is expected to continue to experience ongoing regulatory reforms. The uncertainties associated with the reform and any corresponding regulatory changes resulting in favorable treatment currently available to us being abolished or becoming less favorable may adversely affect our business and results of operations. In addition, the PRC government may adopt more stringent laws and regulations in the future to regulate the power industry, compliance with which may be expensive, and may adversely affect our financial condition and results of operation.

We may incur additional costs or investments should the PRC government adopt stricter or additional environmental laws or requirements

The existing Environmental Protection Law and related regulations require us to establish an environmental protection and management system, which includes adopting effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials, to discharge waste properly and to pay certain discharge fees. In future, if a higher level of environmental laws or requirements is introduced, we may need to incur additional cost and/or investment in order to be in compliance with such new laws and regulations.

RISKS RELATING TO THE PRC

All our assets are located in the PRC and all of our turnovers are derived from our operations in the PRC. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government may adversely affect our business, operating results and financial condition

The PRC's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC are still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform.

Our operations and financial results could also be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to power pooling (competitive bidding process), and Our Power Plants which are currently not subject to power pooling may end up being subject to power pooling. The power pooling process typically results in a lower selling price than the tariffs received from the electricity dispatched as part of the planned output, and as such, this could have an adverse impact on the results of our operations. Our operations and financial results could also be adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Our business may also be affected by PRC government policies on the development of Zhejiang province, policies in relation to energy sources and natural gas, and any changes to the relevant PRC regulations on the power industry. Please refer to the section headed "Regulations Relating to the PRC Power Industry" in this prospectus for the relevant current regulatory environment in the PRC. There is no guarantee that such PRC government policies would not change in the future and it is uncertain whether any policy of a preferred energy mix would put the gas-fired power business in disadvantage to other power generation unites utilizing renewable energy sources.

The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to us and adversely affect our operations

Although our Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands, all of our operations are conducted through our subsidiaries which are organized under PRC laws in China. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations are relatively new and will continue to evolve, are subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference and in any case, such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections that are available to you and can adversely affect the value of your investment.

Fluctuations in the exchange rates of the Renminbi may adversely affect our financial condition and your investment

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar and other foreign currencies is affected by, among other things, changes in the PRC's economic and political conditions. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. Under the current circumstances of global economic crisis, the exchange rates of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency may fluctuate in an unprecedented way.

All our turnover and almost all our operating costs are settled in Renminbi. Distributions are made to us by our subsidiaries in the PRC before we can distribute dividends to our Shareholders. Any significant revaluation of the Renminbi may have a material adverse effect on our operating results and the value of dividends payable to our Shareholders in Hong Kong dollars.

Furthermore, following the completion of the Share Offer, we expect a significant portion of our cash and cash equivalents to be denominated in currencies other than Renminbi. As our functional currency is Renminbi, such foreign currency denominated cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange losses.

PRC Government control over currency conversion may affect the value of your investment and limit our ability to use our cash effectively

All of our turnover is denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenditures. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. We rely on our PRC subsidiaries to pay dividends to us. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency, including Hong Kong dollars, to satisfy our requirements, we may not be able to pay dividends in Hong Kong dollars to our Shareholders.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our acquisition strategy as well as our business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (the "M&A Provisions") issued by six PRC ministries including the Ministry of Commerce, effective from 8 September 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities or assets of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus change the domestic non-foreign-invested enterprise into a foreign-invested enterprise upon completion of such an acquisition or investment. The M&A Provisions stipulate that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) issued by the NDRC and the Ministry of Commerce jointly, which broadly categorized different industries into Encouraged, Restricted and Prohibited categories and subject to update from time to time. The M&A provisions also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company in the future, we cannot assure you that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income

Under the new PRC Enterprise Income Tax Law that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations of the new PRC Enterprise Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in China, and may remain in China. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law and the implementation regulations.

Changes in or discontinuation of the favorable tax treatments in PRC currently available to us could reduce our profitability

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) ("New Tax Law") which was promulgated on 16 March 2007, income tax rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from 1 January 2008. According to Circular of the State Council on the Issues Concerning Carrying out the Transitional Preferential Policies on Enterprise Income Tax (Guo Fa〔2007〕No. 39) (國務院關於實施企業所得稅過渡優惠政策的通知國發〔2007〕39號), enterprises which enjoyed income tax rates of lower than the standard rate of 33% are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires. Our Group is currently enjoying the above favorable tax treatments available to us. Any change or discontinuation of such favorable tax treatments could adversely affect our profitability.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the new PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to

10% PRC income tax if such gain is regarded as income derived from sources within China. The investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of the Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially adversely affected.

We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries

We are a holding company incorporated under the laws of Cayman Islands, with limited liability. All of our business operations are conducted through our operating subsidiaries. Our principal assets are our beneficial interests in Our Power Plants. Our ability to pay dividends to our Shareholders is dependent upon the earnings of our subsidiaries and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to pay dividends on the Shares.

Acts of God, acts of war and other disasters could affect our business

An outbreak of avian flu, severe acute respiratory syndrome ("SARS") or any epidemic, an increase in the severity of H1N1 flu (the swine flu) or the occurrence of any natural disaster, which may lead to serious disruption to the public in the PRC, may have a material and adverse effect on our business, results of operations and financial performance. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our markets, our customers and suppliers, any of which could materially impact our sale of power, the procurement of natural gas, overall results of operations and financial condition. Overall, natural disasters, acts of war and terrorist attacks may cause our business to suffer in ways that we cannot predict.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

Substantially all of our assets are located within China. Since the majority of our Directors are residents of China, it may not be possible for investors to effect service of legal process upon us or our Directors in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with Hong Kong, the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us and our management in China any judgments obtained from non-PRC courts.

The implementation of the new labour contract law and increase in labor costs in the PRC may adversely affect our business and our profitability

A new labour contract law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

RISKS RELATING TO OWNERSHIP OF SHARES

There has been no prior public market for the Shares

Before the Share Offer, there was no public market for the Shares. Whilst we have applied to have the Shares listed on the Stock Exchange, we cannot assure that an active public market for the Shares will develop. The Offer Price of the Offer Shares that has been determined by agreement amongst our Company and the Sole Bookrunner, (for themselves and for and on behalf of the Underwriters) may not be indicative of prices that will prevail in the trading market.

The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Share Offer

Following the Share Offer, the market price of our Shares may fluctuate substantially as a result of, amongst other things, the following factors, some of which are beyond our control:

- variations of the results of our operations;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of the Group and the general investment environment;
- changes in policies and developments related to the industry in which we operate;
- changes in pricing policies adopted by us or our competitors;
- announcement of significant acquisitions, strategic alliance or joint ventures;
- fluctuations in stock market prices and trading volume;
- involvement in litigation;
- recruitment or departure of key personnel; and
- general economic and stock market conditions.

Moreover, in recent years, stock markets in general, and the shares of companies with substantial operations in China in particular, have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Undertakings" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on the substantial shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the major shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

Investors in the Share Offer may experience dilution if we issue additional Shares in the future.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of our Shares may experience dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The interests of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders.

Upon the completion of the Share Offer, we anticipate that our Controlling Shareholders will own, in the aggregate, 75% of our Shares, assuming the Over-allocation Option is not exercised, and approximately 72.29%, if the Over-allocation Option is exercised in full. Therefore, the Controlling Shareholders will be in a position to control matters requiring approval by Shareholders and thereby exercise significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate transactions irrespective of the desires of our other Shareholders. The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or our other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

RISKS RELATING TO THE SHARE OFFER

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the PRC power industry contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC power industry have been derived from various official government publications. However, there can be no assurance as to the quality or reliability of such source materials. They have not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

Forward-looking information contained in this prospectus may prove inaccurate.

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “may”, “ought to”, “should” and “will”. These statements include, among other things, the discussion of our business strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. You should not place undue reliance on such forward-looking information.