The following discussion of our financial condition and results of operations should be read in conjunction with our combined financial information as at and for the years ended 31 December 2006, 2007 and 2008, and the related notes set out in the Accountants' Report included as Appendix I to this prospectus ("Combined Financial Information"). The Combined Financial Information are presented as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. See the section headed "History, Corporate Reorganization and Group Structure". All significant intra-group transactions and balances have been eliminated on consolidation.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are principally engaged in the development, management and operation of gas-fired power plants in Zhejiang province of the PRC. Our turnover is wholly derived from the sale of power generated by Our Power Plants. We benefit from various incentives provided by the PRC government to environmentally friendly power plants, such as higher on-grid tariffs compared to coal-fired plants, annual planned utilization hours, preferential tax treatments and government grants. During the three years ended 31 December 2006, 2007 and 2008, our total turnover amounted to approximately RMB415.8 million, RMB645.2 million and RMB424.1 million, respectively. Our profit attributable to equity holders of the Company during the same periods was approximately RMB6.3 million, RMB58.4 million and RMB33.4 million, respectively.

Basis of presentation

The Combined Financial Information are presented as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. See the section headed "History, Corporate Reorganization and Group Structure". As the companies that took part in the Corporate Reorganization were controlled by the same group of ultimate equity holders (referred to as "the Controlling Shareholders") before and after the Corporate Reorganization and, consequently there was a continuation of the risks and benefits to the Controlling Shareholders, the Combined Financial Information have been prepared as a business combination under common control in a manner similar to pooling of interest. The interests of equity holders other than the Controlling Shareholders in the combining companies have been presented as minority interests in the Group's Combined Financial Information.

The combined income statements, combined statements of changes in equity and the combined cash flow statements of the Group for the Track Record Period include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since the dates of their incorporation where this is a shorter period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 have been prepared to present the state of affairs of the companies now comprising the

Group as at the respective dates as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on combination.

The development of Our Power Plants during the Track Record Period

In December 2005, the Group's first power plant, De-Neng Power Plant commenced commercial operation in Zhejiang province, the PRC. In 2006, the Group further developed two more power plants, namely Blue Sky Power Plant and Jing-Xing Power Plant which commenced commercial operation in March 2006 and December 2006, respectively. During the year ended 31 December 2007, all Our Power Plants were already in full operation.

The following table sets forth our installed capacity and attributable installed capacity of power generation as at 31 December 2006, 2007 and 2008:

	Power (MW)	
	Installed capacity	Attributable installed capacity(Note)
As at 31 December 2006	299	197.8
As at 31 December 2007	299	215.7
As at 31 December 2008	299	246.4

Note: *Our attributable installed power capacity as at the end of each year is calculated based on the installed capacity of Our Power Plants multiplied by the percentage of our equity ownership in such plants as at the end of each year.*

Significant factors affecting our results of operations and financial condition

Our results of operations are most significantly affected by the following factors.

On-grid tariff

Our turnover is wholly derived from the sale of power generated by Our Power Plants in the PRC. Our turnover from power sales is primarily determined by two factors: on-grid tariff and amount of electricity sold.

Like most other power producers in the PRC, we are required to directly sell our electricity to grid companies at the on-grid tariff determined by the provincial price bureau. According to Interim Measures for the Administration of On-grid Tariff (上網電價管理暫行辦法) issued by NDRC, on-grid tariffs are reviewed and determined by the Zhejiang Provincial Price Bureau with reference to the fuel types, cost structures and operating profit of the comparable power plants operating within the same provincial power grid. The on-grid tariff approved for any power plant remains in force, subject only to adjustments for material changes, such as a substantial increase in fuel cost. When there is an increase in the cost of natural gas, Our Power Plants will submit a report to the Zhejiang Provincial Price Bureau, detailing the financial impact of the increase in fuel cost on our cost and requesting the adjustment on the applicable on-grid tariff. The Zhejiang Provincial Price Bureau will then review the report and decide whether to approve the adjustment on the on-grid tariff and to determine the level of adjustment (if any).

The table below sets forth our approved on-grid tariffs, exclusive of VAT, applicable to each of Our Power Plants as at 31 December 2006, 2007 and 2008.

	As at 31 December		
	2006	2007	2008
	(RMB per MWh)	(RMB per MWh)	(RMB per MWh)
Approved on-grid tariffs	512.8/555.6 *(Note 1)*	555.6	602.6

Notes:

(1) The approved on-grid tariffs, exclusive of VAT as at 31 December 2006 applicable to De-Neng Power Plant and Blue Sky Power Plant amounted to RMB512.8 per MWh and RMB555.6 per MWh to Jing-Xing Power Plant

(2) The approved on-grid tariffs provided in this table and elsewhere in the "Financial Information" section are the tariffs (exclusive of VAT) applicable to each of Our Power Plants as at 31 December 2006, 2007 and 2008, which may differ from the tariffs provided in the "Business" section as the figures provided therein included VAT. The Directors consider that disclosing tariffs exclusive of VAT in the "Financial Information" section is more meaningful, given VAT is excluded in the combined turnover of the Group pursuant to the Group's accounting policies

Planned utilization hours

Each year, the Zhejiang provincial government issues guidelines as to the planned annual output for each power plant in the form of utilization hours, based on the local economy, dispatch priority among different types of power plants and the market conditions, including but not limited to the available supply of power in the region, and the average utilization hours of comparable power plants. However, the planned output serves only as a guideline for the production volume of each power plant. The actual output of Our Power Plants depends on the actual demand and dispatch allocation of Zhejiang Electric Power Corporation and the Huzhou Electric Power Bureau. Our Power Plants submit daily power dispatch plan to Zhejiang Electric Power Corporation and Huzhou Electric Power Bureau for review and they determine the actual volume of power to be dispatched by Our Power Plants each day, based on a number of factors including the installed capacity of the plants and demand of power in the regions covered by them.

Typically, the planned annual output and the actual amount of electricity generated and sold by a power plant is not evenly distributed throughout the year. The utilization hours and volume of power sale of a given plant vary over the course of a year depending on the actual power demand of the area covered by the relevant grid and the dispatch allocation as determined by the power grid company.

Cost of fuel consumption

During the three years ended 31 December 2006, 2007 and 2008, natural gas was the only source of fuel for Our Power Plants. Accordingly, our results of operations have been directly affected by the cost of fuel consumption, representing 73.3%, 66.0% and 68.4% of our total turnover during the three years ended 31 December 2006, 2007 and 2008 respectively.

We purchase all the natural gas we required from Zhejiang Gas Company, who is the sole supplier and distributor of natural gas in Zhejiang province. Zhejiang Gas Company purchases natural gas from PetroChina and distribute natural gas in Zhejiang province. Please see the paragraph headed "Natural gas supply" in the "Business" section in this prospectus for more details.

The following table shows our applicable standard gas prices, exclusive of VAT, as at 31 December 2006, 2007 and 2008.

	As at 31 December		
	2006	2007	2008
	RMB per m^3	RMB per m^3	RMB per m^3
Applicable standard gas price *(Note)*	1.51	1.51	1.64

Note:
The figures provided in this table and elsewhere in the "Financial Information" section are the unit gas price (exclusive of VAT) applicable to each of Our Power Plants as at 31 December 2006, 2007 and 2008, which may differ from the unit gas price provided in the "Business" section as the figures provided therein included VAT. The Directors consider that disclosing unit gas price exclusive of VAT in the "Financial Information" section is more meaningful, given VAT is excluded from the combined costs of fuel consumption of the Group pursuant to the Group's accounting policy.

PRC tax incentives

Our Power Plants, being foreign-invested enterprises engaged in the energy infrastructure industries, upon approval by the State Administration of Taxation during the years ended 31 December 2006 and 2007, enjoyed a preferential enterprise income tax rate of 15%. In addition, Our Power Plants are further exempt from PRC enterprise income tax for two years starting from the first year they make assessable profits and are granted a 50% reduction in tax for three years thereafter.

Furthermore, because we purchased certain PRC-manufactured power generation equipment, we are entitled to VAT refund and enjoy a corporate income tax credit up to 40% of the respective purchase amount within the specified period.

Pursuant to the New Tax Law, enterprise income tax for both domestic and foreign-invested enterprises was unified at 25% from 1 January 2008. Under the New Tax Law, a five-year transitional period is allowed. Our Power Plants, which are subject to a preferential enterprise income tax rate of 15% before 1 January 2008, may continue to enjoy the lower rate before they are gradually subject to the new tax rate within five years from the effective date of the New Tax Law. The two-year full exemption period for Our Power Plants expired in 2007 or 2008. The Directors expect that, under the New Tax Law, Our Power Plants will continue to be entitled to the 50% reduction on the phased-in enterprise income tax rate during the transitional period, until the expiry of such three-year tax reduction period, which is expected to be at the end of year 2010 or 2011. Therefore, after the five-year transitional period, starting from the year ending 31 December 2012, Our Power Plants can no longer enjoy the tax incentives and will be subject to the unified income tax rate of 25% pursuant to the New Tax Law.

Government grants

Our Power Plants are foreign-owned enterprises investing in the gas-fired power generation industry, being one of the business sectors which is entitled to certain government grants from the local government of the county where Our Power Plants operate. According to the relevant policies (such as "Advice on Further Encouragement on Foreign Investment and Exports from the People's Government of Deqing County"《德清縣人民政府關於進一步鼓勵外商投資和擴大出口的若干意見》and "Implementation Details of Financial Assistance and Encouragement on Industrial Projects in Yuhang District"《余杭區工業生產性項目財政資助和獎勵的實施細則》, Our Power Plants were awarded the government grants by People's Government of Deqing County (德清縣人民政府), Deqing County Finance Bureau (德清縣財政局), Hangzhou Yuhang District Economic Development Board (杭州市余杭區經濟發展局),

Hangzhou Yuhang District Finance Bureau (杭州市余杭區財政局) and Changxing County Finance Bureau (長興縣財政局) as financial incentives to encourage the development of environmentally-friendly gas-fired power plants in Zhejiang province. During the Track Record Period, most of the government grants of the Group were awarded to De-Neng Power Plant and Blue Sky Power Plant, having satisfied the following conditions:

De-Neng Power Plant

1. being a foreign-owned enterprise investing in gas-fired power generation industry, one of the highlighted projects specified by the local county government; and
2. the total amount of the investment made by the foreign investor is greater than certain specified amount.

Blue Sky Power Plant

1. being investing into gas-fired power generation industry, one of the highlighted projects specified by the Zhejiang provincial government;
2. the completion of the construction of the power plant within a specified period; and
3. have contributed to the local economy by making proper tax filings and tax payments in accordance with the relevant rules and regulations, assessed by the county government.

All power plants in China which satisfy the above conditions are entitled to the government grants subject to the final approval by the relevant authorities.

The amount of the government grants was determined by the relevant government authorities on a discretionary basis with reference to the total amount of investment made and/or the amount of tax paid by Our Power Plants, the timing of the total investment made and the completion time of the construction of the power plants, which encourages the efficient roll-out of the power plants. As illustrated in the government grants of RMB13.0 million to Blue Sky Power Plant during the year ended 31 December 2008, it is calculated by 4% of the investment amount in the construction and equipment of the power plant, and in the government grants of RMB3.4 million and RMB3.8 million to De-Neng Power Plant for the years ended 31 December 2007 and 2008, respectively, the amount was calculated based on the portion of VAT paid by De-Neng Power Plant for the year, in which the Deqing county government was entitled to.

Critical Accounting Policies

The Combined Financial Information have been prepared by the Directors in accordance with IFRS. We have identified below the accounting policies that we believe are the most critical to our Combined Financial Information. Our significant accounting policies are set forth in detail in note 1 of Section C to the Accountants' Report included as Appendix I to this prospectus. These accounting policies require, subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our Combined Financial Information. The estimates and associated assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities, are discussed in more detail in note 1 of Section C to the Accountants' Report in Appendix I. We review our estimates and underlying assumptions on an ongoing basis.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the combined income statements as follows:

(i) Sales of electricity

Revenue from sales of electricity is recognized upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically.

(ii) Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in combined income statements on a systematic basis in the same year in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in the combined income statements on a systematic basis over the useful life of the asset.

Property, plant and equipment

Property, plant and equipment other than assets under construction are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation of property, plant and equipment other than major generator equipment is recognized in the combined income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Major generator equipment which can be identified in relation to specific production process is depreciated by reference to the expected production volume of these generator equipment.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to relevant category of property, plant and equipment upon the completion of their respective construction.

The estimated useful lives and expected production volume for the Track Record Period are as follows:

Buildings and plants	30 years
Major generator equipment	80,000-120,000 hours
Other machinery	5-32 years
Motor vehicles, furniture, fixtures, equipment and others	5-10 years

Depreciation methods, useful lives, expected production volume and residual values are reassessed at each reporting date.

Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the combined income statements.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the combined income statements.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the combined income statements. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Results of Operations

The following table shows selected income statement items for the three years ended 31 December 2006, 2007 and 2008 derived from our Combined Financial Information included in Appendix I to this prospectus.

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
Turnover	415,790	645,191	424,072
Operating expenses			
Fuel consumption	(304,896)	(425,845)	(290,047)
Depreciation and amortization	(37,996)	(52,444)	(38,467)
Repairs and maintenance	(1,898)	(2,645)	(2,184)
Personnel costs	(8,771)	(18,235)	(10,705)
Administrative expenses	(9,915)	(11,088)	(11,233)
Sales related taxes	(498)	(1,073)	(671)
Other operating expenses	(2,114)	(2,831)	(2,436)
Operating profit	49,702	131,030	68,329
Finance income	1,411	2,506	4,200
Finance expense	(38,256)	(52,229)	(51,045)
Net finance costs	(36,845)	(49,723)	(46,845)
Other net income	300	4,978	17,086
Profit before tax	13,157	86,285	38,570
Income tax	—	—	—
Profit for the year	13,157	86,285	38,570
Attributable to :			
Equity holders of the Company	6,310	58,445	33,445
Minority interests	6,847	27,840	5,125
Profit for the year	13,157	86,285	38,570

Turnover

Our turnover from the operation of Our Power Plants is entirely from the sale of power and is net of the applicable VAT. Sale of power is recorded based on the output delivered. We collect payments directly from the grid companies. The following table shows the turnover of Our Power Plants for the three years ended 31 December 2006, 2007 and 2008:

	Year ended 31 December		
Power Plants	**2006**	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
De-Neng Power Plant	205,122	238,200	132,191
Blue Sky Power Plant	195,381	258,867	185,846
Jing-Xing Power Plant	15,287	148,124	106,035
Total	415,790	645,191	424,072

Our turnover increased significantly from RMB415.8 million during the year ended 31 December 2006 to approximately RMB645.2 million during the year ended 31 December 2007 and then decreased to approximately RMB424.1 million during the year ended 31 December 2008. The construction of the Jing-Xing Power Plant was completed in 2006 and its commercial operation commenced in December 2006. With its full operation, Jing-Xing Power Plant has increased the Group's turnover by approximately RMB132.8 million during 2007. Our turnover then decreased significantly during 2008, due to the decreased volume of power sold for the year. The decrease in the Group's turnover for the year ended 31 December 2008, to the Directors' best knowledge and belief, was primarily due to reduction in supply of natural gas in the period from April to September 2008 as a result of certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympic Games and earthquake in Sichuan where energy source including the natural gas in the PRC was reserved in priority for the affected areas. The supply of natural gas to the Group has gradually resumed to normal level from October 2008. For the period from April to September 2008, the power sales volume of the Group decreased by about 61.3% compared to the same period in 2007. The Directors also believed that the decrease in the Group's turnover in 2008 was also to a less extent due to the supply of natural gas not fully resumed to normal level during the fourth quarter in 2008 after the aforesaid incidents and the slow down in growth of PRC and Zhejiang economy arising from the global economic turmoil during the second half of 2008 which in turn led to the slow down in growth of electricity demand in Zhejiang. For the period from October to December 2008, the power sales volume of the Group decreased by about 35.9% compared to the same period in 2007.

Fuel consumption

Natural gas is the primary source of fuel for Our Power Plants. The cost of fuel consumption remains consistently the most significant portion of our operating expenses. The cost of fuel consumption increased from approximately RMB304.9 million during the year ended 31 December 2006 to approximately RMB425.8 million during the year ended 31 December 2007 and then decreased to RMB290.0 million during the year ended 31 December 2008. The increase in the cost of gas consumed during 2007 was mainly attributable to the increased amount of gas used arising from the newly operated Blue Sky Power Plant in March 2006 and Jing-Xing Power Plant in December 2006. The decrease in cost of gas consumed during 2008 was due to the decreased amount of gas used arising from the reduction in supply of natural gas in the period from April to September 2008 as a result of certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympic Games and earthquake in Sichuan where energy source including the natural gas in the PRC was reserved in priority for the affected areas.

Depreciation and amortisation

Depreciation and amortisation consist of charges on depreciation of the property, plant and equipment and the amortisation of the land use rights of the parcels of land occupied by Our Power Plants. Depreciation and amortisation amounted to about approximately RMB38.0 million, RMB52.4 million and RMB38.5 million for the three years ended 31 December 2006, 2007 and 2008, respectively. Increase in the depreciation and amortisation during 2007 was mainly attributable to the increase in property, plant and equipment upon completion of the construction of Blue Sky Power Plant in March 2006 and Jing-Xing Power Plant in December 2006. With the full year effect of depreciation charges of Blue Sky Power Plant and Jing-Xing Power Plant during 2007, depreciation and amortisation increased for the year. Major generator equipment of Our Power Plants was depreciated by reference to the production hours operated. Decrease in the depreciation and amortisation during 2008 was consistent with the lower volume of power sold during the year, in which lower production hours were operated for our major generator equipment of property, plant and equipment in 2008.

Repairs and maintenance

Repairs and maintenance costs for the year ended 31 December 2007 was relatively higher due to the higher production hours operated for our property, plant and equipment to cope with the larger volume of power generated during the year.

Personnel costs

Personnel costs increased significantly from approximately RMB8.8 million during the year ended 31 December 2006 to approximately RMB18.2 million during the year ended 31 December 2007 and then decreased to approximately RMB10.7 million during the year ended 31 December 2008. Personnel costs were significantly large during 2007, mainly attributable to the increase in the number of staff of the Group, following the full operation of Blue Sky Power Plant and Jing-Xing Power Plant and the one-off bonus of approximately RMB5.7 million incurred during the year.

Administrative expenses

Administrative expenses comprise mainly utilities, insurance, testing fees and business entertainment expenses. The following table shows the components of our administrative expenses for the three years ended 31 December 2006, 2007 and 2008.

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Utilities expense	1,880	2,242	2,805
Insurance	1,961	1,901	1,807
Testing fee	1,450	1,360	985
Business entertainment expense	1,198	1,163	1,493
Office supplies	764	1,216	956
Motor vehicle expense	484	656	568
Other taxes	493	620	1,381
Rental expense	377	580	356
Telephone and communication	260	250	238
Conference expense	277	247	246
Travelling expense	227	191	198
Others	544	662	200
	9,915	11,088	11,233

Sales related taxes

Sales related taxes mainly represent the education surcharge payable by Our Power Plants, in which it is calculated based on the VAT paid.

Other operating expenses

Other operating expenses mainly represent the low value consumables and small equipment parts used during the production process.

Net finance costs

Net finance costs mainly comprise the net balances of bank interest income, foreign exchange loss and interest expense on bank and other borrowings less capitalized borrowing costs. We capitalise a portion of our costs of borrowings to "assets under construction" under "property, plant and equipment" on our combined balance sheets to the extent that such costs are directly attributable to the construction of the properties.

Other net income

Other net income represents the government grants, which are related to the encouragement from the local government authorities for the Group's development in the gas-fired power industry regarding the construction and operation of new power plants. For the three years ended 31 December 2006, 2007 and 2008, the government grants recognized by Our Power Plants amounted to approximately RMB300,000, RMB5.0 million and RMB17.1 million, respectively.

Income tax

Our Power Plants are entitled to full exemption from PRC income tax for the first two years commencing from the first profitable year of operation and are entitled to a 50% reduction of the applicable PRC income tax rates for the following three years. There is no provision of PRC income tax for the two years ended 31 December 2006 and 2007, since Our Power Plants were still under the tax holiday. During the year ended 31 December 2008, De-Neng Power Plant and Blue Sky Power Plant completed the two-year tax holiday and were subject to PRC income tax (with 50% reduction of the income tax rate). According to the relevant regulations by the State Administration of Taxation, Our Power Plants being the foreign-owned enterprises and purchasing PRC-manufactured equipment, are entitled to a corporate income tax credit up to 40% of the respective purchase amount. Therefore, there was still no provision of PRC income tax for the year ended 31 December 2008, because Our Power Plants were entitled to such corporate income tax credit granted by the State Tax Bureau of the respective local county. No provision of income tax has been made for the members of the Group outside of the PRC as the Group had no assessable profits generated outside the PRC during the three years ended 31 December 2006, 2007 and 2008.

Profit attributable to equity holders of the Company

During the year ended 31 December 2007, with the full year of commercial operation of Blue Sky Power Plant and Jing-Xing Power Plant, profit attributable to equity holders of the Company increased significantly for the year. The balance then decreased during the year ended 31 December 2008, which was mainly attributable to the decreased turnover for the year, arising from the shortage of natural gas supply to Zhejiang province in the third quarter of 2008.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2008 compared with year ended 31 December 2007

Turnover

Our turnover decreased by approximately 34.3% from approximately RMB645.2 million during the year ended 31 December 2007 to approximately RMB424.1 million during the year ended 31 December 2008. The average utilization hours of Our Power Plants in 2008 were lower than planned primarily due to the shortage of natural gas supply to Zhejiang province in the period from April to September 2008 which the Directors believe was in turn affected by certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympic Games and earthquake in Sichuan that the energy source including the natural gas in the PRC was reserved in priority for such areas and to a small extent attributable to the global financial crisis in the second half of 2008. The power generation of Our Power Plants was affected and volume of power sold by Our Power Plants was reduced from 1,161.0 GWh in 2007 to 718.2 GWh in 2008, resulting in the decreased turnover during the year ended 31 December 2008.

Fuel consumption

Our cost of fuel consumption decreased by approximately 31.9% from approximately RMB425.8 million during the year ended 31 December 2007 to approximately RMB290.0 million during the year ended 31 December 2008. The decrease was due to the reduction in supply of natural gas in the period from April to September 2008 as a result of certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympic Games and earthquake in Sichuan where energy source including the natural gas in the PRC was reserved in priority for the affected areas. Volume of gas consumed (2008: 174.4 million m^3; 2007: 281.4 million m^3) was in line with the decrease in the volume of power sold by the Group during 2008. As a percentage of total turnover, cost of fuel consumption remained stable at approximately 68.4% during the year ended 31 December 2008, as compared to approximately 66.0% during the year ended 31 December 2007. It is attributable to the combined effects of (i) the approved on-grid tariffs per MWh (exclusive of VAT) to Our Power Plants increased to approximately RMB581.2 effective from 1 January 2008 and further to approximately RMB602.6 from 20 August 2008; and (ii) the applicable natural gas price per m^3 (exclusive of VAT) to Our Power Plants increased to approximately RMB1.64 effective from 1 January 2008.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 26.7% from approximately RMB52.4 million during the year ended 31 December 2007 to approximately RMB38.5 million during the year ended 31 December 2008. Major generator equipment of Our Power Plants was depreciated by reference to the production hours operated. Decrease in the depreciation and amortisation during 2008 was consistent with the lower volume of power sold for the year, in which lower production hours were operated for our major generator equipment of property, plant and equipment.

Repairs and maintenance

Repairs and maintenance decreased by approximately 17.4% from approximately RMB2.6 million during the year ended 31 December 2007 to approximately RMB2.2 million during the year ended 31 December 2008. The decrease was in line with the decreased volume of power generated during 2008, in which the production hours operated for the property, plant and equipment decreased.

Personnel costs

Personnel costs decreased by approximately 41.3% from approximately RMB18.2 million during the year ended 31 December 2007 to approximately RMB10.7 million during the year ended 31 December 2008. The decrease was mainly attributable to a one-off bonus of approximately RMB5.7 million incurred during 2007, while there was no bonus to the employees in 2008. Besides, part of the personnel costs were determined based on the financial performance of Our Power Plants. In view of the decreased volume of power sales and net profit of Our Power Plants in 2008, lower personnel costs were incurred during the year.

Administrative expenses

Administrative expenses increased slightly by approximately 1.3% from approximately RMB11.1 million during the year ended 31 December 2007 to approximately RMB11.2 million during the year ended 31 December 2008. The increase was mainly due to the increase in other taxes of Our Power Plants such as stamp duty and land use tax incurred in 2008.

Net finance costs

Net finance costs decreased by approximately 5.8% from approximately RMB49.7 million during the year ended 31 December 2007 to approximately RMB46.8 million during the year ended 31 December 2008. This is consistent with the decrease in the total interest-bearing borrowings from approximately RMB530.8 million at 31 December 2007 to approximately RMB519.0 million at 31 December 2008.

Other net income

The significant increase in other net income during the year ended 31 December 2008 was attributable to the one-off government grant of approximately RMB13.0 million subsidised to Blue Sky Power Plant, for the recognition of Blue Sky Power Plant's investment in the gas-fired power plant and contribution to the local economy as a result of the confirmation made by Hangzhou Yuhong District Finance Bureau (杭州市余杭區財政局) on 16 May 2008 in relation to Blue Sky Power Plant's fulfillment of the conditions as required by the relevant policy.

Income tax

There is no provision for the PRC corporate income tax to the Group for the year ended 31 December 2008, because Jing-Xing Power Plant was still under the tax holiday and was entitled to the full exemption from the PRC corporate income tax and Our Power Plants were entitled to the PRC corporate income tax credit for purchasing certain PRC-manufactured power generation equipment.

Profits attributable to the equity holders of the Company

Profits attributable to the equity holders of the Company decreased during the year ended 31 December 2008, which was mainly attributable to the decreased turnover for the year, arising from the shortage of natural gas supplied to Zhejiang province from April to September 2008.

Year ended 31 December 2007 compared with year ended 31 December 2006

Turnover

Our turnover increased by approximately 55.2% from approximately RMB415.8 million during the year ended 31 December 2006 to approximately RMB645.2 million during the year ended 31 December 2007. The increase was mainly attributable to the full year effect from the operation of Blue Sky Power Plant and Jing-Xing Power Plant, which commenced commercial operation in March 2006 and December 2006, respectively. Volume of power sold by Blue Sky Power Plant (2007: 465.9 GWh; 2006: 381.0 GWh) and Jing-Xing Power Plant (2007: 266.3 GWh; 2006: 27.5 GWh) increased accordingly in 2007, which increased the Group's turnover by approximately RMB63.5 million and RMB132.8 million in 2007, respectively. In addition, on-grid tariff applicable to De-Neng Power Plant and Blue Sky Power Plant was adjusted by the provincial price bureaus. Starting from 1 January 2007, on-grid tariff per MWh (exclusive of VAT) applicable to De-Neng Power Plant and Blue Sky Power Plant increased by approximately RMB42.8 to approximately RMB555.6, which also contributed to the increased turnover of the Group.

Fuel consumption

Our cost of fuel consumption increased by approximately 39.7% from approximately RMB304.9 million during the year ended 31 December 2006 to approximately RMB425.8 million during the year ended 31 December 2007. Volume of gas consumed (2007: 281.4 million m^3; 2006: 201.8 million m^3) was in line with the increase in the volume of power sold by the Group during 2007. As a percentage of total turnover, cost of fuel consumption decreased to approximately 66.0% during the year ended 31 December 2007, as compared to approximately 73.3% during the year ended

31 December 2006. The decrease was primarily due to the adjustment to the on-grid tariff per MWh (exclusive of VAT) applicable to De-Neng Power Plant and Blue Sky Power Plant by approximately RMB42.8 from approximately RMB512.8 during 2006 to approximately RMB555.6 during 2007, while the unit cost of natural gas remaining stable at RMB1.51 per m^3 (exclusive of VAT) during 2006 and 2007.

Depreciation and amortisation

Depreciation and amortisation increased by approximately 38.0% from approximately RMB38.0 million during the year ended 31 December 2006 to approximately RMB52.4 million during the year ended 31 December 2007. The increase was mainly attributable to the additions of property, plant and equipment during 2006 for the construction of Blue Sky Power Plant and Jing-Xing Power Plant. With the full year effect of depreciation of respective property, plant and equipment during 2007, depreciation and amortization increased significantly for the year.

Repairs and maintenance

Repairs and maintenance increased by approximately 39.4% from approximately RMB1.9 million during the year ended 31 December 2006 to approximately RMB2.6 million during the year ended 31 December 2007. The increase was in line with the increased volume of power generated during 2007, in which the production hours operated for the property, plant and equipment increased.

Personnel costs

Personnel costs increased by approximately 107.9% from approximately RMB8.8 million during the year ended 31 December 2006 to approximately RMB18.2 million during the year ended 31 December 2007. The increase was mainly attributable to (i) full year effect of operation of Blue Sky Power Plant and Jing-Xing Power Plant in 2007; and (ii) an one-off bonus of approximately RMB5.7 million incurred during 2007.

Administrative expenses

Administrative expenses increased slightly by approximately 11.8% from approximately RMB9.9 million during the year ended 31 December 2006 to approximately RMB11.1 million during the year ended 31 December 2007. The increase was mainly attributable to the increased general administrative costs (such as utilities) incurred by the Group upon the full operation of Jing-Xing Power Plant during 2007.

Net finance costs

Net finance costs increased by approximately 35.0% from approximately RMB36.8 million during the year ended 31 December 2006 to approximately RMB49.7 million during the year ended 31 December 2007. During the year ended 31 December 2006, Blue Sky Power Plant and Jing-Xing Power Plant were under construction and borrowing costs of approximately RMB12.9 million was capitalized to property, plant and equipment. However, during the year ended 31 December 2007, all Our Power Plants were already in commercial operation and borrowing costs were fully recorded as interest expense in the combined income statement, resulting in the higher net financial costs for the year.

Other net income

Other net income mainly represents government grants related to the encouragement of the Group's development in the power industry, in which De-Neng Power Plant, Blue Sky Power Plant and Jing-Xing Power Plant were granted RMB3.4 million, RMB600,000 and RMB1.0 million, respectively, during the year ended 31 December 2007. During the year ended 31 December 2006, De-Neng Power Plant was entitled to the government grant of RMB300,000, while no government grants were subsidized to Blue Sky Power Plant and Jing-Xing Power Plant for the same year.

Income tax

There is no provision for the PRC corporate income tax for the Group during the two years ended 31 December 2006 and 2007, because Our Power Plants were still under the tax holiday to be entitled to the full exemption from the PRC corporate income tax.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company increased by approximately RMB52.1 million from approximately RMB6.3 million during the year ended 31 December 2006 to approximately RMB58.4 million during the year ended 31 December 2007. The increase was mainly attributable to (i) the increase in the volume of power sold by Our Power Plants during 2007; (ii) the full year effect of operation of Blue Sky Power Plant and Jing-Xing Power Plant during 2007 and (iii) further acquisition of 8% stake in De-Neng Power Plant and 8% stake in Blue Sky Power Plant during 2007.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash are to pay for purchases of property, plant and equipment and as working capital of the operation of Our Power Plants. During the Track Record Period and up to the Latest Practicable Date, we financed our liquidity requirements primarily through our current cash and cash equivalents, cash flows from operations and interest-bearing bank and other borrowings. Going forward, we believe our sources of liquidity will be satisfied using a combination of cash provided by operating activities, short-term or long-term indebtedness and the proceeds from the Share Offer.

Net Current Liabilities

The following table sets forth our current assets and current liabilities as at the balance sheet dates indicated:

	As at 31 December			As at 30 April 2009
	2006	2007	2008	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	684	3,252	3,387	3,302
Trade and other receivables	59,118	80,073	98,153	87,418
Tax recoverable	—	—	3,504	5,088
Pledged deposits	52,109	57,752	85,805	138,513
Cash and cash equivalents	84,405	71,199	38,107	128,216
	196,316	212,276	228,956	362,537
Current liabilities				
Interest-bearing borrowings	218,255	170,760	219,000	239,000
Trade and other payables	138,691	153,204	129,619	212,041
Deferred income	6,508	6,508	—	—
	363,454	330,472	348,619	451,041
Net current liabilities	(167,138)	(118,196)	(119,663)	(88,504)

We had net current liabilities of approximately RMB167.1 million, RMB118.2 million, RMB119.7 million and RMB88.5 million as at 31 December 2006, 2007 and 2008 and 30 April 2009, respectively. The net current liability position was primarily due to the use of short-term bank and other borrowings to finance part of our capital expenditure for power plant construction.

The net current liabilities of the Group decreased from approximately RMB167.1 million as at 31 December 2006 to approximately RMB118.2 million as at 31 December 2007. The decrease was mainly attributable to (i) the increase in the internal resources during 2007 arising from the net profits of Our Power Plants for the year; and (ii) VAT refund of approximately RMB30.0 million by cash during 2007 for the purchase of PRC-manufactured power generation equipment to offset the respective cost of property, plant and equipment. The net current liabilities then remained stable at approximately RMB119.7 million as at 31 December 2008 due to the combined effects of the following: (i) increase in the short-term interest-bearing borrowings of approximately RMB48.2 million; (ii) increase in the paid-in capital of Jing-Xing Power Plant of RMB34.5 million in 2008; and (iii) capital contribution of RMB11.8 million by the then shareholder when acquiring 8.2% equity interest in Blue Sky Power Plant from Jing-Xing Power Plant.

By nature, the Group's power generation business is capital intensive and the Group commenced its operation with a debt and relatively low equity base. Property, plant and equipment comprised the majority of the Group's total assets and amounted to approximately RMB979.6 million, RMB900.2 million and RMB869.6 million as at 31 December 2006, 2007 and 2008, respectively. The Group's net current liabilities position during the Track Record Period reflected its use of short-term bank and other borrowings to finance its development including the construction of its power plants and acquisition of the major generator equipment.

During the Track Record Period, the Group achieved positive net cash flow from its operating activities which were utilized in financing its operation and the repayment of its bank and other borrowings. The Group's net operating cash flow for the three years ended 31 December 2006, 2007 and 2008 amounted to approximately RMB59.8 million, RMB165.2 million and RMB37.1 million, respectively and the bank and other borrowings of the Group reduced from approximately RMB683.3 million as at 31 December 2006 to approximately RMB530.8 million as at 31 December 2007 and further to approximately RMB519.0 million as at 31 December 2008.

Currently, the Directors are 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.

Cash Flows

The following table sets out selected cash flow from the combined cash flow statements for the Track Record Period:

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
Selected Cash Flow Statement Data			
Net cash generated from operating activities	59,769	165,179	37,134
Net cash used in investing activities	(151,956)	(23,334)	(21,803)
Net cash generated from/(used in) financing activities	152,051	(155,051)	(48,423)
Net increase/(decrease) in cash and cash equivalents	59,864	(13,206)	(33,092)

Cash flow from operating activities

The net cash inflow from operating activities increased from approximately RMB59.8 million during the year ended 31 December 2006 to approximately RMB165.2 million during the year ended 31 December 2007. Jing-Xing Power Plant commenced its commercial operation in December 2006. With the full-year effect in 2007, the Group recorded a net profit before depreciation and amortisation of approximately RMB138.7 million in 2007 giving rise to the increase in cash inflow from operating activities of the Group for the year.

The net cash inflow from operating activities decreased to approximately RMB37.1 million during the year ended 31 December 2008. The decrease is due to the reduced net profit before deprecation and amortisation of approximately RMB77.0 million in 2008, which was consistent with the decrease in power sales by Our Power Plants during 2008, giving rise to the decrease in cash inflow from operating activities of the Group for the year.

Cash flow from investing activities

The net cash outflow from investing activities decreased from approximately RMB152.0 million for the year ended 31 December 2006 to approximately RMB23.3 million during the year ended 31 December 2007 and further to approximately RMB21.8 million for the year ended 31 December 2008. Such trend of cash flow position from the investing activities was attributable to the fact that, with the construction of Jing-Xing Power Plant completed in late 2006, the payment for the purchase of property, plant and equipment gradually decreased during 2007 and 2008.

Cash flow from financing activities

The Group turned from a net cash inflow from financing activities of approximately RMB152.1 million for the year ended 31 December 2006 to a net cash outflow from financing activities of approximately RMB155.1 million for the year ended 31 December 2007, which was mainly due to the net repayment of interest-bearing borrowings of approximately RMB152.5 million in 2007 and the significant decrease in capital injection by the then shareholders in 2007.

The net cash outflow from financing activities decreased to approximately RMB48.4 million during the year ended 31 December 2008. This is mainly attributable to the decrease of the net repayment of interest-bearing borrowings to approximately RMB11.8 million in 2008.

CERTAIN BALANCE SHEET ITEMS

Trade and other receivables

Trade receivables

Our trade receivables are amounts receivable from our customers, Zhejiang Electric Power Corporation and the Huzhou Electric Power Bureau, for the sales of electricity. No interest is charged to trade receivables. All of our trade receivables are aged within 1 month and are neither past due nor impaired.

Our trade receivables as at 31 December 2006, 2007 and 2008 amounted to approximately RMB50.4 million, RMB67.2 million and RMB71.8 million, respectively. The balance increased significantly at end of 2007, which was due to the increase in volume of power sold by Our Power Plants in December 2007 than in December 2006. The balance then further increased to approximately RMB71.8 million as at 31 December 2008 due to the increase in the on grid tariffs from RMB555.6 per MWh at end of 2007 to RMB602.6 at end of 2008. The following table shows our debtors' turnover days during the Track Record Period:

	Year ended 31 December		
	2006	**2007**	**2008**
Debtors' turnover days *(Note)*	44	38	62

Note: Debtors' turnover days equals the ending trade receivables (excluding those arising from the trial stage) of a given year/period divided by the turnover for the corresponding year and then multiplied by 365 days.

Credit terms granted to our customers was approximately 30 days after the invoice date. Usually, at the end of each month, Our Power Plants perform reconciliation with the customers on the actual volume of power sold for the month and the sales amount will be settled by the end of the following month. The debtors' turnover days during the year ended 31 December 2008 was relatively longer, at 62 days which was due to the significant drop in power sales in 2008. During the year ended 31 December 2008, the turnover of the Group dropped significantly due to the shortage of natural gas supply to Zhejiang province, which affected the volume of power generated by Our Power Plants. However, natural gas supply gradually resumed to the normal level in late 2008 and the volume of power sold by Our Power Plants in December 2008 was comparable to that in December 2007, resulting in the comparable trade receivables between 31 December 2007 and 2008. Therefore, with the relatively lower turnover for the year ended 31 December 2008, the debtors' turnover days were longer for the year ended 31 December 2008. The trade receivables of Our Power Plants as at 31 December 2008 were fully settled in January 2009.

Other receivables

Other receivables primarily include prepaid construction cost, prepaid natural gas and prepaid insurance. The following table sets forth a breakdown of other receivables during the Track Record Period:

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Prepaid construction cost	470	874	311
Prepaid natural gas	6,127	10,070	16,504
Prepaid insurance	1,326	1,767	1,336
Others	826	200	8,211
Total	8,749	12,911	26,362

Our other receivables increased from approximately RMB8.7 million at 31 December 2006 to approximately RMB12.9 million at 31 December 2007 because of the expansion of the Group's business. With the full operation of Jing-Xing Power Plant in 2007, the consumption of natural gas increased accordingly and the amount of prepaid natural gas also increased by approximately RMB3.9 million. Prepaid natural gas then further increased to approximately RMB16.5 million as at 31 December 2008. The increase in other receivables as at 31 December 2008 was also attributable to the prepaid legal and professional fees of approximately RMB7.1 million during 2008 in relation to the Share Offer.

Pledged deposits

Pledged deposits represented the balance of guarantee deposits placed in certain banks as security for issuance of commercial bills and banking facilities. The increase of balances over the Track Record Period was in line with the level of bill payables issued at the respective balance sheet dates.

Trade and other payables

Trade and bill payables

Our trade and bill payables are mainly incurred for the acquisition of natural gas and for construction cost. Usually, Our Power Plants prepay 1-week purchase cost of natural gas to Zhejiang Gas Company and the Group sometimes makes use of bills payable to settle such prepayment. The following table sets forth a breakdown of trade and bill payables during the Track Record Period:

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Bill payables for acquisition of natural gas	36,096	85,500	95,000
Trade payables for acquisition of natural gas	7,432	1,134	132
Others	3,903	4,326	1,564
Total	47,431	90,960	96,696

Trade and bill payables increased from approximately RMB47.4 million in 2006 to approximately RMB91.0 million in 2007 due to the increase in trade and bill payables for the acquisition of natural gas upon the full operation of Jing-Xing Power Plant during 2007. The balance further increased to approximately RMB96.7 million as at 31 December 2008 because during the year ended 31 December 2008, Our Power Plants switched to settle most of the trade balance arising from the purchase of natural gas by the issue of bills. As at 31 December 2008, the bill payables, normally having a credit period of 6 months, have not yet matured, resulting in the greater ending balance of bill payables.

Non-trade payables and accrued expenses

The following table sets forth a breakdown of non-trade payables and accrued expenses during the Track Record Period:

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
VAT and other tax payables	4,988	4,550	5,147
Accrued expenses	5,640	2,914	1,094
Salary payables	229	6,001	3,378
Construction cost payables	62,581	24,615	8,506
Total	73,438	38,080	18,125

Non-trade payables and accrued expenses decreased from approximately RMB73.4 million at 31 December 2006 to approximately RMB38.1 million at 31 December 2007. The decrease was mainly due to the combined effects of (i) the increase in salary payables arising from the one-off bonus of approximately RMB5.7 million in 2007; and (ii) the construction cost was further settled during 2007. The balance further decreased to approximately RMB18.1 million as at 31 December 2008, following the settlement of part of the bonus payables and the settlement of construction cost payables during 2008.

Amount due to related parties

Amount due to related parties represented the balances payable to Shanghai Pu-Xing and Amber International. As at 31 December 2008, the amount due to related parties amounted to approximately RMB14.8 million. The Directors confirmed that all amounts due to related parties will be fully settled before the Listing.

Property, plant and equipment

Property, plant and equipment, mainly comprising building and structures, major generator equipment and assets under construction, amounted to approximately RMB979.6 million, RMB900.2 million and RMB869.6 million as at 31 December 2006, 2007 and 2008, respectively. The decrease in property, plant and equipment over the Track Record Period was mainly due to the VAT refund and the provision of depreciation expense for the years.

Inventories

Inventories mainly represented the low value consumables and small equipment parts used during the production process. The balance increased significantly as at 31 December 2007 due to the full operation of Blue Sky Power Plant and Jing-Xing Power Plant during 2007.

CONTRACTUAL OBLIGATIONS

Capital Commitments

The following table sets forth our capital commitments as at the balance sheet dates indicated:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Authorized but not contracted for	1,785	6,163	13,631
Contracted for			
— Equipment	—	—	—
	1,785	6,163	13,631

INDEBTEDNESS

Interest-bearing borrowings

Our interest-bearing borrowings as at 31 December 2006, 2007 and 2008 and 30 April 2009 were as follows:

	At 31 December			At 30 April 2009 (unaudited)
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Secured bank loans	—	—	14,000	14,000
Unsecured bank loans	68,000	20,000	120,000	140,000
Other borrowings from related parties	125,255	125,760	60,000	60,000
Current portion of non-current secured bank loans	12,500	12,500	7,000	7,000
Current portion of non-current unsecured bank loans	12,500	12,500	18,000	18,000
	218,255	170,760	219,000	239,000
Non-current				
Secured bank loans	30,000	162,000	264,500	264,500
Unsecured bank loans	435,000	198,000	35,500	35,500
	465,000	360,000	300,000	300,000
	683,255	530,760	519,000	539,000

(i) The secured bank and other borrowings as at 30 April 2009 and 31 December 2008 carried interest rate ranging from 4.78% to 8.02% and 6.12% to 8.25%, respectively (31 December 2006: 5.02% to 7.52% and 31 December 2007: 5.56% to 8.61%) per annum and were secured by the following assets:

	At 31 December			At 30 April 2009 (unaudited)
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts of assets:				
Property, plant and equipment	—	278,909	536,352	527,744
Lease prepayments	18,987	27,822	31,727	31,451
Pledged deposits	—	13,000	25,000	25,000

(ii) Unsecured bank and other borrowings as at 30 April 2009 and 31 December 2008 carried interest rate ranging from 5.31% to 8.22% and 5.31% to 8.25% (31 December 2006: 6.12% to 7.52% and 31 December 2007: 5.75% to 8.02%) per annum.

(iii) The Group's non-current bank and other loans were repayable as follows:

	At 31 December			At 30 April 2009 (unaudited)
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	25,000	25,000	85,000	85,000
Over 1 year but less than 2 years	25,000	25,000	30,000	235,000
Over 2 years	440,000	335,000	270,000	65,000
	465,000	360,000	300,000	300,000
	490,000	385,000	385,000	385,000

As at 30 April 2009, being the latest practicable date for determining our indebtedness, we had banking facilities in the total amount of approximately RMB278 million, consisting of utilized banking facilities of approximately RMB207 million and unutilized banking facilities of approximately RMB71 million.

Save as aforesaid or as otherwise disclosed herein, at the close of business on 30 April 2009, the Group did not have any bank borrowings, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance lease, hire purchase commitments, guarantees or other material contingent liabilities outstanding.

Other borrowings from related parties

The balance represented loans from Shanghai Pu-Xing and Wanxiang Finance. During the two years ended 31 December 2008, the borrowings from Shanghai Pu-Xing were fully settled. As at 31 December 2008, the loans from Wanxiang Finance amounted to RMB60 million. The Directors confirmed that all borrowings from related parties will be fully settled before Listing.

The Directors confirmed that the Group had not experienced any delay or default in the repayment of any bank and other borrowings during the Track Record Period. The Group will have sufficient cash at hand and cash flow generated from operations to settle the maturing debt which are not renewed.

SUFFICIENCY OF WORKING CAPITAL

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

The Group's property interests that are attributable to equity holders of the Company as valued by DTZ Debenham Tie Leung Limited, an independent property valuer, as at 30 April 2009 was RMB117,708,000. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of RMB16,142,000 (after adjusting for depreciation and amortization during the period from 31 December 2008 to 30 April 2009. See Appendix IV to this prospectus for further details of our property interests and the text of the letter and valuation report of these property interests prepared by the property valuer.

Disclosure of the reconciliation between the valuation of the interests in properties attributable to equity holders of the Company and such property interests in our combined balance sheet as of 30 April 2009 as required under Rule 5.07 of Listing Rules is set forth below:

	RMB'000
Net book value of property interests of the Group as at 31 December 2008	
Buildings	70,746
Lease prepayments	29,548
Movements for the period from 31 December 2008 to 30 April 2009	
Add: addition during the period (unaudited)	2,592
Less: depreciation during the period (unaudited)	(1,059)
Less: amortization during the period (unaudited)	(261)
Net book value as at 30 April 2009 (unaudited)	101,566
Valuation surplus (unaudited)	16,142
Valuation of properties as at 30 April 2009	117,708

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

The unaudited pro forma fully diluted forecast earnings per Share of our Group for the year ending 31 December 2009 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 January 2009. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of our Group.

Forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 *(Note 1)* . .	not less than RMB62 million (equivalent to approximately HK$70 million)
Unaudited pro forma fully diluted forecast earnings per Share for the year ending 31 December 2009 *(Note 2)*	not less than RMB0.16 (equivalent to approximately HK$0.18)

Notes:

(1) The bases and principal assumptions on which the above profit forecast has been prepared are summarised in Parts A and B of Appendix III to this prospectus.

The forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 is based on the unaudited combined results of our Group for the four months ended 30 April 2009 and a forecast of the combined results of our Group for the remaining eight months ending 31 December 2009.

(2) The calculation of the unaudited pro forma fully diluted forecast earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 and on the assumptions that our Company had been listed since 1 January 2009, a total of 400,000,000 Shares were in issue during the year ending 31 December 2009, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allocation Option or any Shares that may be allotted and issued or repurchased by our Company. The unaudited pro forma forecast earnings per Share for the year ending 31 December 2009 is converted into Hong Kong dollars at an exchange rate of RMB0.882 to HK$1.00.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including changes in foreign exchange rates, interest rate risks and commodities risks in the normal course of business.

Impact of changes in exchange rates

Most of our operating expenses, including our salaries and other personnel costs and other purchasing, sales and administration costs, are denominated in Renminbi, and we collect all of our turnovers in Renminbi. We expect to continue to incur a significant portion of our operating costs, and to recognize operating turnovers, in Renminbi. In view of that, the Group has not used any forward contracts or currency borrowings to hedge its exposure to currency fluctuations, as foreign currency risk is considered to be minimal to the Group.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debts. Most of our bank loans bear interest at rates that are subject to adjustment by our lenders in accordance with changes made by the PBOC. If the PBOC increases interest rates, our interest cost with respect to variable rate borrowings will increase. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Commodity risk

We are exposed to fluctuations in the prices of fuel we purchase for the production of power, mainly natural gas. The price of natural gas used in power generation fluctuates from time to time. See the section headed "Significant Factors Affecting Our Results of Operations and Financial Condition — Cost of gas consumed".

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet transactions as at 31 December 2008.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 December 2008, and there is no event since 31 December 2008 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Directors may recommend that dividends be declared after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Under our Articles of Association, declaration of final dividends is subject to the Shareholders' approval in the annual general meeting of the Company, while the Articles of Association grants the Directors the authority to pay interim dividends without Shareholders' approval.

The Company declared a dividend of HK$32.0 million in June 2009 which the amount will be paid prior to the Listing. Before the completion of Corporate Reorganization, pursuant to the resolutions passed at the board of directors' meetings of Jing-Xing Power Plant and Blue Sky Power Plant held on 8 January 2008 and 5 January 2008, respectively, dividends of RMB12,232,000 and RMB42,768,000 were declared to the then respective shareholders, including dividends of RMB12,728,000 declared to the minority shareholder of Blue Sky Power Plant, and pursuant to the resolution passed at the board of directors' meeting of De-Neng Power Plant on 10 May 2009, dividends of RMB40,348,000 were declared to the then respective shareholders, including dividends of RMB18,963,000 declared to the minority shareholder. Our future declaration of dividends may not reflect our historical declarations of dividend and will be at the absolute discretion of the Board of Directors. We had no distributable reserves as at 31 December 2008.

It is the present intention of the Directors to declare for each year dividends equivalent to approximately 20% – 30% of the net profit attributable to the Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group which have been prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Share Offer on the Group's net tangible assets as at 31 December 2008 as if they had taken place on that date. The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of the Group's net tangible assets had the Share Offer been completed as at 31 December 2008 or at any future date.

The unaudited pro forma adjusted net tangible assets are based on the audited combined net assets attributable to the equity holders of the Company as at 31 December 2008 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net tangible assets attributable to the equity holders of the Company as at 31 December 2008	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an Offer Price of HK$1.26 . . .	361,510	78,116	439,626	1.10	1.25
Based on an Offer Price of HK$1.66 . . .	361,510	112,334	473,844	1.18	1.34

Notes:

(1) *The audited combined net tangible assets attributable to the equity holders of the Company as at 31 December 2008 is based on the audited combined net assets attributable to equity holders of the Company of RMB361,510,000 as at 31 December 2008 extracted from the Accountants' Report set out in Appendix I to this prospectus.*

(2) *The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.26 per Share and HK$1.66 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allocation Option or any Shares that may be allotted and issued or repurchased by our Company. The estimated net proceeds from the Share Offer are translated at an exchange rate of RMB0.882 to HK$1, with reference to the prevailing rate quoted by PBOC on 31 December 2008.*

(3) *The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the above paragraph and on the assumption that a total of 400,000,000 Shares are in issue immediately after completion of the Share Offer and the Capitalization Issue, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allocation Option or any Shares that may be allotted and issued or repurchased by our Company.*

(4) *The unaudited pro forma adjusted net tangible assets per Share as at 31 December 2008 are translated into HK$ at the exchange rate of RMB0.882 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.*

(5) *The Group's property interests as at 30 April 2009 have been valued by DTZ Debenham Tie Leung Limited, an independent property valuer. The details of such valuation are set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus in its financial statements for the year ending 31 December 2009. It is the Group's accounting policy to state its lease prepayments for land at cost less accumulated amortisation and property, plant and equipment at cost less accumulated depreciation and any impairment loss in accordance with the relevant IFRS, respectively, rather than at revalued amounts. The impairment review performed by the Group as at 30 April 2009 did not indicate the need to recognise any impairment loss for its lease prepayments for land and properties. The unaudited net book value of the Group's lease prepayments for land and properties as at 30 April 2009 were approximately RMB30 million and RMB72 million, respectively. With reference to the valuation of the Group's property interests as set out in Appendix IV to this prospectus, there was a revaluation surplus of the Group's relevant assets of approximately RMB16 million, which has not been included in the above net tangible assets of the Group. If such revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2009, an additional depreciation charge of approximately RMB0.5 million per annum would be incurred.*

RECENT ECONOMIC DEVELOPMENTS

The following table shows certain operating statistics for Our Power Plants for each of the three years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2009.

Indicators/Years	Year ended 31 December 2006	2007	2008	Four months ended 30 April 2009
Installed capacity (MW)	299	299	299	299
Planned utilization hours (hours) *(Note 1)*	3,500	3,500	3,500	N/A
Actual utilization hours (hours)				
— De-Neng Power Plant	3,696	3,969	2,076	890
— Blue Sky Power Plant	3,521	4,301	2,907	994
— Jing-Xing Power Plant	375	3,640	2,443	874
Gross generation (MWh)	836,411	1,199,318	741,324	276,489
Power sales (MWh) *(Note 2)*	808,473	1,160,965	718,216	268,272
Applicable on-grid tariff at year end (RMB/MWh) *(Note 3)*	600/650	650	705	705
Actual volume of natural gas processed (thousand m^3)	201,784	281,408	174,380	64,723
Applicable standard gas price at year/period end (RMB/m^3)	1.71	1.71	1.85	1.94

Notes:

(1) Each of Our Power Plants was granted a planned annual utilization hours of 3,500 by the relevant government authorities for the full year ending 31 December 2009.

(2) The difference between gross generation and power sales mainly represents the internal consumption of electricity by Our Power Plant.

(3) The approved on-grid tariffs, inclusive of VAT as at 31 December 2006 applicable to De-Neng Power Plant and Blue Sky Power Plant amounted to RMB600 per MWh and RMB650 per MWh to Jing-Xing Power Plant.

The decrease in the Group's turnover for the year ended 31 December 2008, to the Directors' best knowledge and belief, was due to certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympic Games and earthquake in Sichuan where energy source including the natural gas in the PRC was reserved in priority for the affected areas and to a less extent attributable to the supply of natural gas not fully resumed to normal level during the fourth quarter in 2008 after the aforesaid incidents and the global financial crisis in the second half of 2008. Save as the above, the Directors, to the best of their knowledge, consider that there has been no material adverse change to the Group's assets, operations, business, profits and/or cash flow during the second half of the financial year ended 31 December 2008.

Currently, the Directors are not aware of any material adverse impact of the worldwide financial crisis on the Group's business, on the basis that turnover derived from the sale of power generated by Our Power Plants from January to April 2009 have not shown any material adverse impact as compared to those in the previous corresponding period after taking into consideration the effect of major scheduled repairs and maintenance. In view of the fact that both the on-grid tariff applicable to power generation companies and the price of natural gas are determined by provincial price bureaus, the Directors do not anticipate that the on-grid tariff and the price of gas will suffer high volatility in the near future.

Although the recent economic turmoil 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 economy and have increased the volatility of the global financial market, the banks and our other lenders did not impose more stringent restrictions on lending in order to preserve their capital.

Given the overall global capital and credit markets could change rapidly and dramatically, we are unable to predict how the deterioration of the financial markets will impact on our business in the future. Please refer to the section headed "Risk Factors — We may be adversely affected by the recent economic turmoil in the world".

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.