The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, a copy of the Accountants' Report is available for inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 June 2009

The Directors
Amber Energy Limited
Piper Jaffray Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Amber Energy Limited (the "Company"), and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008 (the "Track Record Period") and the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 together with notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 29 June 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 8 September 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as detailed in the section headed "History, Corporate Reorganization and Group Structure" in the Prospectus (the "Reorganization"), the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company, Amber Bluesky (HK) Limited ("Amber Bluesky"), Amber Jingxing (HK) Limited ("Amber Jingxing"), and Amber Deneng (HK) Limited ("Amber Deneng") as these companies are investment holding companies newly incorporated and have not carried on any business since their respective dates of incorporation except for the Reorganization.

The statutory financial statements of the other companies now comprising the Group, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"), were audited during the Track Record Period by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors (Note 1)
Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd ("Blue Sky Power Plant") (杭州藍天天然氣發電有限公司)	Years ended 31 December 2006, 2007 and 2008	Zhejiang Top-firm Certified Public Accountants (浙江同方會計師事務所有限公司) Registered in the PRC
Zhejiang Amber Jing-Xing Natural Gas Power Generation Co., Ltd. ("Jing-Xing Power Plant") (浙江琥珀京興天然氣發電有限公司)	Years ended 31 December 2006, 2007 and 2008	Zhejiang Top-firm Certified Public Accountants (浙江同方會計師事務所有限公司) Registered in the PRC
Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. ("De-Neng Power Plant") (浙江德能天然氣發電有限公司)	Years ended 31 December 2006, 2007 and 2008	Huzhou Zhengli Certified Public Accountants (湖州正立會計師事務所有限公司) Registered in the PRC

Note 1: The English translation of the names is for reference only. The official names of these entities are in Chinese.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, which are on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements in accordance with the accounting policies as stated in Section C below which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). IFRSs include International Accounting Standards and Interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong

Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 December 2008.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below, and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Track Record Period and the Group's combined state of affairs as at 31 December 2006, 2007 and 2008.

A. BASIS OF PRESENTATION

As the companies that took part in the Reorganization were controlled by the same group of ultimate equity holders (referred to as "the Controlling Shareholders") before and after the Reorganization and, consequently there was a continuation of the risks and benefits to the Controlling Shareholders, the Financial Information has been prepared as a business combination under common control in a manner similar to pooling of interests. The interests of equity holders other than the Controlling Shareholders in the combining companies have been presented as minority interests in the Group's 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 entire periods referred to in this report, 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.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below.

Name of company	Notes	Place and date of incorporation	Percentage of equity attributable to the Company		Issued and fully paid-up/ registered capital	Principal activities
			Direct	Indirect		
Amber Bluesky	15(f)	Hong Kong 26 June 2008	100%		HKD10,001/ HKD20,000	Investment holding
Amber Jingxing	15(f)	Hong Kong 26 June 2008	100%		HKD10,001/ HKD20,000	Investment holding
Amber Deneng	15(f)	Hong Kong 26 June 2008	100%		HKD10,001/ HKD20,000	Investment holding
Blue Sky Power Plant	(i)	the PRC, 15 December 2004		100%	USD17,171,400/ USD17,171,400	Power generation
Jing-Xing Power Plant	(ii)	the PRC, 6 January 2005		100%	USD16,660,000/ USD16,660,000	Power generation
De-Neng Power Plant	(iii)	the PRC, 18 August 2004		100%	USD18,408,710/ USD18,408,710	Power generation

Notes:

(i) Blue Sky Power Plant was incorporated in the PRC as a sino-foreign equity joint venture and it became a wholly foreign-owned enterprise from 25 July 2008.

(ii) Jing-Xing Power Plant was incorporated in the PRC as a sino-foreign equity joint venture and it became a wholly foreign-owned enterprise from 5 September 2006.

(iii) De-Neng Power Plant was incorporated in the PRC as a sino-foreign equity joint venture.

B. FINANCIAL INFORMATION

1 Combined income statements

	Section Note	Year ended 31 December 2006	2007	2008
		RMB'000	RMB'000	RMB'000
Turnover	2	415,790	645,191	424,072
Operating expenses				
Fuel consumption		(304,896)	(425,845)	(290,047)
Depreciation and amortisation		(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	3(i)	(36,845)	(49,723)	(46,845)
Other net income	4	300	4,978	17,086
Profit before tax		13,157	86,285	38,570
Income tax	5	—	—	—
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
Dividends declared during the year	8	—	—	55,000
Earnings per share				
Basic earnings per share (RMB)	9	0.02	0.19	0.11

The accompanying notes form part of this Financial Information.

2 Combined balance sheets

	Section Note	Year ended 31 December 2006	2007	2008
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	10	979,574	900,195	869,596
Lease prepayments	11	33,384	32,558	31,727
		1,012,958	932,753	901,323
Current assets				
Inventories		684	3,252	3,387
Trade and other receivables	12	59,118	80,073	98,153
Tax recoverable		—	—	3,504
Pledged deposits	13	52,109	57,752	85,805
Cash and cash equivalents	14	84,405	71,199	38,107
		196,316	212,276	228,956
Current liabilities				
Interest-bearing borrowings	17	218,255	170,760	219,000
Trade and other payables	18	138,691	153,204	129,619
Deferred income	19	6,508	6,508	—
		363,454	330,472	348,619
Net current liabilities		(167,138)	(118,196)	(119,663)
Total assets less current liabilities		845,820	814,557	781,660
Non-current liabilities				
Interest-bearing borrowings	17	465,000	360,000	300,000
Long-term payables	20	34,350	31,741	28,884
		499,350	391,741	328,884
Net assets		346,470	422,816	452,776
Equity attributable to equity holders of the Company		212,223	283,546	361,510
Minority interests		134,247	139,270	91,266
Total equity		346,470	422,816	452,776

The accompanying notes form part of this Financial Information.

3 Combined statements of changes in equity

	Notes	Attributable to equity holders of the Company				Minority interests	Total equity
		Paid-in capital	Statutory surplus reserve	(Accumulated loss)/Retained earnings	Subtotal		
		RMB'000 (note 15)	RMB'000 (note 16)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006		140,271	—	(4,585)	135,686	88,312	223,998
Capital injection	15(a)	70,227	—	—	70,227	39,088	109,315
Profit for the year		—	—	6,310	6,310	6,847	13,157
Appropriation to reserves		—	2,265	(2,265)	—	—	—
At 31 December 2006		210,498	2,265	(540)	212,223	134,247	346,470
Capital injection	15(a)	3,087	—	—	3,087	—	3,087
Acquisition of minority interests/capital contribution	15(b)	8,998	—	793	9,791	(9,791)	—
Acquisition of minority interests by the Group	15(c)	—	—	—	—	(13,026)	(13,026)
Profit for the year		—	—	58,445	58,445	27,840	86,285
Appropriation to reserves		—	10,966	(10,966)	—	—	—
At 31 December 2007		222,583	13,231	47,732	283,546	139,270	422,816
Capital injection	15(a)	34,545	—	—	34,545	—	34,545
Acquisition of minority interests/capital contribution	15(d)	38,288	—	2,113	40,401	(40,401)	—
Capital contribution	15(e)	11,467	—	378	11,845	—	11,845
Profit for the year		—	—	33,445	33,445	5,125	38,570
Dividends		—	—	(42,272)	(42,272)	(12,728)	(55,000)
Appropriation to reserves		—	4,007	(4,007)	—	—	—
At 31 December 2008		306,883	17,238	37,389	361,510	91,266	452,776

The accompanying notes form part of this Financial Information.

4 Combined cash flows statements

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Operating activities			
Profit for the year	13,157	86,285	38,570
Adjustments for:			
Depreciation for property, plant and equipment	37,126	51,614	37,636
Amortisation of lease prepayments	870	830	831
Net finance costs	36,845	49,723	46,845
Operating profit before changes in working capital	87,998	188,452	123,882
Change in inventories	31	(2,568)	(135)
Change in trade and other receivables	(8,443)	(20,955)	(18,080)
Change in trade and other payables	17,936	52,370	(14,560)
Interest paid	(37,753)	(52,120)	(50,469)
Income tax paid	—	—	(3,504)
Net cash generated from operating activities	59,769	165,179	37,134
Investing activities			
Interest received	1,411	2,506	4,200
Proceeds from disposal of property, plant and equipment	112	—	—
Proceeds from disposal of lease prepayments	687	—	—
Acquisition of minority interests	—	(13,026)	—
Payment for property, plant and equipment	(179,004)	(42,834)	(26,003)
Value-added tax refund on purchase of property, plant and equipment	25,459	30,020	—
Payment for lease prepayments	(621)	—	—
Net cash used in investing activities	(151,956)	(23,334)	(21,803)
Financing activities			
Capital injection	109,315	3,087	34,545
Capital contribution	—	—	11,845
Proceeds from interest-bearing borrowings	236,170	270,005	332,000
Repayment of interest-bearing borrowings	(244,621)	(422,500)	(343,760)
Change in pledged deposits	51,187	(5,643)	(28,053)
Dividends paid	—	—	(55,000)
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 and cash equivalents at 1 January	24,541	84,405	71,199
Cash and cash equivalents at 31 December	84,405	71,199	38,107

The accompanying notes form part of this Financial Information.

C. NOTES TO THE FINANCIAL INFORMATION

1 Summary of significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IAS") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting periods ended 31 December 2008. The revised and new accounting standards and interpretations issued but effective for accounting periods beginning after 1 January 2008 are set out in note C1(v).

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), which is rounded to the nearest thousand. It is prepared on the historical cost basis.

The Financial Information has been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's combined current liabilities exceeded its combined current assets by RMB119,663,000 as at 31 December 2008. Based on future projections of the Group's profits and cash inflows from operations, the anticipated ability of the Group to obtain continued bank financing to finance its continuing operation, and the estimated net proceeds from the initial public offering, the Company's directors have prepared the Financial Information on a going concern basis.

(c) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(i) Impairment losses on trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the combined income statements in future years.

(ii) Depreciation

Property, plant and equipment other than major generator equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Major generator equipment which can be identified in relation to specific production process are depreciated by reference to the expected production volume of these generator equipment.

The Group reviews annually the useful life, the expected production volume of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised in respect of temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Basis of combination

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Business combination under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholders' financial statements.

(iii) Transaction elimination

Intra-group balances, transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the Financial Information. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Minority interests

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the combined balance sheets within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Transactions with minority equity holders of the Group are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(e) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). The Financial Information is presented in RMB (the "presentation currency").

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in the combined income statements.

(iii) Financial statements of foreign operations

Items of turnover and expenses of operation outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in equity. Cash flow are translated at exchange rates approximately ruling at the dates of the transactions.

(f) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, pledged deposits, cash and cash equivalents, interest-bearing borrowings, trade and other payables, deferred income and long-term payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Pledged deposits, trade and other receivables, trade and other payables and long-term payables are measured at amortised cost using the effective interest method, less any impairment losses. (see note 1(j))

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the combined income statements over the period of the borrowings on an effective interest basis.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 1(j)).

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 capitalised 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.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the combined income statements as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment other than major generator equipment is recognised 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.

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.

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.

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.

(iv) Assets under construction

Assets under construction represent primarily buildings and structures and generators and related machinery and equipment, which are stated at cost less accumulated impairment losses (see note 1(j)). Cost includes all direct costs relating to the construction of the assets and acquisition.

(v) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the combined income statements.

(h) Lease prepayments

Lease prepayments in the combined balance sheets represent cost of land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation is charged to the combined income statements on a straight-line basis over the respective periods of the rights.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is computed using the first-in-first-out method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) 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 amortised 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 an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised 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 recognised. For financial assets measured at amortised cost, the reversal is recognised in the combined income statements.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 1(i)), and deferred tax assets (see note 1(p)), 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 recognised 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 recognised in the combined income statements. Impairment losses recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution retirement plan

Obligation for contributions to PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the combined income statements as incurred.

(l) Provision and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue

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 recognised in the combined income statements as follows:

(i) Sales of electricity

Revenue from sales of electricity is recognised 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 recognised 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 recognised in the combined income statements on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the combined income statements on a systematic basis over the useful life of the asset.

(n) Operating lease payments

Payments made under operating leases are recognised in the combined income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(o) Finance income and expenses

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bank charges and foreign currency losses. All borrowing costs are recognised in the combined income statements or capitalised using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the combined income statements except to the extent that they relate to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(r) Borrowing costs

Borrowing costs are expensed in the combined income statements in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's turnover and contribution to profit from operations for the Track Record Period are solely derived from the sale of electricity to power grid companies located in the PRC.

(u) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

(iii) The party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plans which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective in respect of the financial periods included in the Track Record Period, and have not been applied in preparing the Financial Information:

		Effective for accounting periods beginning on or after
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 15	Agreements for the Construction of real estate	1 January 2009
IFRS 8	Operating segments	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009
Revised IAS 23	Borrowing costs	1 January 2009
Amendment to IFRS 1 and IAS 27	Amendments to IFRS1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate financial Statements — Cost of an investment in a subsidiary, jointly Controlled entity or associate	1 January 2009
Amendment to IFRS 2	Share-based payment — vesting conditions and cancellations	1 January 2009
Amendments to IAS 32 and IAS 1	Financial instruments: Presentation and IAS 1, Presentation of financial statements — puttable financial instruments and obligations arising on liquidation	1 January 2009
Amendment to IFRS 7	Financial instruments: Disclosures — Improving disclosures about financial instruments	1 January 2009
Amendments to IFRIC 9 and IAS 39	Amendments to IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and Measurement — Embedded derivatives	30 June 2009
Revised IFRS 3	Business combinations	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
Amendment to IAS 27	Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39	Financial instruments: Recognition and measurement — Eligible hedged items	1 July 2009
Revised IFRS 1	First-time adoption of International Financial Reporting Standards	1 July 2009
Improvements to IFRSs		1 January 2009 or 1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the Financial Information, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2 Turnover

The principal activities of the Group are the development, operation and management of power plants.

Turnover represents revenue from the sale of electricity to power grid companies.

3 Profit before tax

Profit before tax is arrived at after charging/(crediting):

(i) Net finance costs

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Interest income	(1,411)	(2,506)	(4,200)
Finance income	(1,411)	(2,506)	(4,200)
Interest expenses	50,682	52,120	50,469
Less: interest capitalised	(12,929)	—	—
Net interest expense	37,753	52,120	50,469
Bank charges	57	97	323
Foreign exchange loss	446	12	253
Finance expense	38,256	52,229	51,045
Net finance costs	36,845	49,723	46,845
Average capitalisation rate for borrowing costs (% per annum)	6.82%	—	—

The interest costs have been capitalised at an average rate of 6.82% for assets under construction for the year ended 31 December 2006.

(ii) Staff costs

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	10,854	17,575	10,023
Contribution to defined contribution plan	492	660	682
	11,346	18,235	10,705

The Group participates in pension funds organised by the PRC government. According to the respective pension fund regulations, the Group is required to pay annual contributions during the Track Record Period. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

(iii) Other items

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Depreciation	37,126	51,614	37,636
Amortisation	870	830	831
Auditors' remuneration			
— audit services	122	76	107

4 Other net income

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Government grants	300	4,978	17,086

The Group was awarded unconditional government grants amounting to RMB300,000, RMB4,978,000, and RMB4,070,000, for the year ended 31 December 2006, 2007 and 2008.

The Group was awarded conditional government grants amounting to RMB6,508,000 and RMB6,508,000 for the year ended 31 December 2006 and 2008, respectively. These amounts were recognised in the combined income statement for the year ended 31 December 2008 when the Group fulfilled all the relevant conditions (see note 19).

All government grants are related to encouragement of the Group's development in the industry.

5 Income tax

(i) Income tax in the combined income statements represents:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Current tax			
PRC enterprise income tax	—	—	3,366
Income tax credit	—	—	(3,366)
Total income tax expense in the combined income statements	—	—	—

(a) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(b) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the Track Record Period.

(c) In 2006 and 2007, Blue Sky Power Plant, Jing-Xing Power Plant and De-Neng Power Plant were entitled to a preferential income tax rate of 15% according to the "Foreign Invested Enterprise and Foreign Enterprise Income Tax Law" (the "FEIT Law").

Pursuant to the FEIT Law, the subsidiaries located in the PRC are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to the PRC enterprise income tax at 50% of the applicable income tax rates for the following three years.

As 2006 was the first year when Blue Sky Power Plant and De-Neng Power Plant recorded assessable profits, Blue Sky Power Plant and De-Neng Power Plant were entitled to an exemption from the PRC income tax for 2006 and 2007 and to a 50% reduction in the applicable statutory rate for the following three years.

As 2007 was the first year when Jing-Xing Power Plant recorded assessable profits, Jing-Xing Power Plant was entitled to an exemption from the PRC income tax for 2007 and 2008 and to a 50% reduction in the applicable statutory rate for the following three years.

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the Blue Sky Power Plant, Jing-Xing Power Plant and De-Neng Power Plant will be changed to 25% in 5 years' transitional period.

(e) Pursuant to the relevant PRC tax law and regulations, the Group was granted an income tax credit of RMB3,366,000 for purchase of domestic equipment for production in 2008.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit before tax	13,157	86,285	38,570
Computed using the Group's PRC subsidiaries' applicable tax rates	4,881	14,771	11,176
Effect of tax exemption/reduction	(4,881)	(14,771)	(7,810)
Income tax credit	—	—	(3,366)
	—	—	—

(iii) Tax recoverable in the combined balance sheets represents:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	—	—
Provision for income tax for the year	—	—	3,366
Entitlement to income tax credit for the year*	—	—	(3,366)
Income tax paid during the year	—	—	(3,504)
Balance at the end of the year	—	—	(3,504)

* *This represents the tax credit relating to the purchase of domestic equipment for production as mentioned in note 5 (i)(e).*

6 Directors' remuneration

Details of directors' remuneration are as follows:

Name of directors	Year ended 31 December 2006 Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit schemes	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Chai Wei	—	660	21	—	681
Mr. Hu Xianwei	—	300	21	—	321
Non-executive directors					
Mr. Feng Limin	—	—	—	—	—
Mr. Ding Guangping	—	—	—	—	—
Independent non-executive directors					
Mr. Zhang Shoulin	—	—	—	—	—
Mr. TSE Chi Man	—	—	—	—	—
Mr. Yao Xianguo	—	—	—	—	—
	—	960	42	—	1,002

Name of directors	Year ended 31 December 2007 Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit schemes	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Chai Wei	—	660	23	355	1,038
Mr. Hu Xianwei	—	300	23	248	571
Non-executive directors					
Mr. Feng Limin	—	—	—	—	—
Mr. Ding Guangping	—	—	—	—	—
Independent non-executive directors					
Mr. Zhang Shoulin	—	—	—	—	—
Mr. TSE Chi Man	—	—	—	—	—
Mr. Yao Xianguo	—	—	—	—	—
	—	960	46	603	1,609

Name of directors	Year ended 31 December 2008 Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit schemes	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Chai Wei	—	330	26	—	356
Mr. Hu Xianwei	—	150	25	—	175
Non-executive directors					
Mr. Feng Limin	—	—	—	—	—
Mr. Ding Guangping	—	—	—	—	—
Independent non-executive directors					
Mr. Zhang Shoulin	—	—	—	—	—
Mr. TSE Chi Man	—	—	—	—	—
Mr. Yao Xianguo	—	—	—	—	—
	—	480	51	—	531

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	Year ended 31 December 2006	2007	2008
	number of directors	number of directors	number of directors
Nil to RMB1,000,000	7	6	7
RMB1,000,000 to RMB5,000,000	—	1	—

There were no amounts paid to the directors in connection with their retirement from employment with the Group, or inducement to join during the Track Record Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

7 Individuals with highest emoluments

The five highest paid individuals of the Group during the Track Record Period include two directors of the Company, whose remuneration are reflected in the analysis presented above. The aggregate of the emoluments in respect of the other individuals are as follows:

	Year ended 31 December 2006	2007	2008
	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	850	1,538	435
Contribution to defined contribution plan	11	12	39
	861	1,550	474

There were no amounts paid to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join during the Track Record Period.

8 Dividends

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. The directors consider that the dividend payments made during the Track Record Period are not indicative of the future dividend policy of the Company.

9 Earnings per share

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to equity holders of the Company during the Track Record Period and the 300,000,000 shares in issue and issuable, comprising 4 shares in issue as at the date of the Prospectus and 299,999,996 shares to be issued pursuant to the capitalization issue as detailed in paragraph headed "Written resolutions of the sole shareholder of the Company passed on 18 June 2009" set out in Appendix VI to the Prospectus, as if the shares were outstanding throughout the entire Track Record Period.

There were no dilutive potential ordinary shares during the Track Record Period and, therefore, diluted earnings per share are not presented.

10 Property, plant and equipment

	Buildings and plants	Major generator equipment	Other machinery	Motor vehicles, furniture, fixtures, equipment and others	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2006	32,315	283,779	56,780	1,496	542,256	916,626
Transferred from assets under construction	62,284	485,893	112,362	6,827	(667,366)	—
Additions	—	—	327	2,261	125,110	127,698
Disposals	—	—	—	(265)	—	(265)
VAT refund	—	(25,459)	—	—	—	(25,459)
At 31 December 2006	94,599	744,213	169,469	10,319	—	1,018,600
Transferred from assets under construction	410	9	22	—	(441)	—
Additions	—	33	175	1,395	652	2,255
VAT refund	—	(30,020)	—	—	—	(30,020)
At 31 December 2007	95,009	714,235	169,666	11,714	211	990,835
Transferred from assets under construction	1,215	2,086	1,486	58	(4,845)	—
Additions	1	20	444	498	6,074	7,037
At 31 December 2008	96,225	716,341	171,596	12,270	1,440	997,872
Accumulated depreciation						
At 1 January 2006	(197)	(1,040)	(592)	(121)	—	(1,950)
Charge for the year	(2,136)	(26,673)	(7,280)	(1,037)	—	(37,126)
Disposals	—	—	—	50	—	50
At 31 December 2006	(2,333)	(27,713)	(7,872)	(1,108)	—	(39,026)
Charge for the year	(3,566)	(35,566)	(10,638)	(1,844)	—	(51,614)
At 31 December 2007	(5,899)	(63,279)	(18,510)	(2,952)	—	(90,640)
Charge for the year	(3,651)	(21,158)	(10,719)	(2,108)	—	(37,636)
At 31 December 2008	(9,550)	(84,437)	(29,229)	(5,060)	—	(128,276)
Carrying amounts						
At 31 December 2006	92,266	716,500	161,597	9,211	—	979,574
At 31 December 2007	89,110	650,956	151,156	8,762	211	900,195
At 31 December 2008	86,675	631,904	142,367	7,210	1,440	869,596

(i) All of the property, plant and equipment owned by the Group are located in the PRC.

(ii) Certain property, plant and equipment with the carrying amounts of RMB Nil, RMB278,909,000, and RMB536,352,000 were pledged as collateral for bank loans at 31 December 2006, 2007 and 2008, respectively (see note 17(i)).

(iii) The refund of VAT on purchases of depreciable assets has been deducted from the carrying amount of the relevant assets. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a reduction of depreciation charges by approximately RMB374,000, RMB2,245,000, RMB1,624,000 for the year ended 31 December 2006, 2007, and 2008, respectively. As at 31 December 2006, 2007 and 2008, an amount of approximately RMB25,085,000, RMB52,860,000, and RMB51,236,000, respectively remains to be amortised.

11 Lease prepayments

	RMB'000
Cost	
At 1 January 2006	34,707
Additions	621
Disposals	(671)
At 31 December 2006	34,657
Additions	4
At 31 December 2007	34,661
Additions	—
Disposals	—
At 31 December 2008	34,661
Accumulated amortisation	
At 1 January 2006	(440)
Charge for the year	(870)
Disposals	37
At 31 December 2006	(1,273)
Charge for the year	(830)
At 31 December 2007	(2,103)
Charge for the year	(831)
Disposals	—
At 31 December 2008	(2,934)
Carrying amounts	
At 31 December 2006	33,384
At 31 December 2007	32,558
At 31 December 2008	31,727

(i) Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 30-50 years when granted.

(ii) Certain land use rights with the carrying amount of RMB18,987,000, RMB27,822,000 and RMB31,727,000 were pledged as collateral for bank loans at 31 December 2006, 2007 and 2008, respectively (see note 17(i)).

12 Trade and other receivables

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade receivable	50,369	67,162	71,791
Prepayments	7,923	12,711	25,233
Non-trade receivables	826	200	1,129
	59,118	80,073	98,153

All of the trade and other receivables are expected to be recovered within one year. Credit term granted to power grid companies is 30 days.

An ageing analysis of trade receivables of the Group is as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within 1 month	50,369	67,162	71,791

13 Pledged deposits

Pledged deposits can be analysed as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Guarantee deposits for issuance of commercial bills and banking facilities	52,109	57,752	85,805

14 Cash and cash equivalents

All the balances of cash and cash equivalents as at 31 December 2006, 2007 and 2008 are cash at bank and on hand.

The Group's exposure to credit risk and currency risk is disclosed in note 24.

15 Paid-in capital

Paid-in capital in the Group's combined balance sheets as at 31 December 2006, 2007 and 2008 represent the aggregate amount of the Company's Controlling Shareholders' paid-in capital in the companies comprising the Group at the respective dates.

(a) Capital injection represents cash injection from the Controlling Shareholders during 2006, 2007 and 2008 for increase in paid-in capital of subsidiaries.

(b) On 5 July 2007, the Controlling Shareholders acquired the 8% equity interest in De-Neng Power Plant from the minority shareholders and contributed such additional interest to the Group.

(c) On 16 July 2007, Jing-Xing Power Plant acquired the 8% equity interest in Blue Sky Power Plant from the minority shareholders by cash.

(d) On 25 July 2008, the Controlling Shareholders acquired 27.32% equity interest in Blue Sky Power Plant from minority shareholders and contributed such additional interest to the Group.

(e) On 25 July 2008, the Controlling Shareholders acquired 8% equity interest in Blue Sky Power Plant from Jing-Xing Power Plant by cash and contributed such interest to the Group.

(f) As at 31 December 2008, the issued capital of Amber Bluesky, Amber Jingxing and Amber Deneng have not been fully paid-up.

16 Reserves

Statutory surplus reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entity concerned, statutory surplus reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

17 Interest-bearing borrowings

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Current			
Secured bank loans	—	—	14,000
Unsecured bank loans	68,000	20,000	120,000
Other borrowings from related parties (see note 21)	125,255	125,760	60,000
Current portion of non-current secured bank loans	12,500	12,500	7,000
Current portion of non-current unsecured bank loans	12,500	12,500	18,000
	218,255	170,760	219,000
Non-current			
Secured bank loans	30,000	162,000	264,500
Unsecured bank loans	435,000	198,000	35,500
	465,000	360,000	300,000
	683,255	530,760	519,000

(i) The secured bank and other borrowings as at 31 December 2008 carried interest rate ranging from 6.12% to 8.25% per annum (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:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Carrying amounts of assets:			
Property, plant and equipment	—	278,909	536,352
Lease prepayments	18,987	27,822	31,727
Pledged deposits	—	13,000	25,000

(ii) Unsecured bank and other borrowings as of 31 December 2008 carried interest rate ranging from 5.31% to 8.25% per annum (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:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within 1 year	25,000	25,000	85,000
Over 1 year but less than 2 years	25,000	25,000	30,000
Over 2 years	440,000	335,000	270,000
	465,000	360,000	300,000
	490,000	385,000	385,000

18 Trade and other payables

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade and bill payables	47,431	90,960	96,696
Non-trade payables and accrued expenses	73,438	38,080	18,125
Amount due to related parties	17,822	24,164	14,798
	138,691	153,204	129,619

An ageing analysis of trade and bill payables of the Group is as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within 3 months	36,946	59,460	80,386
Over 3 months but less than 6 months	10,485	31,500	16,310
	47,431	90,960	96,696

19 Deferred income

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Balance at 1 January	—	6,508	6,508
Amount received during the year	6,508	—	6,508
Recognised during the year	—	—	(13,016)
Balance at 31 December	6,508	6,508	—

Deferred income represents the conditional government grants related to encouragement of the Group's development in the industry. The relevant conditions were fulfilled by the Group during the year ended 31 December 2008 as agreed by the relevant government authority. As a result, the government grants were recognised in the combined income statement for the year ended 31 December 2008.

20 Long-term payables

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Deferred payment on property, plant and equipment	34,350	31,741	28,884

The balance represents the deferred payment for the purchase of an imported generator equipment. The nominal value of consideration is RMB60,448,000 and is payable over a period of 10 years. The amount has been measured at fair value being future cash outflows discounted at the prevailing interest rates as at the respective dates.

21 Related party transactions

During the Track Record Period, transactions with the following parties are considered as related party transactions. The following is a summary of principal related party transactions carried out by the Group with the below related parties for the Track Record Period.

Name of party	Relationship
Amber International Investment Co., Ltd. ("Amber International")	Parent company of the Company
China Wanxiang Holding Co., Ltd. ("Wanxiang Holding")	Fellow subsidiary
Wanxiang Finance Co., Ltd. ("Wanxiang Finance")	Fellow subsidiary
Shanghai Pu-Xing Energy Limited ("Shanghai Pu-Xing")	Fellow subsidiary
Zhejiang Kai-Xin Investment Holdings Group Limited ("Zhejiang Kai-Xin")	Minority shareholder of Blue Sky Power Plant before 25 July 2008
Ningbo Economic & Technology Development Zone Beilun Power Fuel Co., Ltd. ("Ningbo Beilun")	Minority shareholder of De-Neng Power Plant

(a) Significant related party transactions-Non-recurring

Particulars of significant transactions between the Group and the above related parties during the Track Record Period are as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Unsecured related party loans provided by			
Wanxiang Finance	—	165,000	115,000
Shanghai Pu-Xing	100,470	37,005	—
	100,470	202,005	115,000
Secured related party loans provided by			
Wanxiang Finance	—	28,000	23,000

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Related party loans interest charged by			
Wanxiang Finance	—	3,892	9,756
Shanghai Pu-Xing	7,923	5,809	44
	7,923	9,701	9,800
Expense paid on behalf of the Group by			
Amber International	—	—	3,552
Shanghai Pu-Xing	3,507	4,514	—
	3,507	4,514	3,552

(b) Balances with related parties

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Other payables due to:			
Amber International	—	—	3,552
Shanghai Pu-Xing	17,822	24,164	11,246
	17,822	24,164	14,798

The above amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Unsecured loans due to:			
Wanxiang Finance	—	105,000	50,000
Shanghai Pu-Xing	125,255	7,760	—
	125,255	112,760	50,000
Secured loans due to:			
Wanxiang Finance	—	13,000	10,000

The above amounts due to related parties are interest-bearing and repayable on demand. The interest rate was 8.25% per annum for the year ended 31 December 2008 (31 December 2006:6.12% and 31 December 2007:5.56% to 8.02% per annum).

The directors of the Company confirmed that the balance of amounts due to related parties as at 31 December 2008 will be settled before the listing of the Company's shares on the Main Board of the Stock Exchange.

(c) Guarantees issued by related parties

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Unsecured bank loans guarantee issued by			
Wanxiang Holding	58,600	—	—
Shanghai Pu-Xing	61,600	10,000	—
Zhejiang Kai-Xin	65,000	55,500	—
Ningbo Beilun	87,550	58,750	—
	272,750	124,250	—

(d) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7 is as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	1,810	1,810	1,025
Post-employment benefits	53	58	92
Discretionary bonuses	—	1,291	—
	1,863	3,159	1,117

Total remuneration is included in "staff costs" (see note 3(ii)).

22 Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at the respective year end but not provided for in the Financial Information were as follows:

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

23 Operating lease commitments

Non-cancellable operating lease rentals were payable as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Less than one year	388	383	340
Between one and five years	206	495	516
	594	878	856

The Group leases certain properties located in the PRC as the Group's office and staff quarters. The leases run for an initial period of 2-5 years, with an option to renew the leases after that date.

24 Financial instruments

Overview

Financial assets of the Group include cash and cash equivalents, pledged deposits, trade and other receivables. Financial liabilities of the Group include interest-bearing borrowings, trade and other payables and long-term payables.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Zhejiang Electric Power Corporation and Huzhou Electric Power Bureau are the customers of the Group in the Track Record Periods.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets.

Credit risk for power plants in the PRC power industry is concentrated on a limited number of power grids. However, the management, having considered the strong financial background and good creditability of the power grids, believes there is no significant credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other trade receivables are set out in note 12.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The Group had net current liabilities of RMB167,138,000, RMB118,196,000 and RMB119,663,000 as at 31 December 2006, 2007 and 2008, respectively. The Group had net cash generated from operating activities amounting to RMB59,769,000, RMB165,179,000 and RMB37,134,000 during the years ended 31 December 2006 and 2007 and 2008, respectively.

The directors of the Company have carried out a detailed review of the cash flow forecast for the period ending 30 September 2010. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital expenditure requirements of the Group during the period. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	31 December 2006			
	Carrying amount	Total undiscounted cash flow	Within one year or on demand	More than one year and less than five years
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	683,255	772,347	244,224	528,123
Trade and other payables	138,691	138,691	134,196	4,495
Long-term payables	34,350	54,366	—	54,366
	856,296	965,404	378,420	586,984

	31 December 2007			
	Carrying amount	Total undiscounted cash flow	Within one year or on demand	More than one year and less than five years
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	530,760	682,547	289,576	392,971
Trade and other payables	153,204	153,204	148,869	4,335
Long-term payables	31,741	48,563	—	48,563
	715,705	884,314	438,445	445,869

	31 December 2008			
	Carrying amount	Total undiscounted cash flow	Within one year or on demand	More than one year and less than five years
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	519,000	583,842	245,436	338,406
Trade and other payables	129,619	129,619	128,404	1,215
Long-term payables	28,884	42,702	—	42,702
	677,503	756,163	373,840	382,323

Market rate risk

(a) Interest risk

Cash and cash equivalents, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash and cash equivalents are with fixed interest rates ranging from 0.36% to 1.71% per annum as at 31 December 2006, 2007 and 2008, respectively. Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank facilities granted to the Group, with fixed interest rates ranging from 1.98% to 4.14% per annum as at 31 December 2006, 2007 and 2008, respectively.

The Group's interest-bearing borrowings as at 31 December 2006, 2007 and 2008 are set as below:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Fixed rate borrowings	68,000	138,000	70,000
Variable rate borrowings	615,255	392,760	449,000
	683,255	530,760	519,000

Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A general increase/decrease of 100 basis points in interest rates of variable rate borrowings prevailing at the balance sheet dates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB6,359,000, RMB5,095,000, and RMB4,987,000 as of 31 December 2006, 2007 and 2008 respectively.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis for 2006, 2007 and 2008.

(b) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rate affect the RMB value of sales proceeds of products that are denominated in foreign currencies.

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecasted transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Year ended 31 December		
	2006	2007	2008
	USD'000	USD'000	USD'000
Cash and cash equivalents	3	3	3
Trade and other payables	(586)	(403)	(319)
Gross balance sheet exposure	(583)	(400)	(316)

The Group is not subject to currency risk on the forecasted transactions as the Group does not hedge its foreign currency risk.

The following significant exchange rates applied during the Track Record Period:

	Reporting date spot rate		
	2006	2007	2008
	RMB	RMB	RMB
USD	7.8087	7.3046	6.8346

Sensitivity analysis

A 5 percent strengthening of the RMB against the following currencies at 31 December would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006, 2007 and 2008.

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit			
USD	228	146	108

A 5 percent weakening of the RMB against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2006, 2007 and 2008, respectively.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holders' return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all loans and borrowings as well as long-term payables, as shown in the combined balance sheets) less cash and cash equivalents. Total capital is calculated as equity attributable to equity holders of the Company, as shown in the combined balance sheets, plus net debt. The Group may adjust the amount of dividends paid to equity holders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The gearing ratios as at 31 December 2006, 2007 and 2008 respectively:

	Year ended 31 December		
	2006	2007	2008
Gearing ratio	74.90%	63.41%	58.51%

D. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at the date of this report to be GDZ International Limited, a company incorporated in the British Virgin Islands.

E. DIRECTORS' REMUNERATION

Saved as disclosed in Section C note 6 above, no other remuneration has been paid or is payable in respect of the Track Record Period by the Group to the directors of the Company.

F. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2008:

(a) Group reorganization

The Company was incorporated in the Cayman Islands on 8 September 2008. The companies comprising the Group underwent and completed a reorganization in preparation for the listing of the Company's shares on the Main Board of Stock Exchange. Further details of the Reorganization are set out in the section headed "History, Corporate Reorganization and Group Structure" in the Prospectus. As a result of the Reorganization, the Company became the holding company of the Group.

(b) Acquisition of minority interests

In late 2008/early 2009, the Group and the minority shareholders of De-Neng Power Plant reached consensus on the principal terms of the acquisition of the remaining 47% equity interest in De-Neng Power Plant, including the acquisition basis date set at 31 December 2008 and the basis of consideration set by reference to the carrying value of net asset of De-Neng Power Plant as at 31 December 2008 taking into consideration the appreciation in value of its land and equipment, and the Group would be entitled to the entire financial results of the De-Neng Power Plant from 1 January 2009. Based on the aforesaid consensus and framework, the relevant parties have taken further steps to rationalize the detailed steps and procedures of the acquisition and have formally signed two equity transfer agreements with consideration of RMB81,331,300 and RMB14,233,000, respectively, on 23 May 2009.

(c) Valuation of properties

For the purpose of the listing of the Company's shares on the Main Board of Stock Exchange, the properties of the Group were revalued as at 30 April 2009 by DTZ Debenham Tie Leung Limited.

The valuation gave rise to a revaluation surplus of approximately RMB16,142,000 from the carrying amount of the relevant assets at that date. According to the Group's accounting policy, the revaluation surplus will not be recorded in the Group's Financial Information. If the revaluation surplus were to be included in the Group's Financial Information, additional depreciation charge would be approximately RMB460,000 per annum. Details of the valuation are set out in the professional valuers' certificated in Appendix IV to the Prospectus.

(d) Dividends

Pursuant to a 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 shareholders.

Pursuant to a resolution passed at the board of directors' meeting on 18 June 2009, dividends of HKD31,976,700 (equivalent to RMB28,188,420) were declared by the Company to Amber International, its shareholder.

The dividends declared have not been recognised as a liability as at 31 December 2008 and the relevant withholding tax pursuant to the New Tax Law have been undertaken by Amber International according to an undertaking agreement dated 18 June 2009.

The directors confirm that the dividends will be settled before the listing of the Company's shares on the Main Board of the Stock Exchange and consider that the dividend payments made are not indicative of the future dividend policy of the Company.

G. THE COMPANY'S BALANCE SHEET

The Company was incorporated in the Cayman Islands on 8 September 2008. The Company's authorized capital was increased from HKD380,000 as at the date of its incorporation to HKD100,000,000 pursuant to written resolutions of the sole shareholder of the Company passed on 18 June 2009. As at 31 December 2008, there were no paid-up capital and no material assets and liabilities in the Company's balance sheet.

H. SUBSEQUENT ACCOUNTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2008.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong