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Web Proof Information Pack of

A M B E R

琥珀能源有限公司

Amber Energy Limited

(Incorporated in the Cayman Islands with limited liability)

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YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS WEB PROOF INFORMATION PACK.

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarized in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the Shares.

BUSINESS OVERVIEW

We are the only foreign-owned gas-fired power plant operator under the Zhejiang provincial grid. During the Track Record Period, we were principally engaged in the development, operation and management of power plants fuelled by natural gas. Building upon our operational and management experience in the gas-fired power generation industry, we plan to further expand our share in the PRC energy supply market by originating and investing in new projects or making acquisitions in areas such as gas-fired power generation and cogeneration projects. Our vision is to become a leading gas-fired power provider in Zhejiang province and a leading environmentally friendly energy enterprise in China in the longer term.

We are an environmentally friendly energy enterprise. Our Power Plants are fuelled by natural gas and emit almost no fine particles and sulphur dioxide, and only produce a small amount of nitrogen oxide as compared to coal-fired power plants. Our Power Plants also generate less noise and lower carbon dioxide emissions compared to coal-fired power plants. For the same amount of heat, burning natural gas produces about 50% less carbon dioxide than burning coal. Furthermore, compared to traditional coal-fired power plants, Our Power Plants can be started up and increase electricity generation within a relatively short period of time. Our Power Plants only generate electricity during day time when demand for electricity is high in contrast with traditional coal-fired power plants which generally keep running both day and night no matter demand for electricity is high or low. In addition, unlike traditional coal-fired power plants, our ability to start up and increase electricity generation quickly enable us to supply peak power, which refers to power at the time of day when there is most demand for electricity from the power grid, and to capture additional power sales when there is sudden increase in demand for electricity. 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 as incentives from the local governments where Our Power Plants operate. Throughout the Track Record Period, we were entitled to government grants as a financial incentive to develop environmentally-friendly gas-fired power plants in Zhejiang province.

Our Power Plants are combined cycle gas-turbine plants, under which the burning of natural gas drives a gas turbine to generate electricity. Residual heat created during the gas burning process is used to heat up the residual heat boiler to generate steam which drives the steam turbine which in turn drives the second generator to generate more electricity output. Higher level of power efficiency can be achieved by combining gas turbine with a steam turbine under the combined cycle combustion process. For the same level of installed capacity, the thermal efficiency ratio of combined cycle gas-fired plants is on average approximately 8-10% higher than that of traditional coal-fired plants.

As of the Latest Practicable Date, we owned 100% equity interest in each of Our Power Plants, namely De-Neng Power Plant, Blue Sky Power Plant and Jing-Xing Power Plant. Our Power Plants commenced commercial operation between December 2005 and December 2006. Our Group

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comprises the Company and its subsidiaries, including Our Power Plants. As at 31 December 2006, 2007 and 2008, our Group had a total attributable installed capacity of approximately 197.8 MW, 215.7 MW and 246.4 MW, respectively. As of the Latest Practicable Date, Our Power Plants had total installed capacity and total attributable installed capacity of approximately 299 MW.

The table below sets out the details of Our Power Plants as at the Latest Practicable Date:

<u>Power Plants</u>	<u>Fuel</u>	<u>Our Interest in Our Power Plants as at the Latest Practicable Date</u>	<u>Commencement date of operation</u>	<u>Installed capacity (MW)</u>	<u>Attributable installed capacity (MW)</u>
De-Neng Power Plant	natural gas	100%	December 2005	112.0	112.0
Blue Sky Power Plant	natural gas	100%	March 2006	112.0	112.0
Jing-Xing Power Plant	natural gas	100%	December 2006	75.0	75.0
Total				<u>299.0</u>	<u>299.0</u>

Our turnover is derived from the sale of power generated by Our Power Plants, which is primarily determined by power output and on-grid tariff. Each year, the relevant department of the provincial government issues guidelines on the power sales activities between power plants and power grid companies and provides the planned utilization hours to each power plant expressed in utilization hours based on the expected power supply and demand in the market and the classification of each power plant.

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.

<u>Indicators/Years</u>	<u>Year ended 31 December</u>			<u>Four months ended 30 April 2009</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	
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.

During the Track Record Period, each of Our Power Plants operated under a planned annual utilization hours of 3,500 (that is the equivalent number of hours of power generation under full installed capacity) as suggested to us by Economic & Trade Commission of Zhejiang Province. In

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practice, so long as there is sufficient supply of natural gas and power demand in the market, each of Our Power Plants could sell electricity generated at full capacity for a minimum of 3,500 hours each year. During the year ended 31 December 2007, the first full year in which all of Our Power Plants were in full operation, the average utilization hours of Our Power Plants was 4,011. During the year ended 31 December 2008, the average utilization hours of Our Power Plants was 2,479, which was lower than planned primarily due to the significantly lower supply of natural gas to the Group in the period from April to September 2008 than those in the respective period in prior years. 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 due to the economic turmoil during the second half of the financial year ended 31 December 2008. 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 such as 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 due to the slow down in growth of PRC and Zhejiang economy which in turn led to the slow down in growth of electricity demand in Zhejiang. The supply of natural gas to the Group has gradually resumed to normal level from October 2008. Whilst the Group was entitled to seek compensation from Zhejiang Gas Company for any reduction in the amount of natural gas agreed to be supplied, the Directors appreciated that the reduction in supply of natural gas to the Group in 2008 was due to reasons beyond the control of Zhejiang Gas Company. The Directors therefore exercised the discretion to sanction the supply of natural gas below the agreed volume in 2008 and as a result, the Group will not be entitled to any compensation from Zhejiang Gas Company.

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 in late 2008 and 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.

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On-grid tariffs applicable to power generation companies are determined by provincial pricing bureaus (省物價局) based on various consideration factors, including the economic life of the facilities, fuel type, cost structure and applicable tax rates, to ensure that power generation companies are able to achieve reasonable profitability and investment return and to encourage the use of fuel with less pollution. As a result, on-grid tariffs charged by power generation companies using different fuel types are different. Our Power Plants, which utilize natural gas instead of coal, are entitled to higher on-grid tariffs as compared to coal-fired power plants in Zhejiang. The table below sets forth the volume of power sales of Our Power Plants for each of the three years ended 31 December 2006, 2007 and 2008, and the approved on-grid tariffs (inclusive of VAT) applicable as at 31 December 2006, 2007 and 2008.

Plants/ Indicators	2006	2006	2007	2007	2008	2008
	Sales	Approved	Sales	Approved	Sales	Approved
	Volume	On-Grid	Volume	On-Grid	Volume	On-Grid
	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)
De-Neng Power Plant	400,004	600	428,725	650	224,340	705
Blue Sky Power Plant	381,008	600	465,923	650	315,161	705
Jing-Xing Power Plant	27,461	650	266,317	650	178,715	705

Each of Our Power Plants has entered into long-term supply contracts with a term of 20 years with Zhejiang Gas Company (浙江省天然氣開發有限公司) who is responsible for the operation of natural gas pipelines and sale and distribution of natural gas in Zhejiang province. Our Power Plants are directly connected to the gas offtake stations operated by Zhejiang Gas Company, and as a result, natural gas is supplied to us in gaseous form directly through pipelines. The construction of the Sichuan-East Gas Pipeline, which is designed to run from Sichuan to Shanghai through a number of provinces including Zhejiang, is expected to reach and supply natural gas to Zhejiang in late 2009. In addition, the construction of other sections such as West-East Gas Pipeline (Phase II), which is expected to run through 13 provinces including Zhejiang, is in progress and is expected to reach and supply natural gas to Zhejiang in 2010. The Directors believe that the Group will benefit from the expected increase in the supply of natural gas to Zhejiang province upon completion of such nationwide natural gas supply infrastructure.

The price of gas of Our Power Plants is prescribed, reviewed and approved by Zhejiang Provincial Pricing Bureau (浙江省物價局). Based on the notice issued by Zhejiang Provincial Pricing Bureau (浙江省物價局) in January 2006, the purchase price of natural gas applicable to Our Power Plants was RMB1.62 (including VAT) per m³, while from 1 February 2006 to 31 December 2007, from 1 January 2008 to 31 March 2009 and from 1 April 2009 up to the Latest Practicable Date, the purchase price of natural gas was RMB1.71 (including VAT) per m³, RMB1.85 (including VAT) per m³ and RMB1.94 (including VAT) per m³, respectively.

Due to the operating model of gas-fired power plants and the highly regulated environment for power generation industry in the PRC, (i) the Group's business relies exclusively on natural gas as fuel source; (ii) the Group had only two customers throughout the Track Record Period as it was required to sell power to the provincial grid companies; (iii) the on-grid tariffs of Our Power Plants were determined by the PRC government; (iv) the cost of gas represented a significant proportion of the Group's cost of sales; and (v) the Group had only one supplier of natural gas and the purchase price applicable to Our Power Plants was set by the PRC government. Thus, there are certain additional risks which are attributable to the above features of our business model. For details, please refer to the paragraph headed "Risks relating to the Group" in the section headed "Risk Factors" in this document.

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ACQUISITION OF MINORITY INTERESTS IN DE-NENG POWER PLANT PRIOR TO [●]

Before completion of the Corporate Reorganization, the Group held 53% equity interest in De-Neng Power Plant. In order to increase the total attributable installed capacity and thus revenue and profit of the Group, on 23 May 2009, Blue Sky Power Plant entered into equity transfer agreements with each of Ningbo Beilun and Ningbo Hong-Ji to acquire their 40% and 7% equity interests respectively in De-Neng Power Plant for cash consideration of RMB81,331,300 and RMB14,233,000 respectively with reference to the carrying amount of net asset value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment. As at the Latest Practicable Date, the relevant transfer procedures have been completed and De-Neng Power Plant has become a wholly-owned subsidiary of the Group. The cash consideration of RMB65,564,300 has been settled with internal resources and the remaining balance of RMB30 million (approximately HK\$34 million) will be financed by proceeds from the [●].

NEW PROJECT PROPOSED TO BE DEVELOPED AFTER [●]

The relevant government authority has accepted our project proposal and we are currently conducting the feasibility studies in developing a new gas-fired cogeneration power plant ("Anji Phase I") which is expected to comprise 58.54 MW of power capacity and 50 ton/hour of steam capacity. The cogeneration plant is proposed to be located in Anji county which is a densely populated area in the north-eastern part of Zhejiang province with a population of approximately 450,000. Subject to the granting of approvals and permits by the relevant government authorities, and the completion of construction, this new cogeneration plant is currently expected to commence commercial operation in 2011.

The estimated investment amount of Anji Phase I is approximately RMB299 million, amongst which [●]% (i.e. approximately HK\$[40] million) will be financed by the proceeds from the [●] and the remaining amount by internal resources of the Group.

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FINANCIAL INFORMATION

We derive our turnover through the sale of power generated by Our Power Plants. For the three years ended 31 December 2006, 2007 and 2008, we sold approximately 808,473 MWh, 1,160,965 MWh and 718,216 MWh of electricity, respectively to power grid companies in Zhejiang province. For the same periods, we generated approximately RMB415,790,000, RMB645,191,000 and RMB424,072,000 of turnover respectively, and approximately RMB6,310,000, RMB58,445,000 and RMB33,445,000 of net profit attributable to the equity holders of the Company respectively. The decrease in the net profit attributable to the shareholders was mainly due to the significant reduction of natural gas supply in the period from April to September 2008 as mentioned above and to a small extent attributable to the global financial crisis in the last quarter of 2008. For each of the three years ended 31 December 2006, 2007 and 2008, the Group recorded other net income, representing the government grants of about RMB300,000, RMB4,978,000 and RMB17,086,000, respectively, as an incentive to encourage the development and investment in the gas-fired power industry.

The following is a summary of the Group's combined results for the three years ended 31 December 2006, 2007 and 2008, which have been derived from and should be read in conjunction with our financial information included in the Accountants' Report set out in Appendix I — Accountants' Report to this document. Our financial information have been prepared in accordance with IFRS.

	Year ended 31 December					
	2006		2007		2008	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Turnover	415,790	100	645,191	100	424,072	100
Operating expenses						
Fuel consumption	(304,896)	(73)	(425,845)	(66)	(290,047)	(68)
Depreciation and amortization	(37,996)	(9)	(52,444)	(8)	(38,467)	(9)
Repairs and maintenance	(1,898)	(1)	(2,645)	(0)	(2,184)	(0)
Personnel costs	(8,771)	(2)	(18,235)	(3)	(10,705)	(3)
Administrative expenses	(9,915)	(2)	(11,088)	(2)	(11,233)	(3)
Sales related taxes	(498)	(0)	(1,073)	(0)	(671)	(0)
Other operating expenses	(2,114)	(1)	(2,831)	(0)	(2,436)	(1)
Operating profit	49,702	12	131,030	21	68,329	16
Finance income	1,411	0	2,506	0	4,200	1
Finance expense	(38,256)	(9)	(52,229)	(8)	(51,045)	(12)
Net finance costs	(36,845)	(9)	(49,723)	(8)	(46,845)	(11)
Other net income	300	0	4,978	1	17,086	4
Profit before tax	13,157	3	86,285	14	38,570	9
Income tax	—	0	—	0	—	0
Profit for the year	13,157	3	86,285	14	38,570	9
Attributable to:						
Equity holders of the Company	6,310	1	58,445	9	33,445	8
Minority interests	6,847	2	27,840	5	5,125	1
Profit for the year	13,157	3	86,285	14	38,570	9
Dividends attributable to the year						
Dividend declared during the year	—	—	—	—	42,272	—
Earnings per share						
Basic earnings per share (RMB)	0.02	—	0.19	—	0.11	—

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PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 (<i>Note 1</i>)	not less than RMB[●] million (HK\$[●] million)
Unaudited pro forma forecast earnings per Share for the year ending 31 December 2009 (<i>Note 2</i>)	RMB[●] (HK\$[●])

Notes:

(1) The forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 is extracted from the paragraph headed "Profit Forecast for the year ending 31 December 2009" in the section headed "Financial Information" of this document. The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 has been prepared are summarised in Appendix III to this document.

The forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 is based on the unaudited management accounts 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 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 ● 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 HK\$[] to RMB1.00.

OFFER STATISTICS

	Based on an [●] of HK\$[●] per Share	Based on an [●] of HK\$[●] per Share
Market capitalization of the Shares	HK\$[●] million	HK\$[●] million
Historical price/earnings multiple	[●] times	[●] times
Unaudited pro forma adjusted net tangible asset value per Share	HK\$[●]	HK\$[●]

DIVIDENDS

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 the Directors deem relevant. The Company has not declared or paid any dividends since its incorporation. However, our subsidiaries declared dividends to their then shareholders in 2008 and 2009 in the aggregate amounts of approximately RMB95 million of which RMB74 million has been paid. 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.

Under the Articles, declaration of final dividends is subject to the Shareholders' approval in the annual general meeting of the Company, while the Articles grants the Directors the authority to declare interim dividends without the Shareholders' approval.

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. However, the Directors [do not expect] to declare any dividend for the year ending 31 December 2009.

SUMMARY

PRINCIPAL STRENGTHS

We believe that our competitive strengths are as follows, each of which is discussed in greater detail in the section headed "Business — Principal Strengths" of this document:

- Our business is in line with the PRC government's initiatives in promoting the use of energy with less pollution as compared to coal-fired power plants
- Our Power Plants are more fuel-efficient as compared to coal-fired power plants
- Our Power Plants are strategically located in Zhejiang province, one of the fastest developing regions in China with strong demand for electricity
- We benefit from the development of natural gas supply infrastructure and the expected increase in supply of natural gas
- We can supply peaking power whenever there is a sudden increase in power demand as Our Power Plants can start up quickly
- We have an experienced and professional management team with extensive experience in the power industry in China

BUSINESS STRATEGIES

Our vision is to become a leading gas-fired power provider in Zhejiang province and a leading environmentally friendly energy enterprise in China in the longer term. To achieve this, we will focus on the following strategies, each of which is discussed in greater details in the section headed "Business — Business Strategies" of this document.

- Continue to manage Our Power Plants effectively and efficiently
- Expand or upgrade Our Power Plants
- Engage in more sophisticated gas-based power provision businesses such as cogeneration and trigeneration or CCHP power generation which are efficient and environmentally-friendly
- Increase our market share through investing in new projects and making acquisitions

SUMMARY OF RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the PRC power industry and (iii) risks relating to the PRC. Please refer to the section headed "Risk Factors" in this document for a more detailed discussion of these risks.

Risks relating to the Group

- The limited operating history of Our Power Plants may make it difficult for you to evaluate our business and prospects
- Our Power Plants commenced operation before the power business permit was obtained
- Cost of natural gas represented a significant proportion of our cost of sales. Increase in fuel costs, which are determined by the PRC government, may materially and adversely

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affect our operating results if we are unable to pass on such increases to our customers through corresponding increases in on-grid tariffs

- Our business relies exclusively on natural gas as fuel source currently provided by only one supplier and our business may be materially and adversely affected if there is a shortage or interruption in the supply of natural gas in Zhejiang province
- Our turnover is wholly derived from power sales to two customers during the Track Record Period and may be materially and adversely affected by the reductions in the planned output and on-grid tariffs which are determined by the PRC government
- We may not have the level of experience, technical expertise, human resources and other attributes necessary to optimally operate power plants or systems utilizing new forms of energy and new technologies if we decide to extend our business into areas beyond Our Power Plants
- Current favourable government policies and various incentives available to Our Power Plants may no longer be available or become less favourable in the future
- We have a high level of debt and we may need additional external financing to fund our working capital and capital expenditure requirements, but we may not be able to obtain such additional external financing on acceptable terms or at all
- The Group had net current liabilities position as at 31 December 2006, 2007 and 2008
- We may be adversely affected by the recent economic turmoil in the world
- The success of the Group depends significantly on its ability to retain its senior management team and its ability to attract additional management and other qualified personnel to join the Group

Risks relating to the PRC power industry

- Future increase in the supply of power overall or the supply of power generated by plants which are more efficient than ours in Zhejiang province or in the PRC may materially and adversely affect the number of planned utilization hours allocated to Our Power Plants and ultimately our power sales
- Our power plant development and acquisition plan may not be successful due to increasing competition and potential substantial regulatory approvals involved
- The construction of power plants is subject to risks which could give rise to delays or cost overruns
- Our operations are subject to hazards customary to the power generation industry and our existing insurance coverage may not be sufficient to cover all of these hazards
- Regulatory changes of the PRC power industry and the uncertainties associated with the reform of the PRC power industry may adversely affect our business and results of operations
- We may incur additional costs or investments should the PRC government adopt stricter or additional environmental laws or requirements

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Risks relating to the PRC

- Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government may adversely affect our business, operating results and financial condition
- The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to us and adversely affect our operations
- Fluctuations of the exchange rates of the Renminbi could materially affect our financial condition and your investment
- Government control over currency conversion may affect the value of your investment and limit our ability to use our cash effectively
- Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our acquisition strategy as well as our business and prospects
- We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income
- Changes in or discontinuation of the favourable tax treatments in PRC currently available to us could reduce our profitability
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws
- We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries
- Acts of God, acts of war and other disasters could affect our business
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management
- The implementation of the new labour contract law and increase in labor costs in the PRC may adversely affect our business and profitability

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“Affiliate”	(i) in the case of an affiliate of a person (the subject person) other than a natural person, any other person that directly or indirectly controls, is controlled by or is under common control with the subject person; (ii) in the case of an affiliate of a natural person, any other person that directly or indirectly controlled by the subject person or a relative of the subject person
“Amber Bluesky”	Amber Bluesky (HK) Limited (琥珀藍天（香港）有限公司), a company incorporated in Hong Kong on 26 June 2008 and a wholly-owned subsidiary of the Company
“Amber Deneng”	Amber Deneng (HK) Limited (琥珀德能（香港）有限公司), a company incorporated in Hong Kong on 26 June 2008 and a wholly-owned subsidiary of the Company
“Amber Jingxing”	Amber Jingxing (HK) Limited (琥珀京興（香港）有限公司), a company incorporated in Hong Kong on 26 June 2008 and a wholly-owned subsidiary of the Company
“Amber International”	Amber International Investment Co., Ltd., a company incorporated in the BVI on 12 January 2004 and owned as to 90% by Mr. Lu through GDZ and 10% by Mr. Chai through DUOU
“Articles of Association” or “Articles”	the articles of association of the Company adopted on [●] as amended from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board” or “Board of Directors”	Board of Directors of the Company
“Business Day” or “business day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“Blue Sky Power Plant”	Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd* (杭州藍天天然氣發電有限公司), a company established under the laws of the PRC with limited liability on 15 December 2004 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“BP”	British Petroleum plc, a global energy group listed in New York Stock Exchange (symbol: BP)
“BP Review”	the Statistical Review of World Energy issued by BP in June 2008 with an aim to provide objective data on world energy markets with statistics taken from government sources
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“China Energy Association”	A social body registered in Hong Kong with representative office in Beijing, PRC, established on 18 July 2006 to, among others, conduct survey and research on matters relating to energy sources sector, to present the opinions and request of energy sources industry to the government and provide related consulting services to enterprises. Currently, there are 99 members which are mainly engaged in power generation, power grid operation, coal, petroleum and solar energy businesses.
“Company”, “our Company”, “we” or “us”	Amber Energy Limited (琥珀能源有限公司), an exempted company incorporated with limited liability and existing under the laws of the Cayman Islands, and where the text requires, “we”, “us” or “our” shall mean the Group
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemented or otherwise modified from time to time

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“Connected Person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and in this document unless the context otherwise requires, refers to Mr. Lu, Mr. Chai, GDZ, DUOU and Amber International collectively
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the [●], details of which are set out in the section headed “History, Corporate Reorganization and Group Structure — Corporate Reorganization” to this document
“CSRC”	the China Securities Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC national securities market
“De-Neng Power Plant”	Zhejiang De-Neng Natural Gas Power Generation Co., Ltd (浙江德能天然氣發電有限公司), a company established under the laws of the PRC with limited liability on 18 August 2004 and an indirect wholly owned subsidiary of the Company
“Director(s)”	directors of our Company or any one of them
“DUOU”	DUOU Investment Co. Ltd. (杜歐投資有限公司), a company incorporated in BVI on 11 December 2008 and wholly-owned by Mr. Chai
“East China Power Grid”	the power transmission network covering [Shanghai, Jiangsu province, Zhejiang province, Anhui province and Fujian province]
“EIA”	Energy Information Administration, the statistical and analytical agency within the U.S. Department of Energy. It was established in 1970s in response to the need for additional Federal initiatives to collect and disseminate energy-related information, and to evaluate and analyze such information
“Electric Power Law”	Electric Power Law of the PRC, adopted by the Standing Committee of the 8th National People’s Congress on 28 December 1995, and effective as of 1 April 1996
“European Economic Area”	the area created by agreement which came into force on 1 January 1994 and which includes the European Union plus Iceland, Norway and Liechtenstein

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“EU”	the European Union, which comprises the following 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom
“Foreign Invested Enterprises” or “FIEs”	enterprises established in the PRC with foreign investment including sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign-owned enterprises
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
“GDZ”	GDZ International Limited, a company incorporated in BVI on 12 April 2007 and wholly-owned by Mr. Lu
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HK dollars” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Huzhou Electric Power Company”	local power grid company of Huzhou city of Zhejiang province, a wholly-owned subsidiary of State Grid Corporation of China (a state owned enterprise) and an Independent Third Party of the Group
“IEA”	International Energy Agency, an autonomous body, which was established in November 1974 in Paris within the framework for Economic Co-operation and Development to implement international energy programme. According to IEA’s public records, IEA

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	acts as energy policy advisor to 28 member countries, including Australia, Japan, Germany, U.S. and United Kingdom, in their effort to ensure reliable, affordable and clean energy for their citizens
“IFRS”	the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Board Committee”	an independent board committee established by the Company, which consists of all independent non-executive Directors from time to time, the further details of which are set out in the section headed “Directors, Senior Management and Employees” in this document
“Independent Third Party(ies)”	independent third party(ies) who is(are) not Connected Person(s)
“Intermediate Hong Kong Companies”	Amber Bluesky, Amber Jingxing and Amber Deneng, all incorporated in Hong Kong on 26 June 2008 as part of the Corporate Reorganization
“Issuing Mandate”	the general unconditional mandate given to the Directors by the Shareholders relating to the issue of new Shares, further details of which are contained in the section headed “Written resolutions of the sole Shareholder passed on [●]” in “Appendix V — Statutory and General Information” to this document
“Jing-Xing Power Plant”	Zhejiang Amber Jing-Xing Natural Gas Power Generation Co., Ltd (浙江琥珀京興天然氣發電有限公司), a company established under the laws of the PRC with limited liability on [6 January 2005] and is an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	[●], being the latest practicable date for the inclusion of certain information in this document prior to its publication
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange

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“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company as currently adopted
“Ministry of Commerce” or “MOFCOM”	the PRC Ministry of Commerce, the PRC government agency responsible for the administration of domestic and international trade, foreign investment and international economic cooperation
“Mr. Chai”	Mr. Chai Wei, co-founder, President, executive Director and Chief Executive Officer of the Company, holding 10% of Amber International through DUOU
“Mr. Lu”	Mr. Lu Wei Ding, co-founder of the Company, holding 90% of Amber International through GDZ
“NDRC”	the National Development and Reform Commission of the PRC, a PRC government agency responsible for developing national economic strategies and long term economic plans and for reporting economic and social development to the PRC National People’s Congress which formerly named as National Development and Planning Commission before March 2003
“Ningbo Beilun”	Ningbo Economic & Technology Development Zone Beilun Power Fuel Co., Ltd (寧波經濟技術開發區北侖電力燃料有限公司), a company established under the laws of the PRC with limited liability and was a minority shareholder of De-Neng Power Plant before the Corporate Reorganization
“Ningbo Hong-Ji”	Ningbo Hong-Ji Energy Co., Ltd* (寧波鴻基能源化工有限公司), a company established under the laws of the PRC with limited liability and was a minority shareholder of De-Neng Power Plant before the Corporate Reorganization
“No. 1268 Regulation”	The Regulation on the Development of Cogeneration 《關於發展熱電聯產的規定》, the regulation in relation to the development of cogeneration industry jointly promulgated by the State Development and Planning Commission, the SETC, the Ministry of Construction and the State Environmental Protection Bureau on 25 August 2000
“Our Power Plants”	Blue Sky Power Plant, De-Neng Power Plant and Jing-Xing Power Plant
“PBOC”	the People’s Bank of China

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“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by PBOC based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
“PetroChina”	PetroChina Co. Ltd. (中國石油天然氣股份有限公司), established as a joint stock company with limited liability on 5 November 1999. Its American Depositary Shares, H shares and A shares were listed on the New York Stock Exchange on 6 April 2000 (stock code: PTR), The Stock Exchange of Hong Kong Limited on 7 April 2000 (stock code: 857) and the Shanghai Stock Exchange on 5 November 2007 (stock code: 601857) respectively
“Piper Jaffray Asia”	Piper Jaffray Asia Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sponsor to the [●]
“Piper Jaffray Asia Securities” or “Global Coordinator” or “Bookrunner” or “Lead Manager”	Piper Jaffray Asia Securities Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising in securities) regulated activities under the SFO, acting as the global coordinator, bookrunner and the lead manager of the [●]
“PRC” or “China”	People’s Republic of China which, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region or Taiwan
“PRC government” or “State”	the Central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
“RMB” and “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC, the PRC government agency responsible for matters relating to foreign exchange administration
“SAFE Notice”	the Notice Regarding Certain Administration Measures on Financing and Inbound Investment by PRC Residents through Offshore Special Purpose Vehicles issued by SAFE in October 2005

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“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SERC”	the State Electricity Regulatory Commission of the PRC
“SETC”	the State Economic and Trade Commission of the PRC, a former ministry of the PRC government which was dissolved in 2003
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Pu-Xing”	Shanghai Pu-Xing Energy Limited* (上海普星能源有限公司), a company incorporated in the PRC, held as to 93.25% indirectly by Mr. Lu and 6.75% directly by Mr. Chai
“Shareholder(s)”	holders of Shares
“Shares”	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.10 each
“State Council”	the State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchase
“Track Record Period”	the three years ended 31 December 2008
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollars” or “USD”	United States dollars, the lawful currency for the time being of the United States
“VAT”	value-added tax
“Wanxiang Finance”	Wanxiang Finance Co., Ltd. (萬向財務有限公司), a company established under the laws of the PRC with limited liability in which Wanxiang Holding has a minority interest of 18%. It is principally engaged in the provision of financial services
“Wanxiang Holding”	China Wanxiang Holding Co., Ltd (中國萬向控股有限公司), a company established under the laws of the PRC with limited liability and held as to

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	99% by Mr. Lu. It is principally engaged in investment management
“Zhejiang Electric Power Corporation”	Zhejiang Electric Power Corporation (浙江省電力公司), provincial power grid company of Zhejiang province, a wholly-owned subsidiary of State Grid Corporation of China (國家電網公司) (a state owned enterprise) and an Independent Third Party of the Group
“Zhejiang Kai-Xin”	Zhejiang Kai-Xin Investment Holdings Group Limited* (浙江凱欣投資控股集團有限公司), a company established under the laws of the PRC with limited liability and was a minority shareholder of Blue Sky Power Plant before the Corporate Reorganization
“Zhejiang Gas Company”	Zhejiang province Natural Gas Development Company* (浙江省天然氣開發有限公司), a state-owned enterprise of Zhejiang province, which is responsible for the operation of natural gas pipelines and the sale and distribution of natural gas in Zhejiang province
“Zhejiang Provincial Price Bureau”	Zhejiang Provincial Price Bureau (浙江省物價局), a department of the SETC, responsible for reviewing and setting the prices of natural gas supplied to the Group and the on-grid tariff of the electricity the Group produces and sells to power grid companies
“Zhejiang Zhen-Neng”	Zhejiang Zhen-Neng Investment Co., Ltd* (浙江振能投資有限公司), a company established under the laws of the PRC with limited liability and was a minority shareholder of Blue Sky Power Plant and De-Neng Power Plant, until the disposal of all its respective interests in Blue Sky Power Plant and De-Neng Power Plant in July 2007, respectively
“%”	per cent.

Unless otherwise specified, translations of RMB into HK\$ in this document are based on the rates set out below (for the purpose of illustration only):

RMB0.88189: HK\$1.00

No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

In this document, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “*” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

“auxiliary power”	electricity consumed by a power plant itself in the course of generation
“cogeneration plant(s)”	power plant(s) which generate(s) usable heat and power simultaneously
“dispatch”	the schedule of production for all the generating units on a power system, generally varying from moment to moment to match production with power requirements
“excess output”	the amount by which the total output of a power plant in a particular year exceeds its planned output for such year
“gross generation”	for a specified period, the total amount of electrical power produced by a power plant in that period including auxiliary power
“GW”	gigawatt. One million kW
“GWh”	gigawatt-hour. One million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power plants
“installed capacity”	the manufacturers’ rated power output of a generating unit or a power plant, usually denominated in MW
“IPPs”	Independent Power Producers
“kV”	kilovolt. One thousand volts
“kW”	kilowatt. One thousand watts
“kWh”	kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“m³”	cubic metres
“MW”	megawatt. One million watts. The installed capacity of power plants is generally expressed in MW
“MWh”	megawatt-hour. One thousand kWh
“natural gas”	a combustible gas found underground and extracted through natural gas wells, the principal components of which are methane and other hydrocarbons

GLOSSARY OF TECHNICAL TERMS

“natural gas distribution station”	a facility for transmission and distribution of gas to cities and towns through pipelines or collection of gas from other branches pipelines and gas sources
“planned output”	an annually determined target gross generation level by the Economic & Trade Commission of Zhejiang Province (浙江省經濟貿易委員會) for a given power plant as the basis for determining power sales
“power sale”	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
“thermal efficiency”	efficiency with which a power source transforms the potential heat of its fuel into work or output, namely the ratio of the heat and power generated by the plant to the overall heat value from the fuel consumed
“ton”	metric ton
“ton/h”	metric ton per hour
“trigeneration” or “CCHP”	the process of simultaneous production of combined cooling, heating and power
“TWh”	terawatt-hour. One billion kWh
“utilization hours”	the number of hours it would take for a power plant operating at full installed capacity to generate the amount of electricity actually produced in a specific year. According to the standard industry practice, it normally uses “utilization hours” to describe the utilization of a power plant. Theoretically, the maximum utilization hours of a power plant is 8,760 hours per year (365 days x 24 hours).

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions of the power industry in China and the world;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to reduce costs;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

In some cases, we use the words "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would", and similar expressions to identify forward-looking statements.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

At present, all of the business operations of the Group are managed and conducted in the PRC, and all of the turnover of the Group is generated from the PRC. Accordingly, for the purposes of the management and operations of the Group, appointment of additional executive directors who are ordinarily resident in Hong Kong to the Board would not only increase the administrative expenses of the Group, but would also reduce the effectiveness of the executive Directors in administering the daily operations of the Group, especially when business decisions are required to be made within a short period of time.

In addition, if such executive Director is appointed, since he/she would not be physically present in the PRC all the time, he/she would not be able to participate in the daily operations of the Group or appreciate the circumstances surrounding or affecting the business operations and development of the Group from time to time, while these are part of the expected functions of an executive director. As such, such executive Director may not be able to exercise his/her discretion on a fully informed basis, or make appropriate business decisions or judgments in administering the daily operations of the Group.

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP

Our Power Plants commenced operation before the power business permit was obtained

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

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

Our Power Plants are fuelled by natural gas. Therefore, our results of operations have been directly affected by the costs of natural gas, representing approximately 73.3%, 66.0% and 68.4% of our total turnover during the three years ended 31 December 2006, 2007 and 2008, respectively. Gas

RISK FACTORS

prices applicable to Our Power Plants have been determined by the local provincial price bureau based on a number of factors, including but not limited to well-head price, cost of transportation, general market conditions, and applicable VAT and taxes. See "Financial Information — Management Discussion and Analysis of Financial Condition and Results of Operation — Significant Factors Affecting Our Results of Operations and Financial Condition — Cost of gas consumed". Increase in natural gas costs will increase our operating cost and may adversely affect our profitability.

The approved on-grid tariff (including VAT) applicable to Our Power Plants increased from RMB600 per MWh (De-Neng Power Plant and Blue Sky Power Plant) and RMB650 per MWh (Jing-Xing Power Plant) as at 31 December 2006 to RMB705 per MWh as at 31 December 2008, while the gas price (including VAT) applicable to Our Power Plants increased from RMB1.71 per m³ as at 31 December 2006 to RMB1.85 per m³ as at 31 December 2008. As the cost of natural gas represented a significant proportion of our cost of sales, if, in future, the government authorities decide to increase the price of natural gas, but not the on-grid tariffs, or the on-grid tariffs are not adjusted accordingly on a timely manner, or the rate of increase in on-grid tariffs is less than the rate of increase in gas prices, we will not be able to pass on the increase in cost of gas to our customers, and as a result, our profitability may be affected.

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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replacement may cause disruption to its business and have an adverse impact on its ability to manage or operate its business effectively. The results of operations may be adversely affected as a result.

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

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

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

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

RISKS RELATING TO THE PRC POWER INDUSTRY

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

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

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

Our ability to expand our business depends on our ability to upgrade our existing power plants and to develop or acquire new power plants or projects. Such upgrading, development and acquisition of power plants can be time-consuming and highly complex. In identifying and developing new projects, we compete against various players, including large power companies and smaller local power plants. If we are not successful in such competition, our development plan may be delayed. In addition, in connection with the development of a new power plant, we must generally obtain various governmental approvals, licenses and permits, land use rights or leases, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation

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agreements and sufficient equity capital and debt financing. We may not be successful in resolving or addressing any of these matters or in doing so on a timely basis, and such failure or delay may adversely affect our financial condition.

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE PRC

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

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

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

Our operations and financial results could also be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the new PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. If we are considered a PRC “resident enterprise,” it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of the Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or

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if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially adversely affected.

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

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

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

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

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

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

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

A new labour contract law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days,

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depending on the length of the employees' work time. Employees who consent to waive such vacation time at the request of employers shall be compensated for three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

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DIRECTORS AND PARTIES INVOLVED

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
CHAI Wei (柴偉)	Room 1501, No. 9-3, Xianlinyuan Hangzhou, Zhejiang PRC	Chinese
HU Xian Wei (胡先偉)	Room 201, No. 14 Hengtai Yutingyuan, Xiaoshan District Hangzhou, Zhejiang PRC	Chinese
<i>Non-executive Directors</i>		
DING Guang Ping (丁光平) (Chairman)	Room 102, No. 5 Lane 210, North-Linyi Road Pudong New District, Shanghai PRC	Chinese
FENG Li Min (馮立民)	Room 101, Unit 2, Block 715 Tianbaoyuan SanLi, Middle Tianbao Road Yizhuang, Daxing District, Beijing PRC	Chinese
<i>Independent non-executive Directors</i>		
ZHANG Shou Lin (張守林)	6A, B-1, The Mount Austin, #8 Mount Austin Road, The Peak, Hong Kong	Chinese
TSE Chi Man (謝志文)	Flat B, 7/F, Skylodge 1, Dynasty Heights, 8 Yin Ping Road, Kowloon, Hong Kong	British
YAO Xian Guo (姚先國)	7-1-501, East Area of Nandu Deijia West Wen'er Road Hangzhou Zhejiang 310012 PRC	Chinese

DIRECTORS AND PARTIES INVOLVED

PARTIES INVOLVED

Legal Advisors to the Company

As to Hong Kong law

Jones Day
29/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong.

As to PRC law

King and Wood
28-30/F, Huai Hai Plaza,
No.1045, Huai Hai Road (M),
Shanghai 200031,
PRC.

As to Cayman Islands law

Conyers Dill & Pearman
Cricket Square,
Hutchins Drive,
Grand Cayman,
KY1-1111,
Cayman Islands.

Auditors and Reporting Accountants

KPMG
Certified Public Accountants
8/F, Prince's Building,
10 Charter Road,
Central,
Hong Kong.

Property Valuer

DTZ Debenham Tie Leung Limited
16th Floor,
Jardine House,
1 Connaught Place,
Central,
Hong Kong.

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CORPORATE INFORMATION

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INDUSTRY OVERVIEW

The information in the section below has been derived from various government and publications or obtained from communications with various PRC government agencies unless otherwise indicated. The information derived from government official publications has not been prepared or independently verified by us or the Underwriters or any of their respective affiliates or advisers, and may not be consistent with other information compiled within or outside the PRC. We have taken reasonable care in the compilation and reproduction of the information. None of the reports and publications indicated in the section where the information in the section has been derived from are commissioned by us.

OVERVIEW OF THE PRC ECONOMY

China is a fast growing economy in the world, with double-digit real GDP growth per year between 2003 and 2007. For 2008, the China's GDP growth rate was 9%. Set out below is a table showing China's total nominal GDP and real GDP growth rate from 2000 to 2008.

<u>Year</u>	<u>Nominal GDP</u> (RMB billion)	<u>Real GDP growth rate</u> (%)
2000	9,922	8.4
2001	10,966	8.3
2002	12,033	9.1
2003	13,582	10.0
2004	15,988	10.1
2005	18,322	10.4
2006	21,192	11.6
2007	24,953	11.9
2008	30,067	9

Source: China Statistical Yearbook 2000-2008, Statistical Communiqué of the People's Republic of China on the 2008 National Economic and Social Development published by China National Statistical Bureau

Historically, between 2000 and 2004, China's GDP was primarily fuelled by the increase in infrastructure investments and industrial activities. Since 2005, an increasing portion of China's GDP growth has been contributed by domestic personal spending as average personal wealth and urbanization ratio of the nation increase.

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SUPPLY AND DEMAND FOR ELECTRICITY POWER IN THE PRC

Regardless of the source of economic growth, China's electricity consumption had constantly been growing at rate that was higher than the country's GDP growth each year between 2000 and 2007. For example, China's electricity consumption growth in 2007 was 14.4%, which was 2.2 percentage points higher than GDP growth for the same year. However, in view of current world unstable economic environment, there is no assurance for growth in demand for electricity in future.

Set out below is a table showing the amount of electricity output, consumption and the annual growth rate of consumption from 2000 to 2007 in China.

<u>Year</u>	<u>Electricity output</u>	<u>Electricity consumption</u>	<u>Electricity consumption growth rate</u>
	(TWh)	(TWh)	(%)
2000	1,355.6	1,347.1	9.5
2001	1,471.7	1,463.4	9.3
2002	1,640.5	1,633.2	11.8
2003	1,910.6	1,903.2	15.6
2004	2,203.3	2,197.1	15.4
2005	2,500.3	2,494.0	13.5
2006	2,865.7	2,858.8	14.6
2007	3,281.6	3,271.2	14.4

Source: China Statistical Yearbook 2000-2008

To support such rapidly increasing power demand, China's national total installed power generation capacity had more than doubled from 2000 to 2007. By the end of 2007, China had over 700 GW of installed generation capacity.

Set out below is a table showing the total amount and the annual growth rate of installed power generation capacity in China at the end of each year from 2000 to 2007.

<u>At year end</u>	<u>Total installed capacity</u>	<u>Growth rate</u>
	(GW)	(%)
2000	319	[6.8]
2001	339	6.0
2002	357	5.3
2003	391	9.8
2004	442	13.0
2005	517	16.9
2006	624	20.6
2007	713	14.4

Source: EIA^(Note) – International Energy Annual 2005, China Electric Power Yearbook 2007, China Electrical Council

Note: EIA is the independent statistical and analytical agency within the U.S. Department of Energy created in response to the need for additional Federal initiatives to collect and disseminate energy-related information, and to evaluate and analyze this information in 1970s.

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Despite the high growth in recent years, per capita installed power capacity and electricity consumption in China are still significantly low compared to more developed countries such as the USA, Canada, Australia, Singapore, United Kingdom and Germany, and China's neighbouring regions and countries such as Japan, South Korea, Taiwan and Hong Kong.

	Per capita electricity consumption in 2006 (MWh)	Per capita installed power capacity in 2006 (kW)
Canada	16.23	3.76
U.S.	12.79	3.23
Australia	10.86	2.44
Taiwan	9.16	1.83
Singapore	7.82	2.25
Japan	7.70	1.97
South Korea	7.48	1.32
Germany	6.66	1.47
United Kingdom	5.75	1.30
Hong Kong	5.48	1.70
China	1.92	0.39

Source: IEA – International Energy Annual 2006

NATURAL GAS AS AN ENERGY SOURCE

In China, coal has been the most widely used type of fuel for the production of electricity because of the abundant supply of coal reserve domestically and consequently lower fuel cost compared to other fuel types. It is estimated that over 70% of the electricity produced in China was generated by coal.

However, burning coal brings other costs, particularly long-term damages to the environment through the emission of pollutants such as sulphur dioxide and carbon dioxide. While sulphur dioxide may combine with moist in the atmosphere to form acid rain, carbon dioxide is generally believed to be the primary cause of global warming and climate change. According to IEA^(Note), China produced about 5.6 billion tons of carbon dioxide in 2006, making it the world's second largest contributor of carbon dioxide emission behind the USA.

To reduce China's reliance on coal and to help reduce long-term environmental damages, the PRC government has in recent years started to encourage the development and establishment of power generation facilities using alternative fuels and energy sources, such as natural gas, nuclear, hydro, solar and wind power, as well as more efficient power generation technologies such as combined cycle combustion process, cogeneration, trigeneration and distributed energy supply.

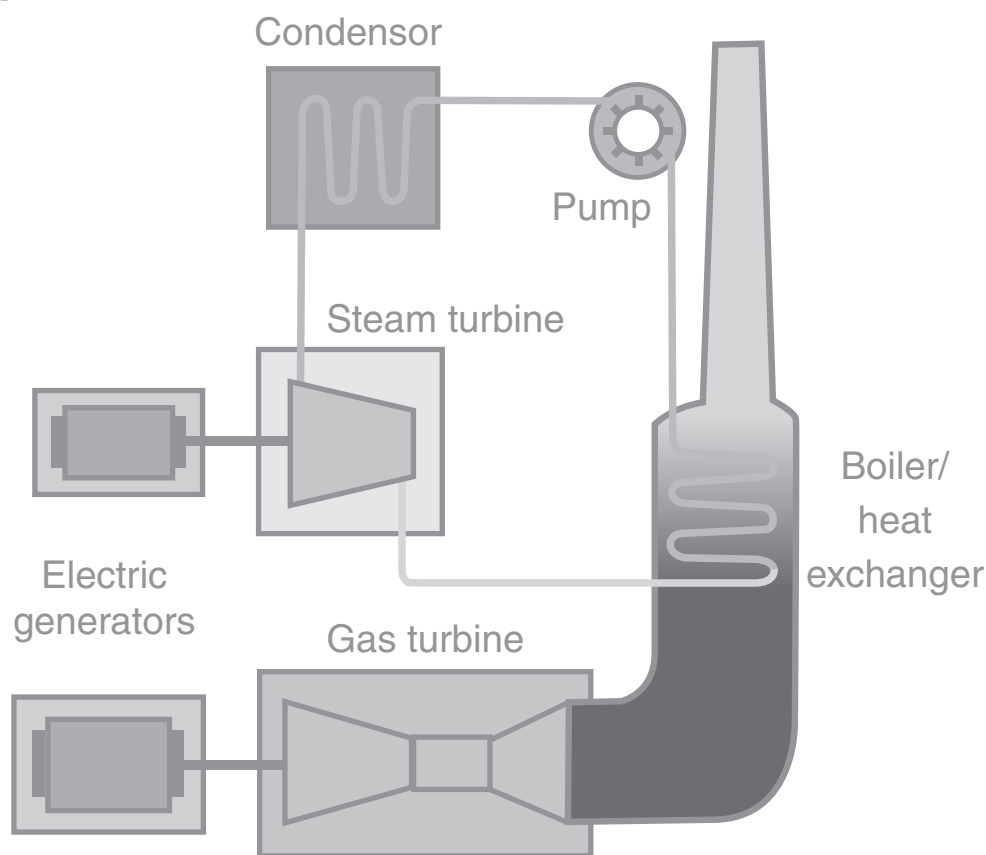
In particular, natural gas is a cleaner fossil fuel that can be used to generate electricity as it produces a small amount of nitrogen oxides, almost no sulphur dioxide and fine particles as compared to coal. For the same amount of heat generated, burning natural gas produces about 50% less carbon

Note: IEA is an intergovernmental organisation which acts as energy policy advisor to 28 member countries including Australia, Japan, Germany, U.S. and United Kingdom, in their effort to ensure reliable, affordable and clean energy for their citizens. The main decision-making body of IEA is its governing board, composed of energy ministers from each member country or their senior representatives. The IEA's key areas of work includes oil markets, gas markets and energy technology and with a staff of around 190, mainly energy experts and statisticians from its 28 member countries, the IEA conducts a broad programme of energy research, data compilation, publications and public dissemination of the latest energy policy analysis and recommendations on good practices.

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dioxide than burning coal. Furthermore, higher level of power efficiency can be achieved by combining gas turbine with a steam turbine under the combined cycle combustion process, where residual heat from the gas combustion cycle is used to produce steam which is then used to generate additional electricity through the steam turbine. [For the same level of installed capacity, the thermal efficiency ratio of combined cycle gas-fired plants is on average approximately 8-10% higher than that of traditional coal-fired plants.]

The diagram below depicts the major equipments and their configuration for a combined cycle gas-fired plants.



One other feature of gas-fired power plants is that their start-up time is significantly shorter compared to coal-fired plants. As a result, gas-fired plants play an integral part of a steady electricity supply system through the provision of peak power supply service. This is especially so in China where a large percentage of existing power plants are coal-fired.

INDUSTRY OVERVIEW

CHINA'S GAS-FIRED POWER GENERATION INDUSTRY

China's plan to increase the use of natural gas is in line with the global trend. According to the Eleventh Five Year Plan, the NDRC has set the target to increase the proportion of consumption of natural gas to total fuel consumption by 2.5% to 5.3 % in year 2010 as compared to year 2005, while to decrease the proportion of consumption of coal to total fuel consumption by 3.0% to 66.1 % in year 2010 as compared to year 2005. According to World Energy Statistics 2008, gas-fired power supply accounted for approximately 20% of the world's total power supply, compared to approximately 41% for coal-fired. According to the International Energy Outlook 2008 issued by EIA, the world's consumption of natural gas is expected to increase from approximately 2.9 trillion m³ in 2005 to approximately 4.5 trillion m³ in 2030, and the percentage of natural gas used for power generation is expected to reach 35% by 2030.

According to the BP Review^(Note), consumption of natural gas in the PRC has increased significantly from approximately 24.5 billion m³ in 2000 to approximately 67.3 billion m³ in 2007, representing a CAGR of approximately 15.53% during this period. Going forward, the overall trend in China would be to increase the use of natural gas versus petroleum as a fuel source, to increase the use of natural gas for power generation and to further expand city gas networks. Overall, [The Directors believe] that the percentage of natural gas used for power generation purposes would increase to over 30% by 2010. According to EIA's estimation in its International Energy Outlook 2008, the installed gas-fired generating capacity in China is expecting to grow at an average annual percent change of 13% from 2005 to 2030.

Note: BP has been publishing the BP Statistical Review of World Energy, an annual publication which has been published by BP (a global energy group listed in New York Stock Exchange (symbol: BP) which employs over 96,000 people and operating in over 100 countries worldwide) for 58 years and has provided data on world energy markets with statistics taken from government sources. BP Review is one of the most widely respected and authoritative publications in the field of energy economics, used for reference by the media, academia, world governments and energy companies.

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THE SUPPLY OF NATURAL GAS IN CHINA

According to BP Review, it is estimated that China had a total 1.88 trillion m³ of proved natural gas reserves at the end of 2007. The amount of proven gas reserve had grown rapidly in recent years, which increased from 1.16 trillion m³ in 1997 to 1.88 trillion m³ in 2007. Whilst most of China's gas fields are located in the Western regions, with the launch of West-East Gas Pipeline (Phase I), owned and operated by PetroChina^(Note) to transport natural gas to the Yangtze River Delta area, up to 17 billion m³ of natural gas is now being transported per year and sold to end customers in a number of provinces along the gas transporting pipeline from the Tarim Oilfield in Xinjiang to Shanghai, including Zhejiang province.

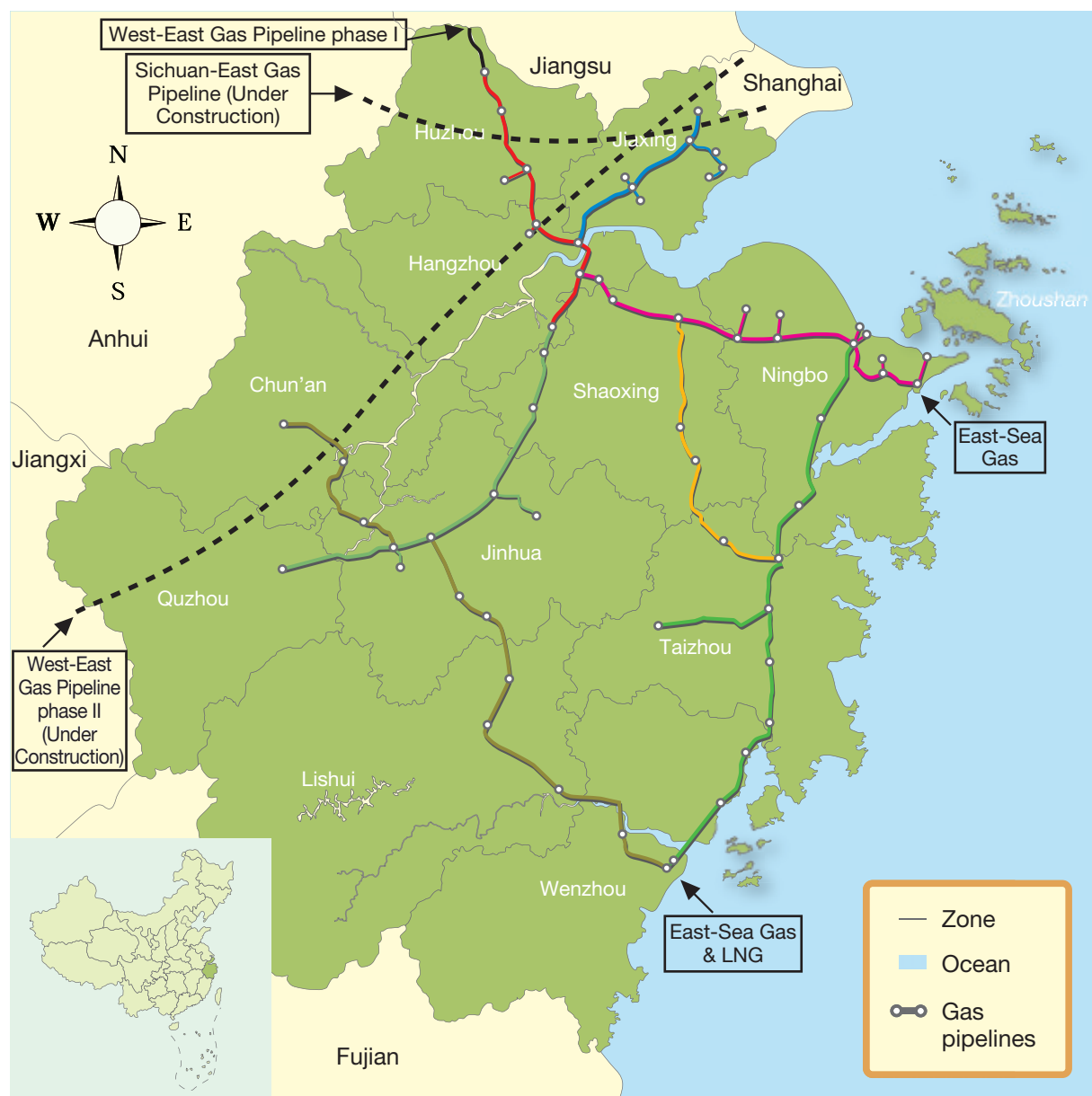
According to Natural Gas Pipe Network Plan in Zhejiang province 2015-2020 prepared by PetroChina, the natural gas fields connecting to the West-East Gas Pipeline (Phase I) have a total proven reserve of approximately 1.7 trillion m³. The West-East Gas Pipeline (Phase I) is only part of a nationwide natural gas supply infrastructure network as stated in the Eleventh Five Year Plan. The construction of other sections such as West-East Gas Pipeline (Phase II) is in progress and is expected to reach and supply natural gas to Zhejiang in 2010. West-East Gas Pipeline (Phase II) is expected to be 8,000 km in length, running through 13 provinces with annual transport capacity of 30 billion m³.

In addition, the construction of the Sichuan-East Gas Pipeline is expected to reach and supply natural gas to Zhejiang in late 2009. This pipeline is expected to be over 1,700 km in length, running from Sichuan to Shanghai through a number of provinces including Zhejiang. This pipeline has a designed capacity of 12 billion m³ per year. Furthermore, gas fields in the East Sea area, located approximately 350 km away from Ningbo city of Zhejiang province, carry a certified reserve of 200 billion m³ in aggregate. These fields have been in production since 2005.

Note: PetroChina holds and operates an oil and gas product pipeline network and storage system covering 26 provinces, municipalities and autonomous regions across China. In particular, PetroChina is responsible for the construction of several natural gas pipeline networks across China including Southwest gas pipeline network and West-East gas pipeline.

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Below is a map of China showing the locations of the West-East Gas Pipeline Phase I & II and the Sichuan-East Gas Pipeline, and their connection to the Zhejiang province.



Source: Zhejiang Province Natural Gas Development Company, China National Petroleum Corporation

Note: The route of West East Gas Pipeline phase II (under construction) and Sichuan-East Gas Pipeline (under construction) is for identification only.

PRICING OF NATURAL GAS IN CHINA

Natural gas prices are regulated in China. Firstly, wellhead prices are regulated by NDRC of China and are generally adjusted based on macroeconomic conditions. Provincial Price Bureaus then set different prices for different types of end users. For example, the price of natural gas in Zhejiang province is set by the Zhejiang Provincial Price Bureau. As at the Latest Practicable Date, the price of natural gas applicable to Our Power Plants was RMB1.94 per m³ (including VAT).

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Currently, Zhejiang Province Natural Gas Development Company, owned by the State, is the sole agent for the supply of natural gas in Zhejiang province and is responsible for the operation of natural gas pipelines, sale and distribution of gas in Zhejiang province.

THE SALE AND DISPATCH OF POWER IN CHINA

China's nationwide power grid is mainly managed by two power grid companies, namely State Grid Corporation of China and China Southern Power Grid Co., Ltd. China Southern Power Grid Co., Ltd operates power grid in 5 provinces in Southern China, and State Grid Corporation of China operates power grid in the rest of the regions of China. Their group companies are responsible for the procurement, sale, distribution and transmission of electricity in their respective provinces and regions. Electricity produced by individual power plants is sold to the power grid companies to which they are connected to pursuant to power dispatch agreements. The power grid companies then sell electricity to end customers, including residential, commercial and industrial customers.

Pursuant to the Regulations on the Administration of Electric Power Dispatch to Networks and Grids ("Dispatch Regulations") issued by the [State Council] in 1993, electricity dispatch centers, subsidiaries of power grid companies, were established at various levels (national, inter-provincial, provincial, municipality and county) to manage the power generation resources within their respective scope in China. Dispatch centers determine the amount of electricity to be produced by each power plant within their scope, through managing the mix of fuel and technology used, to ensure a cost-efficient and reliable power supply system.

In the fourth quarter of each year, NDRC issues a power supply plan for the whole nation for the following year. Based on such national plan, provincial offices of SETC issue annual planned output guidelines (in terms of utilization hours) to each of the power plants operating within their respective regions, taking into account the characteristics of each plant, and approve new projects accordingly. In practice, dispatch centers of power grid companies may adjust the daily planned output allocated to power plants based on the actual electricity demand at the time, the stability of the power grid (and other power providers) and weather conditions. Dispatch centers monitor power generation companies closely to ensure that they are able to fulfill the planned output originally allocated to them each year.

ON-GRID TARIFF

On-grid tariff is the price paid by power grid companies to power generation companies for each unit of electricity sold. According to the Interim Measures for the Administration of On-Grid Tariff (上網電價管理暫行辦法) issued by NDRC in 2005, on-grid tariffs applicable to power generation companies are determined by price bureaus based on various consideration factors, including the economic life of the facilities, fuel type, cost structure and applicable tax rates, to ensure that power generation companies are able to achieve reasonable profitability and investment return. As a result, on-grid tariffs of power generation companies using different fuel types are different. On-grid tariffs may also be different for power plants using the same fuel type operating in the same province. In addition, the adjustment in the on-grid tariff will be affected by the change in fuel cost of the power plants.

Zhejiang provincial price bureaus are responsible for setting both the price of natural gas and on-grid tariff within Zhejiang province. The approved on-grid tariff (including VAT) applicable to Our

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Power Plants increased from RMB600 per MWh (De-Neng Power Plant and Blue Sky Power Plant) and RMB650 per MWh (Jing-Xing Power Plant) as at 31 December 2006 to RMB705 per MWh as at 31 December 2008, while the gas price (including VAT) applicable to Our Power Plants increased from RMB1.71 per m³ as at 31 December 2006 to RMB1.85 per m³ as at 31 December 2008. However, there is no guarantee that on-grid tariffs of Our Power Plants will be adjusted in line with the increase in the price of natural gas in future.

OVERVIEW OF ZHEJIANG PROVINCE

Zhejiang province, located in the Golden Triangle of the Yangtze River near Shanghai, is one of the largest and fastest growing provinces in eastern coastal China. According to the China Statistical Yearbook 2008, Zhejiang had a population of over 50 million, and ranks fourth in terms of both Gross Regional Product and Gross Regional Product per capita among all provinces, autonomous regions and municipalities in China in 2007.

The table below sets out the Gross Regional Product and growth rate of Gross Regional Product of top 10 regions in China in 2007.

	2007 Gross Regional Product (RMB billion)	Growth rate (%)
Guangdong	3,108.4	18.6
Shandong	2,596.6	17.6
Jiangsu	2,574.1	18.9
Zhejiang	1,878.0	19.3
Henan	1,501.2	20.1
Hebei	1,371.0	17.6
Shanghai	1,218.9	17.6
Liaoning	1,102.3	19.2
Sichuan	1,050.5	21.6
Beijing	935.3	18.8
	2007 per capita Gross Regional Product (RMB)	Growth rate (%)
Shanghai	66,367	15.0
Beijing	58,204	15.3
Tianjin	46,122	12.0
Zhejiang	37,411	17.4
Jiangsu	33,928	17.7
Guangdong	33,151	17.0
Shandong	27,807	16.9
Fujian	25,908	20.7
Liaoning	25,729	18.1
Inner Mongolia	25,393	26.6
Hebei	19,877	17.2

Source: China Statistical Yearbook 2008

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From 2000 to 2008, GRP growth of Zhejiang province has been consistently higher than China's overall GDP growth.

<u>Year</u>	<u>Gross Regional Product growth rate — Zhejiang province</u>	<u>GDP growth rate — China</u>
	(%)	(%)
2000	11.0	8.4
2001	10.7	8.3
2002	12.6	9.1
2003	14.7	10.0
2004	14.5	10.1
2005	12.8	10.4
2006	13.9	11.6
2007	14.5	11.9
2008	10.1	9.0

Source: China Statistical Yearbook 2000-2008, China Statistical Bureau's publish, Zhejiang Provincial Statistical Yearbook 1999-2007, Zhejiang Provincial government's publish

With the increase in economic activities, urbanization and personal wealth, the demand for electricity in Zhejiang province has also increased significantly over the past few years. Except for 2004 when growth of electricity consumption was slightly below national average, the growth of electricity consumption in Zhejiang province has been consistently higher than the national average between 2000 and 2007.

<u>Year</u>	<u>Electricity consumption growth rate — Zhejiang province</u>	<u>Electricity consumption growth rate — China</u>
	(%)	(%)
2000	21.5	9.5
2001	15.1	9.3
2002	18.8	11.8
2003	22.1	15.6
2004	14.5	15.4
2005	15.7	13.5
2006	16.3	14.6
2007	15.2	14.4

Source: China Statistical Yearbook 2000-2008, Zhejiang Statistical Yearbook 1999-2007

At the end of 2007, there was a total of 45,180 MW of power generation capacity in Zhejiang province, including a total of 3,366 MW of gas-fired installed capacity under the Zhejiang provincial grid. There were six gas-fired power plants within the Zhejiang provincial grid at the end of 2008, of which four were state-owned gas-fired power plants regulated by the provincial government of Zhejiang province with installed capacity ranging from 789 MW to 1,170 MW. The other two gas-fired power plants within the Zhejiang provincial grid were our De-Neng Power Plant and Blue Sky Power Plant^(Note). As at the Latest Practicable Date, Our Power Plants had total installed capacity and total

Note: According to the regulations issued by Zhejiang Electric Power Bureau (浙江省電力工業局) and Zhejiang Electric Power Corporation, only the gas-fired power plants with total installed power generation capacity at 100 MW or above are connected to the Zhejiang provincial grid. As the total installed power generation capacity of our Jing-Xing Power Plant is below 100 MW, it is connected to the Huzhou city power grid instead of the Zhejiang provincial grid.

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attributable installed capacity of 299 MW, comprising 112 MW of De-Neng Power Plant, 112 MW of Blue Sky Power Plant and 75 MW of Jing-Xing Power Plant.

Zhejiang province is well connected to the major natural gas fields and pipeline infrastructure in China. Since the launch of West-East Gas Pipeline Phase I in 2004, the amount of natural gas supplied to Zhejiang province had increased from approximately 227 million m³ in 2005 to approximately 1,810 million m³ in 2007. Other trans-provincial pipelines that will be passing through Zhejiang province, including the West-East Gas Pipeline Phase II and the Sichuan-East Gas Pipeline are expected to reach and supply natural gas to Zhejiang in 2010 and late 2009, respectively. As a coastal Province, Zhejiang province also has access to natural gas, in liquefied form, through sea transport from East-Sea region and overseas. According to the Natural Gas Pipe Network Plan of Zhejiang province 2015-2020 prepared by PetroChina, it is expected that the amount of natural gas supplied in Zhejiang province would grow to approximately 10.4 billion m³ in 2015 among which half were for electricity generation use.

REGULATIONS RELATING TO THE PRC POWER INDUSTRY

RULES AND REGULATIONS APPLICABLE TO OUR OPERATIONS

Approvals

The main PRC laws and regulations applicable to the approval of power projects with foreign investment include, the Advices on Further Encouraging Current Foreign Investment (關於當前進一步鼓勵外商投資的意見), the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定), the Industry Guiding Catalog of Foreign Investment (外商投資產業指導目錄), the Reform of the Investment System of the State Council (國務院關於投資體制改革的決定), the Interim Measures of NDRC for the Administration of Examining and Approving Foreign Investment Projects (國家發展和改革委員會外商投資專案核准暫行管理辦法), the Circular issued by the Ministry of Commerce on Lawful Administration and Approval Process for Foreign-invested Enterprises (商務部關於依法行政做好外商投資企業審批工作的通知) and the Notice on the Interim Measures of Zhejiang Province for the Approval and Archival Filing of Enterprise Investment Projects (浙江省企業投資項目核准和備案暫行辦法的通知).

Pursuant to resolutions passed by the Tenth National People's Congress in March 2003, NDRC was formed to replace the former State Development and Planning Commission. NDRC has the authority to review and approve new power plants, including foreign-invested power projects, and to set on-grid tariffs in accordance with applicable laws.

Under the Industry Guiding Catalog for Foreign Investment (外商投資產業指導目錄) issued by NDRC and Ministry of Commerce jointly and subject to update from time to time, business sectors are broadly classified into three categories, namely Encouraged, Restricted and Prohibited, and the rest of the sectors which are not listed in the Catalog are generally recognized as permitted category, providing indication of the PRC government's general level of acceptance to foreign participation and investment in various business sectors in China. Under the latest version of the Catalog (2007 updated version), the construction and operation of natural gas power generation facilities is classified neither under the Encouraged category nor the Restricted or Prohibited category, which means that the PRC government generally welcomes foreign investment and participation in this sector.

Foreign investment projects with a total investment amount of US\$100 million or more in the Encouraged or Permitted categories, or US\$50 million or more in the Restricted category, are subject to approval by NDRC while other foreign investment projects are only subject to approval by provincial governmental authorities.

The Ministry of Commerce or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign invested enterprises, such as changes in capital, equity transfer and consolidation. We have obtained all the necessary government approvals for Our Power Plants.

Operation

The main PRC laws and regulations applicable to the operation of Our Power Plants include:

- (1) Overall regulatory scheme: The Electric Power Law of the People's Republic of China (中華人民共和國電力法) which became effective on 1 April 1996 and the Regulations on Electric Power Supervision and Management (電力監管條例) which became effective on 1 May 2005, both set out the regulatory framework of the power industry in the PRC.

REGULATIONS RELATING TO THE PRC POWER INDUSTRY

On-grid tariffs are determined by the PRC government and all power plants in the PRC are subject to the dispatch guidelines set by respective power grid companies.

- (2) On-grid tariff: The Notice on Rectifying and Standardizing Some Relevant Issues Concerning Tariff Regulation (關於規範電價管理的有關問題的通知) which became effective on 23 April 2001 and the Interim Measures for the Administration of On-grid Tariff (上網電價管理暫行辦法) which became effective on 1 May 2005 both set out the principles for which pricing bureaus should follow in determining on-grid tariffs for power generators. For independent power providers, on-grid tariffs are set by price bureaus taking into consideration various factors including the economic lives of the respective power generation facilities, fuel and production costs, and applicable taxes, plus a reasonable margin and return.
- (3) Dispatch: The Regulation on the Administration of Electric Power Dispatch to Networks and Grids (電網調度管理條例) which became effective on 1 November 1993 states that such regulation is applicable to all power plants in the PRC and power providers shall generate power in accordance with the planned output allocated to them. On 2 August 2007, the State Council approved the Provisional Measures on Dispatch of Energy Saving Power Generation (節能發電調度辦法(試行)) issued by the NDRC, SERC, State Environmental Protection Bureau and Office of the National Energy Leading Group. Pursuant to such measures, the dispatch priority of power generation units is determined in the following sequence: (a) non-adjustable power generation units utilizing renewable fuels; (b) adjustable power generation units utilizing renewable fuels; (c) nuclear power generation units; (d) cogeneration units and resources comprehensive utilization power generation units; (e) gas-fired power generation units; (f) coal-fired power generation units, including cogeneration units without heat load; and (g) oil-fired power generation units.
- (4) Permit: The Regulations on the Administration of Power Business Permit 《電力業務許可證管理規定》 which was approved on 28 September 2005 and became effective on 1 December 2005 provides that entities engaging in power businesses, including power generation business, in the PRC shall obtain power business permit pursuant to the approval procedures provided therein. No entity or individual shall conduct power business prior to obtaining the required power business permit.

Environmental protection

The State Environment Protection Administration Bureau is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The "Environmental Protection Law" (中華人民共和國環境保護法), which became effective on 26 December 1989, requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

REGULATIONS RELATING TO THE PRC POWER INDUSTRY

The “Environmental Protection Law” and the “Administrative Regulations on Environmental Protection for Construction Project” (建設項目環境保護管理條例) stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Pursuant to the requirements of the “Environmental Protection Law”, any production facilities that could possibly cause pollution or other public hazards shall adopt measures on environmental protection and shall establish a system on environmental protection and administration. Effective measures shall be adopted to prevent and control the pollution and harm caused to the environment by the emission of exhaust air, sewage, waste residues, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation. Enterprises that discharge pollutants shall register with the relevant environmental protection authority. The State Environmental Protection Administration shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. The local governments may formulate local standards which are more stringent than the national ones. Pursuant to the requirements under the amended “Law on Prevention of Water Pollution of the PRC”, which became effective on 1 June 2008 (中華人民共和國水污染防治法), “Law on Prevention of Air Pollution of the PRC” (中華人民共和國大氣污染防治法), which became effective on 1 September 2000 and “Administrative Regulations on Levy and Utilisation of Sewage Charge” (排污費徵收使用管理條例), which became effective on 1 July 2003, enterprises which discharge water or air pollutants shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

In accordance with the “Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC” (中華人民共和國固體廢物污染環境防治法), which became effective on 1 April 1996, entities and individuals collecting, storing, transporting, utilising, or disposing of solid waste shall take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures for preventing such solid waste from polluting the environment.

The penalties for any breach of the environmental protection laws vary from warnings and fines to administrative sanctions, depending on the degree of damage. Any entity whose construction projects fail to satisfy the requirements of pollution prevention may be ordered to suspend its production or operation and be subject to a fine. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal death or injury.

Taxation

Income tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC

REGULATIONS RELATING TO THE PRC POWER INDUSTRY

(中華人民共和國外商投資企業和外國企業所得稅法) (“FIE Tax Law”) promulgated on 9 April 1991 and became effective on 1 July 1991 and the related implementation rules. According to the FIE Tax Law and the relevant implementation rules, foreign-invested enterprises (engaging in the production of goods/services with an expected business life of over 10 years) were to enjoy full exemption from income tax for two years from the year of achieving profitability, and then enjoy a 50% discount in income tax for following three years, that is the third to fifth year from the year of achieving profitability. Foreign-invested enterprises operating in special economic development zones, especially those involving in areas such as energy, transportation, port infrastructure and other State encouraged projects, are subject to income tax rate of 15% (before any exemption). From January 1999, under State Council’s Circular on Expanding the Scope of Income Tax Preferential Treatment for Enterprises with Foreign Investment Engaging in Energy and Transportation Infrastructure Projects (國務院關於擴大外商投資企業從事能源交通基礎設施項目稅收優惠規定適用範圍的通知), the 15% preferential income tax rate became applicable to enterprises operating in these sectors across the whole of China and not just in special economic zones.

However, under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (“New Tax Law”), which was promulgated on 16 March 2007, income tax rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from 1 January 2008. Enterprises which enjoyed income tax rates of lower than the standard rate of 33% are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires.

Value-added tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例) and its implementation rules, both of which were amended in late 2008 and became effective from 1 January 2009, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the import of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. Currently, Our Power Plants are subject to output VAT rate of 17% for power sales and input VAT rate of 13% for purchase of natural gas.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

The Company was incorporated in the Cayman Islands on 8 September 2008 and as part of the Corporate Reorganization became the holding company of our subsidiaries. As of the Latest Practicable Date, the Company was wholly owned by Amber International, which is indirectly owned as to 90% by Mr. Lu through his wholly-owned company, GDZ, and indirectly owned as to 10% by Mr. Chai through his wholly-owned company, DUOU. The Company, through the Intermediate Hong Kong Companies, owns indirect interests in our PRC operating subsidiaries, which are principally engaged in the development, management and operation of gas-fired power plants in Zhejiang province of the PRC.

HISTORY AND DEVELOPMENT

Before investing in the Group's natural gas power generation business, Mr. Lu and Mr. Chai operated their own different business. Mr. Lu as a strategic investor mainly focuses on financial services, resources development, investment and other service industries, whereas Mr. Chai focused on public media industries.

Mr. Lu, aged 38, is one of the founders of the Group and is the Chairman of Wanxiang Holding and the director of Amber International. Moreover, he is the Vice Chairman of Minsheng [Life] Insurance Co., Ltd., the Chairman of the Supervision Committee of China Zheshang Bank, the Chairman of Zhejiang Industrial Commercial Trust Investment Co., Ltd. At the same time, he is the Chairman of the presidium of China Federation of Industrial Economics, the Vice Chairman of China Group Companies Promotion Association, the Vice Chairman of China Machinery Industry Federation and the Vice Chairman of China Industrial Overseas Development & Planning Association.

In 2001, in order to coordinate with the construction of the West-East natural gas transmission project (西氣東輸工程), Zhejiang provincial government commenced the construction of the natural gas utilization project and widely popularized the exploitation and usage of the natural gas which accordingly attracted lots of investors to participate in the natural gas utilization projects, including natural gas power generation, natural gas chemical engineering, etc.

Mr. Lu and Mr. Chai also captured this commercial opportunity and considered natural gas as a clean energy source which produced less pollution and higher efficiency in comparison with coal and other traditional fuel. Mr. Lu and Mr. Chai anticipated that natural gas would be commonly used as fuel in future and gas-fired power generation would become a potentially high growth industry. In January 2004, Mr. Lu and Mr. Chai established Amber International with their own personal funds accumulated through their past work experience and entered the gas-fired power generation industry.

Although Mr. Lu is one of the founders of the Group, he has not been involved in the day-to-day management and operations of the Group and is not a member of the core management of the Group since establishment of the Group. As such, Mr. Lu considers that the fact that he is not a Director or a member of senior management of the Company will not affect the overall management of the Group after [●] as the management of the actual operation of the Group during the Track Record Period has been entrusted to Mr. Chai and the core management team led by him.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

The business of the Group started when De-Neng Power Plant and Blue Sky Power Plant were established in August 2004 and December 2004, respectively. Subsequently, the Group acquired Jing-Xing Power Plant in August 2005. The following is the history and development of each of these three power plants:

De-Neng Power Plant

On 18 August 2004, De-Neng Power Plant was established with a registered capital of USD12,000,000 and an approved total investment of USD29,850,000. De-Neng Power Plant was held as to 45% by Amber International, and as to 40%, 8% and 7% by Ningbo Beilun, Zhejiang Zhen-Neng and Ningbo Hong-Ji, respectively. Each of Ningbo Beilun, Zhejiang Zhen-Neng and Ningbo-Hong-Ji is an Independent Third Party. Zhejiang Zhen-Neng is an investment company in the PRC and based on its confidence on the capabilities and experiences of the Group's core management team, Zhejiang Zhen-Neng intended to invest but not to participate in the management of De-Neng Power Plant. According to the confirmation on voting power entered into between Amber International and Zhejiang Zhen-Neng on 20 August 2004, it was confirmed that as long as Zhejiang Zhen-Neng is entitled to nominate a director to the board of De-Neng Power Plant, its representative, when exercising his/her voting power during the board meeting of De-Neng Power Plant, his/her vote shall always be consistent with that of the directors appointed by Amber International. As advised by the PRC legal advisers of the Company, such confirmation between Amber International and Zhejiang Zhen-Neng is binding. Zhejiang Zhen-Neng had acted in accordance with the confirmation until its interests in De-Neng Power Plant were acquired by the Company and accordingly, the board representative of Zhejiang Zhen-Neng vote consistently with the directors appointed by Amber International in all circumstances. Amber International was entitled to cast the majority of votes at the board meeting of De-Neng Power Plant and thus could govern the financial and operating policies of De-Neng Power Plant accordingly. De-Neng Power Plant then acquired a piece of land with an area of approximately 60,922 square meters and commenced the construction and development of the plant. De-Neng Power Plant commenced commercial operation in December 2005.

In January 2006, the registered capital and the approved total investment of De-Neng Power Plant were increased to USD20,800,000 and USD51,850,000, respectively. The additional capital of USD8,800,000 was contributed by the then shareholders in accordance with their respective shareholdings in De-Neng Power Plant at the time.

In July 2007, Amber International completed the acquisition of 8% equity interest of De-Neng Power Plant from Zhejiang Zhen-Neng, increasing its shareholding from 45% to 53%. The consideration of the acquisition, which was based on the amount of capital paid by Zhejiang Zhen-Neng, amounted to approximately RMB9.70 million.

Upon completion of the construction of the plant, the actual amount of investment incurred was lower than the approved total investment of USD51,850,000. In October 2007, the registered capital and approved total investment of De-Neng Power Plant were reduced to USD18,408,710 and USD43,971,974, respectively, to reflect the actual amount of investment incurred for the development of De-Neng Power Plant. The capital reduction of De-Neng Power Plant has been legally executed and approved by competent authorities.

In June 2009, Amber International completed the transfer of its 53% equity interest in De-Neng Power Plant to Amber Deneng (HK). The consideration of the transfer, which was based on the then registered capital of De-Neng Power Plant, amounted to USD9,757,711.11.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

In June 2009, Blue Sky Power Plant completed the acquisition of 40% equity interest in De-Neng Power Plant from Ningbo Beilun. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB81,331,300.

In June 2009, Blue Sky Power Plant completed the acquisition of 7% equity interest in De-Neng Power Plant from Ningbo Hong-Ji. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB14,233,000.

Upon completion of the above transfers, De-Neng Power Plant became a wholly-owned subsidiary of the Company and as stipulated in the abovementioned equity transfer agreements, the Group will be entitled to / liable for the profit or loss of De-Neng Power Plant commencing 1 January 2009.

Blue Sky Power Plant

On 15 December 2004, Blue Sky Power Plant was established with a registered capital of USD21,490,800 and an approved total investment of USD64,343,400. Blue Sky Power Plant was held as to 35% by Amber International, 24% by Shanghai Pu-Xing, 25% by Zhejiang Kai-Xin and 16% by Zhejiang Zhen-Neng. Shanghai Pu-Xing is a connected person of the Company, held as to 93.25% indirectly by Mr. Lu and 6.75% directly by Mr. Chai. Both Zhejiang Kai-Xin and Zhejiang Zhen-Neng are Independent Third Parties. Blue Sky Power Plant then acquired a piece of land with an area of approximately 55,020 square meters and commenced the construction and development of the plant. Blue Sky Power Plant commenced commercial operation in March 2006.

In September 2006, Shanghai Pu-Xing completed the transfer of its 24% equity interest in Blue Sky Power Plant to Amber International for a consideration of USD5.13 million, which was determined based on the amount of capital paid by Shanghai Pu-Xing.

As Zhejiang Zhen-Neng has not fully paid up the registered capital for its 16% equity interest in Blue Sky Power Plant, after discussion among all the then equity interest holders of Blue Sky Power Plant, Zhejiang Zhen-Neng agreed to transfer the portion of its equity interest, the registered capital of which had not been fully paid up at that time, to Amber International and Zhejiang Kai-Xin at nil consideration and Amber International and Zhejiang Kai-Xin would be obliged to inject the un-paid capital accordingly. In September 2006, Zhejiang Zhen-Neng transferred its 5.62% and 2.38% interests in Blue Sky Power Plant to Amber International and Zhejiang Kai-Xin respectively at nil consideration.

After the above equity transfers in September 2006, Blue Sky Power Plant was held as to 64.62% by Amber International, 27.38% by Zhejiang Kai-Xin and 8% by Zhejiang Zhen-Neng.

In July 2007, Zhejiang Zhen-Neng completed the transfer of its remaining 8% equity interest in Blue Sky Power Plant to Jing-Xing Power Plant for a consideration of RMB13.03 million, which was determined based on the amount of capital paid by Zhejiang Zhen-Neng.

Upon completion of the construction of the plant, the actual amount of investment incurred was lower than the approved total investment of USD64,343,400. In May 2008, the registered capital and the approved total investment amount of Blue Sky Power Plant were reduced to USD17,171,400 and

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

USD42,900,000, respectively, to reflect the actual amount of investment incurred for the development of Blue Sky Power Plant. Upon completion of the capital reduction, Blue Sky Power Plant was held as to 64.48% by Amber International, 27.32% by Zhejiang Kai-Xin and 8.2% by Jing-Xing Power Plant. The capital reduction of Blue Sky Power Plant has been legally executed and approved by competent authorities.

Jing-Xing Power Plant

On 6 January 2005, Jing-Xing Power Plant was established with a registered capital of USD11,600,000 and an approved total investment of USD29,000,000. Jing-Xing Power Plant was held as to 70% and 30% by two Independent Third Parties respectively upon its establishment.

In August 2005, Amber International acquired 30% equity interest of Jing-Xing Power Plant for a consideration of USD605,000 from an Independent Third Party. At the same time, Shanghai Pu-Xing acquired 70% of Jing-Xing Power Plant for a consideration of RMB24,631,188 from another Independent Third Party. The respective consideration was determined with reference to the capital contribution by such Independent Third Parties and the attributable net asset value of Jing-Xing Power Plant as at 31 August 2005 as valued by an independent valuer.

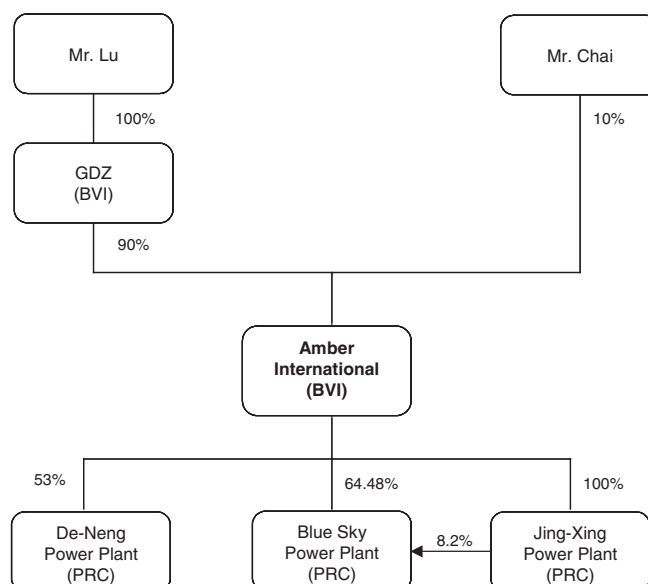
In September 2006, Shanghai Pu-Xing completed the transfer of its 70% equity interest in Jing-Xing Power Plant to Amber International for a consideration of USD8.4 million, which was determined with reference to the registered capital of Jing-Xing Power Plant. Upon completion of the abovementioned equity transfer, Jing-Xing Power Plant became a wholly-owned subsidiary of Amber International.

In October 2008, the registered capital and the approved total investment of Jing-Xing Power Plant were increased to USD16,660,000 and USD41,600,000, respectively.

Jing-Xing Power Plant acquired a piece of land with an area of approximately 59,506 square meters and commenced the construction and development of the plant. Jing-Xing Power Plant commenced commercial operation in December 2006.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

The following chart illustrates the shareholding structure of the Group prior to the Corporate Reorganization:



CORPORATE REORGANIZATION

In preparation for the [●], the Group underwent the Corporate Reorganization to rationalize the Group's corporate structure which involved the following major steps:-

1. Acquisition of minority interests

In July 2008, Jing-Xing Power Plant completed the transfer of its 8.2% equity interests in Blue Sky Power Plant to Amber International for a consideration of approximately USD1,689,000. At the same time, Amber International acquired the remaining 27.32% equity interest in Blue Sky Power Plant from Zhejiang Kai-Xin for a consideration of approximately RMB42,272,000. The consideration of the abovementioned equity transfer and acquisition was determined with reference to the attributable net asset value of Blue Sky Power Plant as at 31 December 2007 as valued by an independent valuer.

In June 2009, Blue Sky Power Plant completed the acquisition of 40% equity interest in De-Neng Power Plant from Ningbo Beilun. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB81,331,300.

In June 2009, Blue Sky Power Plant completed the acquisition of 7% equity interest in De-Neng Power Plant from Ningbo Hong-Ji. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB14,233,000.

2. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 September 2008, with an authorized share capital of

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each. On 8 September 2008, one Share was allotted and issued to the initial subscriber and was subsequently transferred to Amber International on the same date. On 20 March 2009, two Shares were allotted and issued to Amber International to settle the consideration for the transfer of Blue Sky Power Plant and Jing-Xing Power Plant to Amber Bluesky and Amber Jingxing respectively. On [●] 2009, [one] Share was allotted and issued to Amber International to settle the consideration for the transfer of De-Neng Power Plant to Amber Deneng. (Please refer to paragraph 4 headed "Transfer of Our Power Plants to Intermediate Hong Kong Companies" below of this section for more details).

Pursuant to a resolution passed by the sole shareholder of the Company on [●], the authorized share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares.

3. Incorporation of the Intermediate Hong Kong Companies

Three Hong Kong incorporated companies, namely Amber Bluesky, Amber Jingxing and Amber Deneng were incorporated on 26 June 2008 by Amber International. On 19 September 2008, the Company acquired from Amber International the entire issued share capital of Amber Bluesky, Amber Jingxing and Amber Deneng for a consideration of HK\$10,000 each.

4. Transfer of Blue Sky Power and Jing-Xing Power Plant to Amber Bluesky and Amber Jingxing

In January 2009, the entire equity interest in Blue Sky Power Plant was transferred from Amber International to Amber Bluesky at a consideration of RMB170,846,000, being the net asset value of Blue Sky Power Plant as at 31 October 2008.

In February 2009, the entire equity interest in Jing-Xing Power Plant was transferred from Amber International to Amber Jingxing at a consideration of RMB87,194,000, being the net asset value of Jing-Xing Power Plant as at 31 October 2008.

The considerations for the above-mentioned transfers of equity interest in Blue Sky Power Plant and Jing-Xing Power Plant were settled through the allotment and issue of two Shares by the Company to Amber International at the issue price of HK\$193,653,941 and HK\$98,834,399 respectively credited as fully paid.

In consideration of the Company issuing Shares to Amber International for the transfer of Blue Sky Power Plant and Jing-Xing Power Plant, Amber Bluesky and Amber Jingxing each allotted and issued one share in their respective share capital to the Company at HK\$193,653,941 and HK\$98,834,399 respectively credited as fully paid.

5. Transfer of 53% equity interest in De-Neng Power Plant to Amber Deneng and acquisition of remaining 47% equity interests in De-Neng Power Plant by Blue Sky Power Plant

On 13 May 2009, the 53% equity interest in De-Neng Power Plant was transferred from Amber International to Amber Deneng at a consideration of approximately USD9,757,000, being 53% of the then registered capital of De-Neng Power Plant. The consideration for the aforesaid transfer was settled through the allotment and issue one Share by the Company to Amber International at the issue price of HK\$75,614,511 credited as fully paid.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

In consideration of the Company issuing Share to Amber International for the transfer of De-Neng Power Plant, Amber Deneng allotted and issued one share in its share capital to the Company at HK\$75,614,511 credited as fully paid.

On 23 May 2009, Blue Sky Power Plant entered into equity transfer agreements with each of Ningbo Beilun and Ningbo Hong-Ji to acquire their 40% and 7% equity interests respectively in De-Neng Power Plant for cash consideration of RMB81,331,300 and RMB14,233,000 respectively with reference to the carrying amount of net asset value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment.

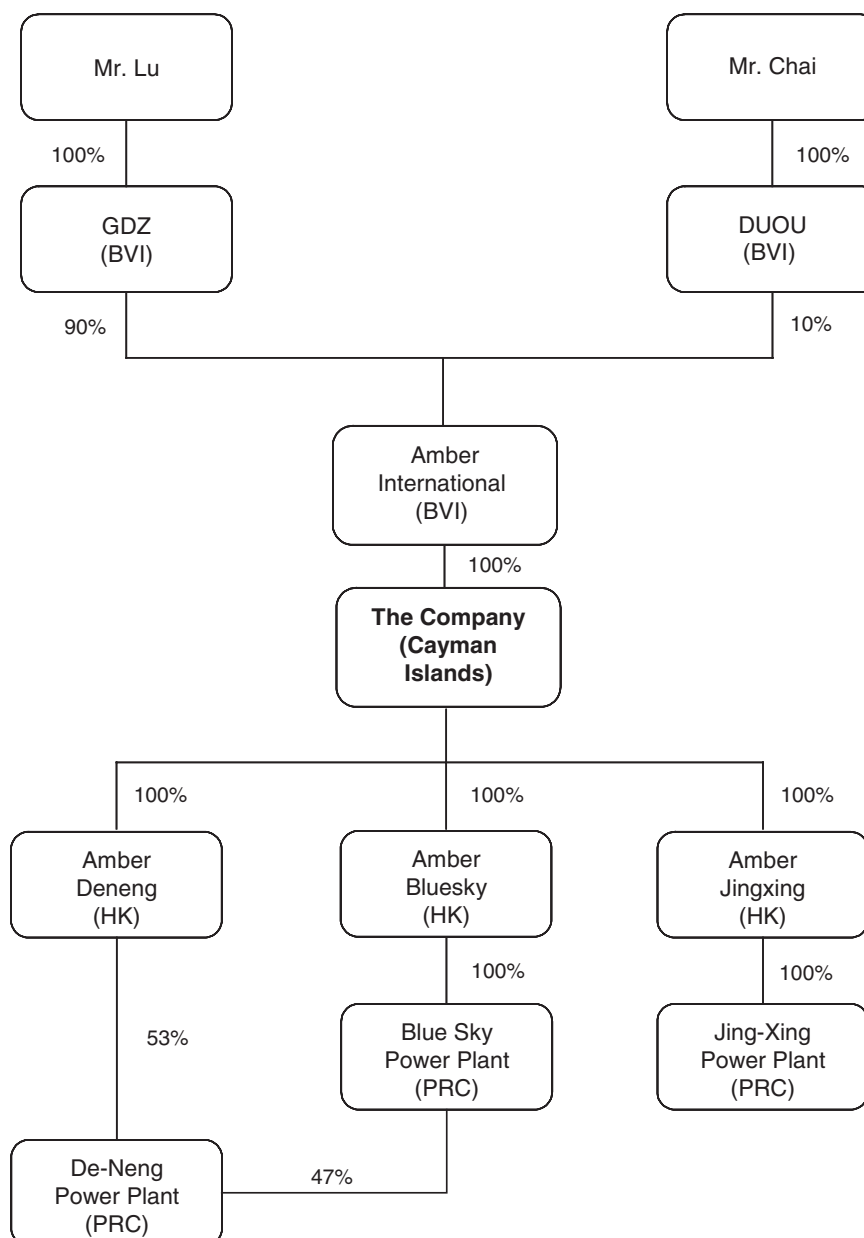
As stipulated in the abovementioned equity transfer agreements, the Group, as the transferee, will be fully entitled to / liable for the profit / loss of De-Neng Power Plant commencing 1 January 2009.

In relation to the Corporate Reorganization and [●], the PRC legal adviser to the Company confirms that the Company has obtained all necessary approvals and consents and has complied with all applicable rules, regulations and registration requirements imposed by the relevant PRC authorities. In addition, given the fact that all of the PRC subsidiaries are established as foreign-owned enterprises and controlled by the Company or its affiliates before 8 September 2006, the PRC legal adviser to the Company confirms that the Corporate Reorganization is not subject to the requirements under the *Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors*.

HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

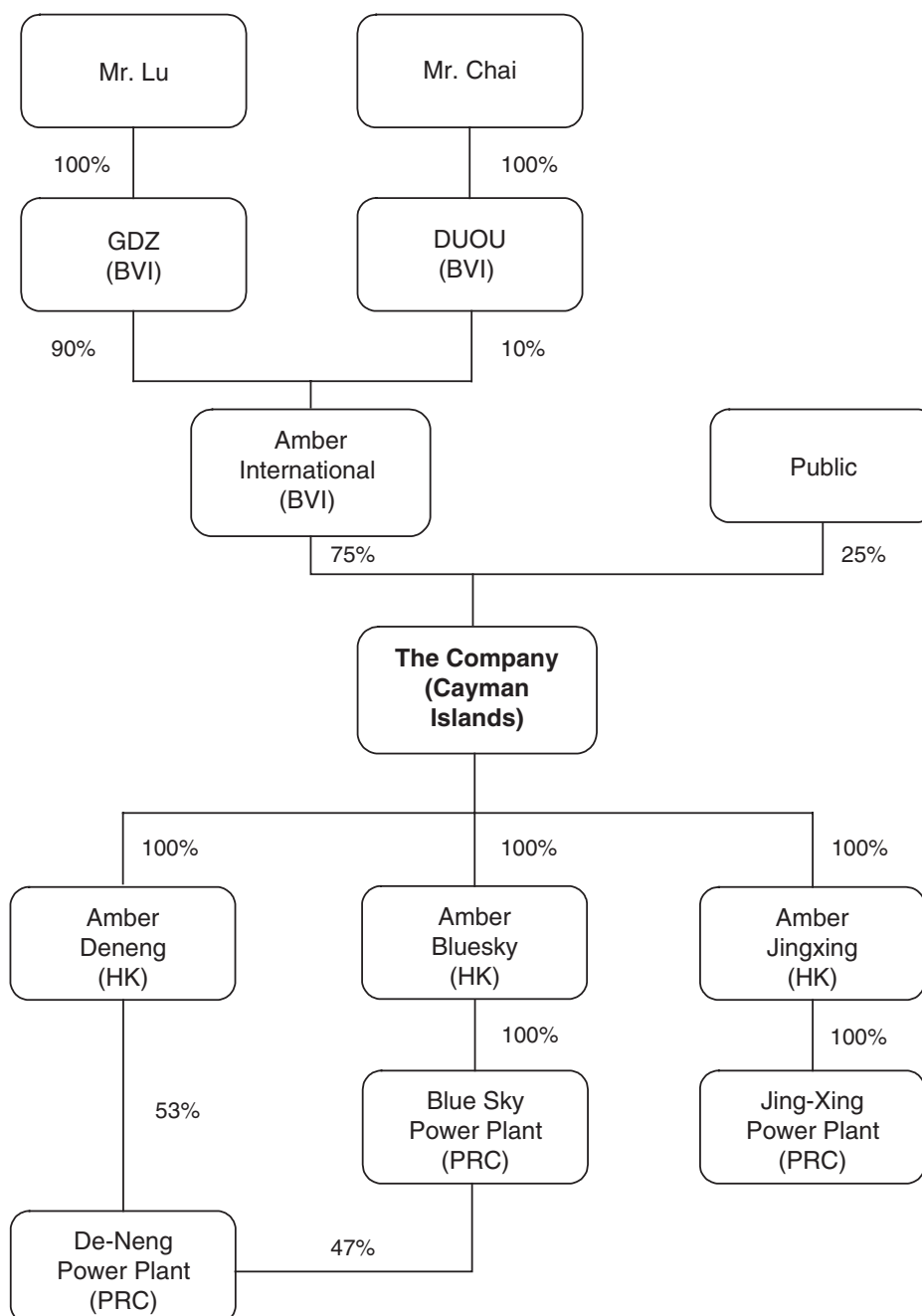
GROUP STRUCTURE

The following chart illustrates the shareholding structure of the Group after the Corporate Reorganization but before completion of the [●] and the [●]:



HISTORY, CORPORATE REORGANIZATION AND GROUP STRUCTURE

The following chart illustrates the shareholding structure of the Group immediately upon completion of the [●] and the [●] (assuming the Over-allocation Option is not exercised):



BUSINESS

COMPANY OVERVIEW

We are the only foreign-owned gas-fired power plant operator under the Zhejiang provincial grid. During the Track Record Period, we were principally engaged in the development, operation and management of power plants fuelled by natural gas. Building upon our operational and management experience in the gas-fired power generation industry, we plan to further expand our share in the PRC energy supply market by originating and investing in new projects or making acquisitions in areas such as gas-fired power generation and cogeneration projects. Our vision is to become a leading gas-fired power provider in Zhejiang province and a leading environmentally friendly energy enterprise in China in the longer term.

We are an environmentally friendly energy enterprise. Our Power Plants are fuelled by natural gas and emit almost no fine particles and sulphur dioxide, and only produce a small amount of nitrogen oxide as compared to coal-fired power plants. Our Power Plants also generate less noise and lower carbon dioxide emissions compared to coal-fired power plants. For the same amount of heat, burning natural gas produces about 50% less carbon dioxide than burning coal. Furthermore, compared to traditional coal-fired power plants, Our Power Plants can be started up and increase electricity generation within a relatively short period of time. Our Power Plants only generate electricity during day time when demand for electricity is high in contrast with traditional coal-fired power plants which generally keep running both day and night no matter demand for electricity is high or low. In addition, unlike traditional coal-fired power plants, our ability to start up and increase electricity generation quickly enable us to supply peak power, which refers to power at the time of day when there is most demand for electricity from the power grid, and to capture additional power sales when there is sudden increase in demand for electricity. Our Power Plants are foreign-owned enterprises investing into the gas-fired power generation industry, being one of the business sectors which is entitled to certain government grants from the local governments where Our Power Plants operate. Throughout the Track Record Period, we were entitled to government grants as a financial incentive to develop environmentally-friendly gas-fired power plants in Zhejiang province.

Our Power Plants are combined cycle gas-turbine plants, under which the burning of natural gas drives a gas turbine to generate electricity. Residual heat created during the gas burning process is used to heat up the residual heat boiler to generate steam which drives the steam turbine which in turn drives the second generator to generate more electricity output. Higher level of power efficiency can be achieved by combining gas turbine with a steam turbine under the combined cycle combustion process. For the same level of installed capacity, the thermal efficiency ratio of combined cycle gas-fired plants is on average approximately 8-10% higher than that of traditional coal-fired plants.

As of the Latest Practicable Date, we owned 100% equity interest in each of Our Power Plants, namely De-Neng Power Plant, Blue Sky Power Plant and Jing-Xing Power Plant. Our Power Plants commenced commercial operation between December 2005 and December 2006. Our Group comprises the Company and its subsidiaries, including Our Power Plants. As at 31 December 2006, 2007 and 2008, our Group had a total attributable installed capacity of approximately 197.8 MW, 215.7 MW and 246.4 MW, respectively. As of the Latest Practicable Date, Our Power Plants had a total installed capacity and total attributable installed capacity of approximately 299 MW.

BUSINESS

The table below sets out the details of Our Power Plants as at the Latest Practicable Date:

<u>Power Plants</u>	<u>Fuel</u>	<u>The Company's Interest In Our Power Plants as at the Latest Practicable Date</u>	<u>Commencement Date of Operation</u>	<u>Installed Capacity (MW)</u>	<u>Attributable Installed Capacity (MW)</u>
De-Neng Power Plant	natural gas	100%	December 2005	112.0	112.0
Blue Sky Power Plant	natural gas	100%	March 2006	112.0	112.0
Jing-Xing Power Plant	natural gas	100%	December 2006	75.0	75.0
Total				<u>299.0</u>	<u>299.0</u>

Our turnover is derived from the sale of power generated by Our Power Plants, which is primarily determined by power output and on-grid tariff. Each year, the relevant department of the provincial government issues guidelines on the power sales activities between power plants and power grid companies and provides the planned utilization hours to each power plant expressed in utilization hours based on the expected power supply and demand in the market and the classification of each power plant. During the Track Record Period, each of Our Power Plants operated under a planned annual utilization hours of 3,500 (that is the equivalent number of hours of power generation under full installed capacity) as suggested to us by the Zhejiang provincial government. In practice, so long as there is sufficient supply of natural gas and power demand in the market, each of Our Power Plants could sell electricity generated at full capacity for a minimum of 3,500 hours each year. During the year ended 31 December 2007, the first full year in which all of Our Power Plants were in full operation, the average actual utilization hours of Our Power Plants was 4,011. During the year ended 31 December 2008, the average actual utilization hours of Our Power Plants was 2,479, which was lower than planned 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 such as 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 due to the slow down in growth of PRC and Zhejiang economy which in turn led to the slow down in growth of electricity demand in Zhejiang. The planned annual utilization hours provided by the Zhejiang provincial government to Our Power Plants are authoritative guidelines determined each year after considering NDRC's estimates of power demand for the country in that year. The planned utilization hours are non-binding to Our Power Plants and therefore deviations from such guidelines would not result in any penalty or adverse consequences to the Group.

Based on the dispatch agreements entered into with Zhejiang Electric Power Corporation and Huzhou Electric Power Company, the actual daily power to be sold by Our Power Plants will be determined according to the daily power dispatch plan as agreed with Zhejiang Electric Power Corporation and Huzhou Electric Power Company. In 2008, Our Power Plants generated power based on the daily power dispatch plan which fell significantly over a certain period during 2008 primarily because there was an interruption of the supply of natural gas to Our Power Plants, which led to the actual total power output of Our Power Plants falling below the planned utilization hours.

The agreed daily power dispatch plan depends on gas supply situation and the overall power supply and demand situation. The actual daily power supply throughout a year varies and the aggregate annual power dispatch also fluctuates above or below the planned 3,500 utilization hours. As Our Power Plants followed the daily dispatch plan issued by Zhejiang Electric Power Corporation and

BUSINESS

Huzhou Electric Power Company throughout 2008, Our Power Plants would not be subject to any penalty or adverse consequences. 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 such as 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 due to the slow down in growth of PRC and Zhejiang economy which in turn led to the slow down in growth of electricity demand in Zhejiang. The supply of natural gas to the Group has gradually resumed to normal level from October 2008.

On-grid tariffs applicable to power generation companies are determined by provincial price bureaus based on various consideration factors, including the economic life of the facilities, fuel type, cost structure and applicable tax rates, to ensure that power generation companies are able to achieve reasonable profitability and investment return. As a result, on-grid tariffs of power generation companies using different fuel types are different. Our Power Plants, which utilize natural gas instead of coal, are entitled to higher on-grid tariff as compared to coal-fired power plants in Zhejiang province, particularly after taking into consideration different cost structure between using natural gas and coal as fuels and in line with the PRC government policies that encourage the use of fuel with less pollution. The table below sets forth the volume of power sales of Our Power Plants for each of the three years ended 31 December 2006, 2007 and 2008, and the approved on-grid tariffs (inclusive of VAT) as at 31 December 2006, 2007 and 2008.

<u>Plants/ Indicators</u>	<u>2006</u> <u>Sales</u> <u>Volume</u>	<u>2006</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>	<u>2007</u> <u>Sales</u> <u>Volume</u>	<u>2007</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>	<u>2008</u> <u>Sales</u> <u>Volume</u>	<u>2008</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>
	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)
De-Neng Power Plant	400,004	600	428,725	650	224,340	705
Blue Sky Power Plant	381,008	600	465,923	650	315,161	705
Jing-Xing Power Plant	27,461	650	266,317	650	178,715	705

Each of Our Power Plants has entered into long-term supply contracts with a term of 20 years from their respective commencement date with Zhejiang Gas Company (浙江省天然氣開發有限公司) who is responsible for the sale and distribution of natural gas transported into Zhejiang province through the West-East Gas Pipeline (Phase I). Our Power Plants are directly connected to the gas offtake stations operated by Zhejiang Gas Company, and as a result, natural gas is supplied to us in gaseous form directly through pipelines. The construction of the Sichuan-East Gas Pipeline, which is expected to run from Sichuan to Shanghai through a number of provinces including Zhejiang, is expected to reach and supply natural gas to Zhejiang in late 2009. In addition, the construction of other sections such as West-East Gas Pipeline (Phase II), which is expected to run through 13 provinces including Zhejiang, is in progress and is expected to reach and supply natural gas to Zhejiang in 2010. The Directors believe that the Group will benefit from the expected increase in supply of natural gas to Zhejiang province after the completion of such nationwide natural gas supply.

The price of gas is prescribed, reviewed and approved by Zhejiang Provincial Pricing Bureau (浙江省物價局). Based on the notice issued by Zhejiang Provincial Pricing Bureau (浙江省物價局) in January 2006, the purchase price of natural gas applicable to Our Power Plants was RMB1.62 (including VAT) per m³, while from 1 February 2006 to 31 December 2007, from 1 January 2008 to 31 March 2009 and from 1 April 2009 to the Latest Practicable Date, the purchase price of natural gas was RMB1.71 (including VAT) per m³, RMB1.85 (including VAT) per m³ and RMB1.94 (including VAT) per m³, respectively.

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We are in the process of obtaining approvals and permits to develop a new gas-fired cogeneration power plant to be located in Anji county in Zhejiang province, namely the Anji Power Plant. Anji county is located in the northeastern part of Zhejiang province with a population of approximately 450,000. The first phase of Anji Power Plant is expected to comprise approximately 58.5 MW of power capacity and 50 ton/hour of steam capacity. We have submitted a project proposal for the Anji Power Plant to the NDRC for review, which has accepted our project proposal. We can therefore further proceed with the application process of the development of Anji Power Plant. In June 2009, the relevant government authorities have approved the location of the Anji Power Plant. We are currently conducting further feasibility studies, initial preparation and marketing work for this project. Based on the approved location, Anji Power Plant is expected to source natural gas from Zhejiang Gas Company and sell electricity to Huzhou Electric Power Company. After receiving the necessary approvals, we plan to enter into natural gas supply agreement and power sales agreement with Zhejiang Gas Company and Huzhou Electric Power Company respectively. As a cogeneration plant, Anji Power Plant is expected to sell steam in addition to electricity. We have so far entered into letter of intents with over 30 industrial companies in Zhejiang province for the purpose of selling steam directly to them when Anji Power Plant becomes operational. Subject to receiving the necessary approvals and permits from the relevant government authorities, the completion of construction and securing gas supply, the Anji Power Plant is currently expected to commence commercial operation in 2011.

Due to the operating model of gas-fired power plants and the highly regulated environment for power generation industry in the PRC, (i) the Group's business relies exclusively on natural gas as fuel source; (ii) the Group had only two customers throughout the Track Record Period as it was required to sell power to the provincial grid companies; (iii) the on-grid tariffs of Our Power Plants were determined by the PRC government; (iv) the cost of gas represented a significant proportion of the Group's cost of sales; and (v) the Group had only one supplier of natural gas and the purchase price applicable to Our Power Plants was set by the PRC government. Thus, there are certain additional risks which are attributable to the above features of our business model. For details, please refer to the paragraph headed "Risks relating to the Group" in the section headed "Risk Factors" in this document.

PRINCIPAL STRENGTHS

Our business is in line with the PRC government's initiatives in promoting the use of energy with less pollution as compared to coal-fired power plants

Coal has been the most widely used type of fuel for the generation of electricity in China because of the abundant supply of coal domestically and the lower fuel cost compared to other fuel types. However, burning coal brings long-term damages to the environment through the emission of pollutants such as sulphur dioxide and carbon dioxide. For the same amount of heat, burning natural gas produces about 50% less carbon dioxide than burning coal. To reduce China's reliance on coal-fired power generation and to help reduce long-term environmental damages, the PRC government has introduced a number of initiatives to promote other sources of energy with less pollution as compared to coal-fired power plants. Our Power Plants, fuelled by natural gas, are environmentally friendly and are encouraged by the PRC government, as indicated in the Eleventh Five Year Plan. According to the Eleventh Five Year Plan, the NDRC has set the target to increase the proportion of consumption of natural gas to total fuel consumption by 2.5% to 5.3 % in year 2010 as compared to year 2005, while to decrease the proportion of consumption of coal to total fuel consumption by 3.0% to 66.1% in year 2010 as compared to year 2005. Furthermore, compared to traditional coal-fired power plants, Our Power Plants can be started up within a relatively shorter

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period of time, therefore are best placed to provide peak power support, making them an integral part of a steady power supply system.

In line with the PRC government's policy in promoting the use of energy with less pollution, in January 2007, NDRC issued the [Notice Regarding the Prompt Closure of Small Coal-fired Power Plants] (關於加快關停小火電機組的若干意見), pursuant to which all aged and inefficient small-sized coal-fired power plants should be shut down by 2010. According to the annual work report of China Government, a total of approximately 21,570 MW and 16,690 MW of small coal-fired power plants in the whole nation were shut down in 2007 and 2008, respectively. We believe that Our Power Plants, which are fuelled by natural gas, will benefit from the PRC government's policies in promoting power supply with less pollution.

Our Power Plants are more fuel-efficient as compared to coal-fired power plants

Our Power Plants adopt the combined cycle combustion process where natural gas is firstly burnt to generate electricity and residual heat from the first combustion process is used to produce steam which in turn drives another generator to produce additional electricity. Compared to conventional coal-fired power plants with the same level of installed capacity, Our Power Plants have higher thermal efficiency in using the same amount of fuel. In other words, to produce the same amount of electricity, Our Power Plants use less fuel.

Our Power Plants are strategically located in Zhejiang province, one of the fastest developing regions in China with strong demand for electricity

Zhejiang province, located in the Golden Triangle of the Yangtze River near Shanghai, is one of the largest and fastest growing provinces on the East coast of China. Zhejiang province had a population of over 50 million and ranked fourth in terms of both Gross Regional Product and Gross Regional Product per capita among all provinces, autonomous regions and municipalities in 2007. Zhejiang province's Gross Regional Product growth rate had consistently been higher than the national average between 2000 and 2007. Except for 2004, and electricity consumption growth in Zhejiang had consistently been higher than the national average between 2000 and 2007. All of Our Power Plants are located in proximity with highly populated areas within Zhejiang province.

We benefit from the development of natural gas supply infrastructure and the expected increase in supply of natural gas

Each of Our Power Plants has entered into long-term gas supply contracts with a term of 20 years with Zhejiang Gas Company, who distributes the natural gas transported into Zhejiang province through the West-East Gas Pipeline. Our Power Plants are connected by pipes with the gas off-take stations of Zhejiang Gas Company, through which natural gas is supplied to Our Power Plants in gaseous form directly.

The West-East Gas Pipeline (Phase I) now transports up to [17] billion m³ of natural gas per year, passing through a number of provinces including Zhejiang province. The construction of the West-East Gas Pipeline (Phase II), which is expected to run through 13 provinces including Zhejiang province with annual transport capacity of 30 billion m³, is in progress and is expected to reach and supply natural gas to Zhejiang in 2010. Furthermore, the Sichuan-East Gas Pipeline, which runs through Zhejiang province and has a designed capacity of 12 billion m³ per year, is expected to reach

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and supply natural gas to Zhejiang in late 2009. Upon completion of these natural gas supply infrastructures, we expect that the increase in the supply of natural gas to Zhejiang province will be beneficial to us.

We have an experienced and professional management team with extensive experience in the power industry in China

Our management team has extensive knowledge in power generation technologies and experience in the development, operation and management of power plants in the PRC. The majority of our senior management team has been with us since the commencement of our business. With our industry expertise and our good understanding of industry dynamics and regulatory regimes in the PRC in less than three years, our management team completed the construction of and commercially launched three power plants. The key members of our management team have remained unchanged since our inception. In addition, most of our mid-level managers have relevant technical qualifications or industry experience. We adopt a simple and efficient organization and reporting structure, and have in place a reward system which encourages staff of all levels to perform and to save costs.

We can supply peaking power whenever there is a sudden increase in power demand as Our Power Plants can start up quickly

As gas-fired power plants which can be started up much quicker than coal-fired power plants, Our Power Plants generate power during day time and can supply peaking power when there is a sudden jump in power demand. As a result, we are best placed to capture the relatively higher demand during day time and when there is sudden increase in demand.

BUSINESS STRATEGIES

We will continue to develop our core business, that is, power generation using natural gas as a primary source of energy. Leveraging on our operational and management experience in the power industry, we may in future engage ourselves in cogeneration and trigeneration or CCHP power generation plants fuelled by natural gas, depending on market demand, global trends and initiatives of the PRC government. Our specific business strategies are:

Continue to manage Our Power Plants effectively and efficiently

Whilst the day-to-day operation of Our Power Plants is reasonably stable and our reporting system is well-established, we will continue to leverage our operational, managerial and technological abilities to maintain and strengthen our procedures and measures over the [operational efficiency] of Our Power Plants. Our primary focus is on reducing the fuel costs at our operational level by way of increasing the energy efficiency. We will closely monitor our operating costs through stringent cost control measures. We plan to improve technological and operational processes and resources management to increase productivity, where possible, and to achieve savings in fuel costs through such improvements in productivity.

Expand or upgrade Our Power Plants

The capacity of Our Power Plants can be expanded without material interruption to their existing operations. We are currently conducting the investment analysis and preparing the project proposal of installing an additional 184.7 MW of capacity to the Jing-Xing Power Plant. Should the

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Company determine to proceed with such expansion project in future, commencement of commercial operation will be subject to, among others, the granting of approvals and permits by the relevant government authorities.

All of Our Power Plants can be converted into cogeneration power plants with additional investment. At this stage, having considered the demand characteristics of the areas which we are servicing, we believe that it is more appropriate and economically viable for Our Power Plants to be producing and selling electricity only. Notwithstanding the aforesaid, we will continue to monitor the market situation and if we anticipate strong demand for steam in the areas which we service, we may decide to convert some or all of Our Power Plants into cogeneration plants in the future. Upon such conversion, we will produce and sell electricity and steam.

Engage in more sophisticated gas-based power provision businesses such as cogeneration and trigeneration or CCHP power generation which are efficient and environmentally-friendly

Leveraging on our experience in developing, operating and managing gas-fired power generation businesses, we may in future engage ourselves in more sophisticated and technologically-advanced, at the same time efficient and environmentally-friendly, power provision businesses, such as cogeneration and trigeneration or CCHP power plants. Our Power Plants generate electricity whereas cogeneration plants generate usable heat and power simultaneously and CCHP power plants conduct simultaneous production of combined cooling, heating and power. As cogeneration and CCHP power plants provide other forms of energy simultaneously in addition to electricity, the thermal efficiency of these power plants are generally higher and thus more fuel efficient as compared to power plants which generate only electricity. We are in the process of obtaining approvals and permits to develop a new gas-fired cogeneration power plant to be located in Anji county in Zhejiang province, namely the Anji Power Plant. Anji county is located in the northeastern part of Zhejiang province with a population of approximately 450,000. The first phase of Anji Power Plant is expected to comprise approximately 58.5 MW of power capacity and 50 ton/hour of steam capacity. We have submitted a project proposal for the Anji Power Plant to the NDRC for review, which has accepted our project proposal. We can therefore further proceed with the application process of the development of Anji Power Plant. In June 2009, the relevant government authorities have approved the location of the Anji Power Plant. We are currently conducting further feasibility studies, initial preparation and marketing work for this project. Based on the approved location, Anji Power Plant is expected to source natural gas from Zhejiang Gas Company and sell electricity to Huzhou Electric Power Company. After receiving the necessary approvals, we plan to enter into natural gas supply agreement and power sales agreement with Zhejiang Gas Company and Huzhou Electric Power Company respectively. As a cogeneration plant, Anji Power Plant is expected to sell steam in addition to electricity. We have so far entered into letter of intents with over 30 industrial companies in Zhejiang province for the purpose of selling steam directly to them when Anji Power Plant becomes operational. Subject to receiving the necessary approvals and permits from the relevant government authorities, the completion of construction and securing gas supply, the Anji Power Plant is currently expected to commence commercial operation in 2011. According to the No. 1268 Regulation jointly issued by the State Development and Planning Commission (replaced by NDRC since March 2003), SETC, Ministry of Construction, and State Environmental Protection Bureau on 25 August 2000, cogeneration plants are encouraged by the PRC Government due to their environmental and economic benefits. According to the Natural Gas Utilization Policy issued by NDRC on 30 August 2007, distributed cogeneration plants are given priority in utilization of natural gas.

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Increase our market share through investing in new projects and making acquisitions

We monitor the power generation market, especially in Zhejiang province, and maintain regular contact with relevant government officials in order to anticipate upcoming new projects and to evaluate the feasibility of these projects. If some of the projects or locations proved to be economically viable and attractive, we will pursue those opportunities actively.

Likewise, through our extensive network in Zhejiang province and in the power industry in China, we will continue to seek for opportunities to acquire power businesses which fit into our long-term business vision and strategy. We will consider the costs and benefits of the Company and the Shareholders as a whole before making any acquisition.

PROCEDURES OF DEVELOPMENT OF POWER PLANTS PRIOR TO COMMENCING COMMERCIAL OPERATIONS

The procedures for the development of power plants prior to commencing commercial operations involve identifying potential sites for new power plants, obtaining government approvals, completing construction and commencing commercial operations. This is a lengthy process and involves the following steps.

Investment Analysis and Feasibility Study

When we have an opportunity to build a new power plant, we start by conducting a preliminary evaluation to determine if such an opportunity is in line with our overall business strategy. We may also consider undertaking the opportunity with a joint venture partner if doing so would result in more efficient use of our capital resources or would facilitate the development of the project. Following the preliminary analysis, we proceed with the due diligence work, the project assessment and discussion in the Group's general managers' meetings. Once the proposal has been agreed in the general managers' meeting, it will be submitted to the board of directors for approval to commence further analysis feasibility study of the project. After [●], such proposal from general managers' meeting will be submitted to the Board for approval. The Board will assess all power plants development proposals submitted to it from the managers' meeting and make decisions accordingly and where necessary or required by the Articles of Association, Listing Rules or relevant laws, rules and regulations, submit the proposals to the Shareholders for approval. After the relevant authority of the PRC approves the feasibility study, we will set up a project company and apply for all required approvals and commence construction.

Project Approval Process

Pursuant to resolutions passed by the Tenth National People's Congress in March 2003, NDRC was formed to replace the former State Development and Planning Commission and assumed its authority over the review and approval of major new power plants and to set on-grid tariffs in accordance with applicable laws.

Pursuant to the "Decision of the State Council on the Reform of Investment System" (國務院關於投資體制改革的決定) which came into effect on 16 July 2004, significant changes have been made to the government approval regime for major investment projects in the PRC. The State Council abolished the requirements of government examination and approval for investment projects not utilizing government funds, and replaced such requirements with a verification and filing system. With

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respect to non-government-funded projects, verification would only be required for major or restricted projects (including the development of new power plants), while other projects, irrespective of size, are only subject to filing requirement.

Under the Industry Guiding Catalog for Foreign Investment (外商投資產業指導目錄) issued by NDRC from time to time, business sectors are broadly classified into three categories, namely Encouraged, Restricted and Prohibited, and the rest of the sectors which are not listed in the Catalog are generally recognized as permitted category, providing indication of the PRC government's general level of acceptance to foreign participation and investment in various business sectors in China. Under the latest version of the Catalog (2007 updated version), the construction and operation of natural gas power generation facilities is classified neither under the Encouraged category nor the Restricted or Prohibited category, which means that the PRC government generally welcomes foreign investment and participation in this sector.

The Ministry of Commerce or relevant local authorities will approve the relevant joint venture contracts and articles of association of the foreign invested enterprises and other substantial changes of the foreign invested enterprises, such as changes in capital, equity transfer and consolidation. We have obtained the necessary government approvals for Our Power Plants.

Permits

In developing a new power plant, we need to obtain the requisite permits before commencing construction of the project, such as business licenses, approvals related to the plant site, land use rights, and the construction and environmental impact evaluations. In addition, certain permits are pre-requisites for a new plant to commence operation, including power business permit, approval of the on-grid tariff by the provincial price bureau, boiler using permit, water collection permit, pollutant discharge permit, dispatch agreement and power sale agreement. We have obtained all the necessary permits to operate Our Power Plants.

Power Plant Construction, Start-up and Operation

Our Power Plants outsourced their equipment procurement, installation, site preparation and civil works to domestic contractors through competitive bidding. After the installation of power generation unit, comprising generator and boiler, is completed, the contractor will test and fine tune the system. Following these tests, the contractor will conduct a 72-hour plus 24-hour trial run at full load. After a unit successfully passes the continuous trial run, the contractor delivers the unit to us before the power generation units commence operations.

Each of Our Power Plants has entered into dispatch agreement and power sale agreement with the respective power grid companies. Dispatch agreements primarily provide the detailed technical requirements for power generation and dispatch.

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OUR POWER PLANTS

The following map shows the location of Our Power Plants.



De-Neng Power Plant

De-Neng Power Plant is located in Deqing county economic development zone in Huzhou city in Zhejiang province which commenced operation in December 2005. De-Neng Power Plant has an installed capacity of approximately 112 MW in a combined cycle gas-steam turbine generation system which consists of two gas turbine generator units, two residual heat boilers and two steam turbines.

De-Neng Power Plant sells its electricity to Zhejiang Electric Power Corporation and its power is transmitted to the Zhejiang provincial grid. The applicable on-grid tariff for the year ended 31 December 2006 was RMB600/MWh (including VAT). Zhejiang Provincial Price Bureau had adjusted upward the on-grid tariff applicable to De-Neng Power Plant from RMB600/MWh (including

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VAT) to RMB650/MWh (including VAT) effective from 1 January 2007, and to RMB680/MWh (including VAT) effective from 1 January 2008, and subsequently to RMB705/MWh (including VAT) effective from 20 August 2008.

Under the long-term supply contract with a term of 20 years between Zhejiang Gas Company and De-Neng Power Plant, Zhejiang Gas Company will supply to De-Neng Power Plant natural gas at a minimum of 60 million m³ up to a maximum of 150 million m³ per year until December 2025. During the year ended 31 December 2008, Zhejiang Gas Company supplied about 55.3 million m³ of natural gas to De-Neng Power Plant, which was below the minimum amount stipulated in the supply contract. There were certain exceptional incidents in the PRC in 2008, namely the 2008 Beijing Olympics and the earthquake in Sichuan where energy source including natural gas in the PRC was reserved in priority for the affected areas. The Directors appreciated that such initiatives were directed by the State and were beyond the control of Zhejiang Gas Company, the Directors therefore exercised the discretion to sanction the supply of natural gas below the minimum volume as stipulated in the supply agreement during 2008. As a result, De-Neng Power Plant will not be entitled to any compensation from Zhejiang Gas Company.

Before the end of each year, De-Neng Power Plant will submit the expected demand of natural gas for the coming year to Zhejiang Gas Company for review. The contract purchase price of natural gas is determined according to the price of natural gas at delivery point implemented by Zhejiang Provincial Price Bureau from time to time. In January 2006, the purchase price of natural gas was RMB1.62 per m³ (including VAT). Effective from 1 February 2006, the purchase price of natural gas was adjusted to RMB1.71 per m³ (including VAT). Then, effective from 1 January 2008, such purchase price was adjusted to RMB1.85 per m³ (including VAT), and effective from 1 April 2009, such purchase price was further adjusted to RMB1.94 per m³ (including VAT) which will remain the same during the remaining term of the contract unless the Zhejiang Provincial Price Bureau initiates a change in the price.

Set out below are the material terms of the abovementioned long-term contract:

Date:	12 November 2004
Term:	20 years commencing from the day following completion of the trial operation period (being the period from 1 June 2005 to 15 June 2005) or an earlier date as may be agreed by the parties.
	The parties may by agreement extend the term of the contract any time within 2 years prior to the expiry date.
Volume of natural gas supply:	Minimum 30 million m ³ / maximum 90 million m ³ (year 2005) Minimum 60 million m ³ / maximum 160 million m ³ (year 2006) Minimum 60 million m ³ / maximum 150 million m ³ (year 2007) Minimum 60 million m ³ / maximum 150 million m ³ (year 2008 and onward)

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Subject to the supply of natural gas and the transmission capability of Zhejiang Gas Company, Zhejiang Gas Company shall use its reasonable efforts to supply such annual volume of natural gas as stipulated in the contract. Zhejiang Gas Company shall use its reasonable efforts to, but not obliged to, supply additional volume of natural gas as required by De-Neng Power Plant. However, Zhejiang Gas Company shall guarantee the supply of such additional volume of natural gas once it has confirmed the supply with De-Neng Power Plant.

If Zhejiang Gas Company fails to supply sufficient agreed volume of natural gas in accordance with the terms and conditions of the contract or any additional volume having been confirmed by it, it shall pay a compensation to De-Neng Power Plant for the shortfall in supply calculated at 14% of the price for the shortfall volume (based on the calculation set out in the contract) with reference to the then applicable natural gas price at delivery point.

On the other hand, if De-Neng Power Plant fails to take delivery of the agreed volume of natural gas in accordance with the terms and conditions of the contract or the additional volume of natural gas as confirmed with Zhejiang Gas Company, De-Neng Power Plant shall pay a compensation to Zhejiang Gas Company for the volume not taken up calculated at 14% of the price for the volume not taken up (based on the calculation set out in the agreement) with reference to the then applicable natural gas price at delivery point.

Price:

According to the price of natural gas at delivery point implemented by Zhejiang Provincial Price Bureau.

An additional 10% (based on the price of natural gas ex-factory) will be added to the price of natural gas supplied in excess of the contract volume.

Reduction of supply:

After taking into account the supply of natural gas in the whole province, Zhejiang Gas Company may decide not to supply all or part of the natural gas required if (i) the supply of natural gas to Zhejiang Gas Company decreases due to a force majeure event; (ii) the supply of natural gas from Zhejiang Gas Company to De-Neng Power Plant decreases due to a force majeure event; and (iii) an important event occurs, such as an event where the continuation of supply of natural gas will endanger human lives or cause economic loss.

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Termination of contract:

If any of the following events occurs to one party, the other party to the contract may terminate the contract by written notice:

- (i) Material breach of contract by any party breaching any of its obligations, representations, warranties or undertakings under the contract and failure of such breaching party to remedy the breach within 30 days of the receipt of the written notice of breach or such longer period the two parties may agree;
- (ii) if either party becomes bankrupt or unable to pay its debt, or ceases to carry on business, or is dissolved, or is the subject of proceedings for liquidation, has appointed an administrator, liquidator, liquidation committee or any person or committee of similar responsibilities, or is wound up or enters into settlement agreement with any of its creditors;
- (iii) if Zhejiang Gas Company fails to supply the required natural gas according to the terms of the contract in more than 30 consecutive days or in 60 days in any contractual year;
- (iv) if an event of force majeure occurs which results in either party becoming no longer responsible to perform its obligations under the contract for more than 24 consecutive months;
- (v) if any party transfers or charges any or all of its rights, interests or obligations under the contract or creates any third party interests in violation of the provisions of the contract;
- (vi) if any party fails to hold any necessary government approval required for the performance of the contract; and
- (vii) if the supply contract between Zhejiang Gas Company and its supplier terminates.

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The following table shows certain operating statistics for De-Neng Power Plant for each of the three years ended 31 December 2008.

Indicators/Years	Year ended 31 December		
	2006	2007	2008
Installed capacity (MW)	112	112	112
Planned utilization hours (hours)	3,500	3,500	3,500
Actual utilization hours (hours)	3,696	3,969	2,076
Gross generation (MWh)	413,932	444,564	232,486
Power sales (MWh) (Note)	400,004	428,725	224,340
Applicable on-grid tariff at year end (RMB/MWh)	600	650	705
Actual volume of natural gas processed (thousand m ³)	101,326	106,175	55,347

Note: The difference between gross generation and power sales mainly represents the internal consumption of electricity by the power plant.

The utilization hours of De-Neng Power Plant increased from 3,696 hours in 2006 to 3,969 hours in 2007 and volume of power sales increased by approximately 7.18% from 400,004 MWh in 2006 to 428,725 MWh in 2007. In 2008, utilization hours and volume of power sales dropped to 2,076 hours and 232,486 MWh respectively primarily due to the significantly lower supply of natural gas to the Group in the period from April to September 2008 than that in the respective period in prior years and to a small extent attributable to the global financial crisis in the last quarter of 2008.

De-Neng Power Plant had [74] full time employees as at the Latest Practicable Date.

Blue Sky Power Plant

Blue Sky Power Plant is located in Chongxian town, Southeast of Yuhang district in Hangzhou. The total installed capacity is 112 MW in a combined cycle gas-steam turbine generation system which consists of two gas turbine generator units, two residual heat boilers and two steam turbines. Founded in December 2004 and commenced construction in early 2005, Blue Sky Power Plant was a key project of Zhejiang province and commercial operation commenced in March 2006.

Blue Sky Power Plant sells its electricity to Zhejiang Electric Power Corporation and its power is transmitted to the Zhejiang provincial grid. The applicable on-grid tariff for the year ended 31 December 2006 was RMB600/MWh (including VAT). Zhejiang Provincial Price Bureau had adjusted upward the on-grid tariff applicable to Blue Sky Power Plant from RMB600/MWh (including VAT) to RMB650/MWh (including VAT) effective from 1 January 2007, and to RMB680/MWh (including VAT) effective from 1 January 2008, and subsequently to RMB705/MWh (including VAT) effective from 20 August 2008.

Under the long-term supply contract with a term of 20 years between Zhejiang Gas Company and Blue Sky Power Plant, Zhejiang Gas Company will supply to Blue Sky Power Plant natural gas at a minimum of 30 million m³ up to a maximum of 120 million m³ per year until January 2026. During the Track Record Period, quantity of natural gas supplied to Blue Sky Power Plant complied with the terms of the long-term supply contract. Before the end of each year, Blue Sky Power Plant will submit the expected demand of natural gas for the coming year to Zhejiang Gas Company for review. The contract purchase price of natural gas is determined according to the price of natural gas at delivery point implemented by the Zhejiang Provincial Price Bureau from time to time. The purchase price of natural gas for Blue Sky Power Plant during 2006 and 2007 was RMB1.71 per m³ (including VAT). Effective from 1 January 2008, it is adjusted to RMB1.85 per m³ (including VAT), and effective from 1 April 2009, such purchase price was further adjusted to RMB1.94 per m³ (including VAT) which

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will remain the same during the remaining term of the contract unless the Zhejiang Provincial Price Bureau initiates a change in the price.

Set out below are the material terms of the abovementioned long-term contract:

Date:	28 December 2004
Term:	20 years commencing from the day following completion of the trial operation period (being the period from 10 June 2005 to 1 November 2005) or an earlier date as may be agreed by the parties. The parties may by agreement extend the term of the contract any time within 2 years prior to the expiry date.
Volume of natural gas supply:	Minimum 10 million m ³ / maximum 70 million m ³ (year 2005) Minimum 30 million m ³ / maximum 120 million m ³ (year 2006) Minimum 30 million m ³ / maximum 120 million m ³ (year 2007) Minimum 30 million m ³ / maximum 120 million m ³ (year 2008 and onward)
Other material terms	Same as the material terms of the long-term supply contract entered into between Zhejiang Gas Company and De-Neng Power Plant as discussed above.

The following table shows certain operating statistics for Blue Sky Power Plant for each of the three years ended 31 December 2008.

Indicators/Years	Year ended 31 December		
	2006	2007	2008
Installed capacity (MW)	112	112	112
Planned utilization hours (hours)	3,500	3,500	3,500
Actual utilization hours (hours)	3,521	4,301	2,907
Gross generation (MWh)	394,339	481,764	325,635
Power sales (MWh) (<i>Note</i>)	381,008	465,923	315,161
Applicable on-grid tariff at year end (RMB/MWh)	600	650	705
Actual volume of natural gas processed (thousand m ³)	94,008	114,109	77,980

Note: The difference between gross generation and power sales mainly represents the internal consumption of electricity by the power plant.

During the two years ended 31 December 2007, the utilization hours of Blue Sky Power Plant increased from 3,521 hours in 2006 to 4,301 hours in 2007 and volume of power sales increased by approximately 22.3% from 381,008 MWh in 2006 to 465,923 MWh in 2007. In 2008, utilization hours and volume of power sales dropped to 2,907 hours and 315,161 MWh respectively primarily due to the significantly lower supply of natural gas to the Group in the period from April to September 2008 than that in the respective period in prior years and to a small extent attributable to the global financial crisis in the last quarter of 2008.

Blue Sky Power Plant had [78] full time employees as at the Latest Practicable Date.

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Jing-Xing Power Plant

Jing-Xing Power Plant is located in Zhicheng town Changxing county in Huzhou city. The total installed capacity is 75MW in a combined cycle gas-steam turbine generation system which consists of one gas turbine generator unit imported from Pratt & Whitney USA, with installed capacity of 55MW, one residual heat boiler and one steam turbine with 20MW output. Jing-Xing Power Plant was founded in January 2005 and commenced construction in December 2005. Jing-Xing Power Plant commenced commercial operation in December 2006.

Jing-Xing Power Plant sells its electricity to Huzhou Electric Power Company and its power is transmitted to the Huzhou city grid. The applicable on-grid tariff for the two years ended 31 December 2006 and 2007 was RMB650/MWh (including VAT). During the Track Record Period, in light of the upward adjustment of price of natural gas, the Zhejiang Provincial Price Bureau had adjusted upward the on-grid tariff applicable to Jing-Xing Power Plant to RMB680/MWh (including VAT) effective from 1 January 2008, and further to RMB705/MWh (including VAT) effective from 20 August 2008.

Under the long-term supply contract with a term of 20 years between Zhejiang Gas Company and Jing-Xing Power Plant, Zhejiang Gas Company will supply to Jing-Xing Power Plant natural gas at a minimum of 20 million m³ up to a maximum of 70 million m³ in 2008, and at a minimum of 30 million m³ and up to a maximum of 100 million m³ in 2009 and thereafter per year until October 2026. During the Track Record Period, quantity of natural gas supplied to Jing-Xing Power Plant complied with the terms of the long-term supply contract. Before the end of each year, Jing-Xing Power Plant will submit the expected demand of natural gas for the coming year to Zhejiang Gas Company for review. The contract purchase price of natural gas is determined according to price of natural gas at delivery point implemented by the Zhejiang Provincial Price Bureau from time to time. The purchase price of natural gas for Jing-Xing Power Plant during 2006 and 2007 was RMB1.71 per m³ and beginning from 1 January 2008, purchase price of natural gas is RMB1.85 per m³, while effective from 1 April 2009, such purchase price was further adjusted to RMB1.94 per m³ (including VAT), which will remain the same during the remaining term of the contract unless the Zhejiang Provincial Price Bureau requires a change in the price.

Set out below are the material terms of the abovementioned long-term contract:

Date:	8 December 2006
Term:	20 years commencing from the day following completion of the trial operation period (being the period from 7 November 2006 to 7 December 2006) or an earlier date as may be agreed by the parties. The parties may by agreement extend the term of the contract any time within 2 years prior to the expiry date.
Volume of natural gas supply:	Minimum 10 million m ³ / maximum 70 million m ³ (year 2007) Minimum 20 million m ³ / maximum 70 million m ³ (year 2008) Minimum 30 million m ³ / maximum 100 million m ³ (year 2009 and onward)

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Other material terms: Same as the material terms of the long-term supply contract entered into between Zhejiang Gas Company and De-Neng Power Plant as discussed above.

The following table shows certain operating statistics for Jing-Xing Power Plant for each of the three years ended 31 December 2008.

Indicators/Years	Year ended 31 December		
	2006	2007	2008
Installed capacity (MW)	75	75	75
Planned utilization hours (hours)	N/A	3,500	3,500
Actual utilization hours (hours)	375	3,640	2,443
Gross generation (MWh)	28,140	272,990	183,203
Power sales (MWh)	27,461	266,317	178,715
Applicable on-grid tariff as at year end (RMB/MWh)	650	650	705
Actual volume of natural gas processed (thousand m ³)	6,450	61,124	41,053

Note: The difference between gross generation and power sales mainly represents the internal consumption of electricity by the power plant.

Actual utilization hours dropped from 3,640 hours in 2007 to 2,443 hours in 2008 and volume of power sales dropped from 266,317 MWh in 2007 to 178,715 MWh in 2008 primarily due to the significantly lower supply of natural gas to the Group in the period from April to September 2008 than that in the respective period in prior years and to a small extent attributable to the global financial crisis in the last quarter of 2008.

Jing-Xing Power Plant had [59] full time employees as at the Latest Practicable Date.

POWER SALES

Our turnover is derived from the sale of power generated by Our Power Plants. According to the Electric Power Law, a power plant is required to sell its power to the provincial power grid company to which it is connected pursuant to power sale agreements. A power plant's sole customer is its respective provincial power grid. As for De-Neng Power Plant and Blue Sky Power Plant, both are connected to the Zhejiang provincial grid. They sell all the power generated to Zhejiang Electric Power Corporation, which is a wholly-owned subsidiary of State Grid Corporation of China (國家電網公司). As for Jing-Xing Power Plant, it is connected to the Huzhou city grid. It sells all the power generated to Huzhou Electric Power Company, which is also a wholly-owned subsidiary of State Grid Corporation of China. Our power sales to the power grid companies are calculated and settled on a monthly basis according to our total actual output. Turnover generated from Our Power Plants is primarily determined by two factors, namely total output and on-grid tariff.

Each year, the relevant department of the provincial government issues guidelines on power sales activities between power plants and power grid companies and provides planned utilization hours to each power plant expressed in utilization hours based on the expected power supply and demand in the market and the classification of each power plant. Pursuant to such guidelines, each of Our Power Plants are given notices on the expected amount of the total planned utilization hours for the year.

On-grid tariff is the price paid by power grid companies to power generation companies for each unit of electricity sold. According to the Interim Measures for the Administration of On-Grid Tariff (上網電價管理暫行辦法) issued by NDRC in 2005, on-grid tariffs applicable to power generation

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companies are determined by provincial price bureaus based on various consideration factors, including the economic life of the facilities, fuel type, cost structure and applicable tax rates, to ensure that power generation companies are able to achieve reasonable profitability and investment return. As a result, on-grid tariffs of power generation companies using different fuel types are different. On-grid tariffs may also be different for power plants using the same fuel type operating in the same province. Our Power Plants, which utilize natural gas instead of coal, are entitled to higher on-grid tariff as compared to coal-fired power plants in Zhejiang province, particularly after taking into consideration different cost structure between using natural gas and coal as fuels and in line with the PRC government policies that encourage the use of fuel with less pollution.

Our Power Plants are connected and sell power to either the Zhejiang Electric Power Corporation or the Huzhou Electric Power Company. The percentage contribution to the total power sales of the Group by the Zhejiang Electric Power Corporation was approximately 96.3%, 77.0% and 75.0% for each of the three years ended 31 December 2008, respectively, while the percentage contribution by the Huzhou Electric Power Company was approximately 3.7%, 23.0% and 25.0% respectively for the same periods. The credit period granted to each of the Zhejiang Electric Power Corporation and the Huzhou Electric Power Company is normally 30 days from the invoice date.

Our Power Plants are required to sell its power to the respective power grid companies to which it is connected. According to the relevant laws, rules and regulations on electricity business in the PRC, Our Power Plants are not allowed to sell its power to entities other than the respective power grid companies without the permission from the relevant authorities. When the construction of a new power plant is approved by NDRC and SERC, the power grid the new power plant is connected to (or the power plant's customer) is already decided primarily based on the geographical location of the power plant. As such, the customers of Our Power Plants were decided by the relevant governmental authorities when the power plants were first approved. The Group is required to sell its power to the power grid companies in accordance with the PRC Electric Power Law.

Each of De-Neng Power Plant and Blue Sky Power Plant has entered into a dispatch agreement (並網調度協定) and a power sale agreement (購售電合同) with Zhejiang Electric Power Corporation for a term of one year, subject to automatic renewal upon mutual consent by both parties. The relevant agreements continue to be in force since their respective agreement dates.

Under the dispatch agreements and power sale agreements, De-Neng Power Plant and Blue Sky Power Plant submit daily power dispatch plan based on gas supply situation and generation capability at the time to Zhejiang Electric Power Corporation, who then determines/confirm the final volume of power to be dispatched that day primarily based on the estimated supply and demand situation, the actual versus planned utilization hours of our plants versus other plants. De-Neng Power Plant and Blue Sky Power Plant then generate power accordingly. In the event that a party breaches the relevant agreements, the non-defaulting party has the right to claim the defaulting party for any economic losses suffered as a result thereof.

Jing-Xing Power Plant entered into the dispatch agreement (並網調度協定) and the on-grid economic agreement (並網經濟協議) with Huzhou Electric Power Company for a two-year and three-year term, respectively, subject to automatic renewal upon mutual consent by both parties. The relevant agreements continue to be in force since their respective agreement dates.

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Pursuant to the on-grid economic agreement, Huzhou Electric Power Company and Jing-Xing Power Plant have to enter into separate power sale agreements (電量購銷合同) which specify the volume of power to be supplied by Jing-Xing Power Plant, determined with reference to the monthly dispatch plan and the guidelines on annual planned output issued by the relevant government department. In the event that a party breaches the relevant agreements, the non-defaulting party has the right to claim the defaulting party for any economic losses as a result thereof.

While the power sale agreements typically have various standard terms, the on-grid tariffs are reviewed and confirmed by the provincial price bureaus, which differ according to the fuel type, cost structure and operating profit of each of Our Power Plants. In the event that there are material changes in the operational environment, such as dramatic fluctuation in natural gas prices, the provincial price bureaus will, on a case-by-case basis, assess whether to adjust the approved on-grid tariff.

The table below sets forth the volume of power sales of Our Power Plants for each of the three years ended 31 December 2006, 2007 and 2008, and the on-grid tariffs (inclusive of VAT) as at 31 December 2006, 2007 and 2008.

<u>Plants/ Indicators</u>	<u>2006</u> <u>Sales</u> <u>Volume</u>	<u>2006</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>	<u>2007</u> <u>Sales</u> <u>Volume</u>	<u>2007</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>	<u>2008</u> <u>Sales</u> <u>Volume</u>	<u>2008</u> <u>Approved</u> <u>On-Grid</u> <u>Tariff</u>
	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)	(MWh)	(RMB/ MWh)
De-Neng Power Plant	400,004	600	428,725	650	224,340	705
Blue Sky Power Plant	381,008	600	465,923	650	315,161	705
Jing-Xing Power Plant	27,461	650	266,317	650	178,715	705

None of our Directors, their respective associates or, to the best knowledge of our Directors, person(s) who will be interested in more than 5% of our issued share capital of the Company immediately following completion of the [●] and the [●] had any interest in our customers, Zhejiang Electric Power Corporation and Huzhou Electric Power Company, during the three years ended 31 December 2008. Save for being the customers and supplier of Our Power Plants, the Directors confirmed that the Group has no further relationship and contractual arrangements with Zhejiang Electric Power Corporation, Huzhou Electric Power Company and Zhejiang Gas Company.

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UTILIZATION HOURS

The utilization hours of a power plant refer to the number of hours it operates at full installed capacity to generate electricity in a specified period. Theoretically, the maximum utilization hours of a power plant are 8,760 hours per year. During the year ended 31 December 2007, the first full year in which all of Our Power Plants were in full operation, the average utilization hours of Our Power Plants were 4,011 hours, higher than the planned utilization of 3,500 hours given to each of Our Power Plants and other gas-fired power plants in Zhejiang province by the Zhejiang provincial government. For the year ended 31 December 2008, the average utilization hours of the Group were 2,479 hours, lower than the planned utilization hours of 3,500 hours primarily due to the significantly lower supply of natural gas to the Group in the period from April to September 2008 than that in the respective period in prior years. The following table shows the utilization hours of Our Power Plants during the Track Record Period.

Plant/Actual Utilization Hours	Year ended 31 December		
	2006	2007	2008
De-Neng Power Plant	3,696	3,969	2,076
Blue Sky Power Plant	3,521	4,301	2,907
Jing-Xing Power Plant	375	3,640	2,443

NATURAL GAS SUPPLY

Each of Our Power Plants has entered into long-term supply contracts with a term of 20 years with Zhejiang Gas Company who is responsible for the sale and distribution of natural gas transported into Zhejiang province through the West-East Gas Pipeline. Our Power Plants are directly connected to the gas off-take stations operated by Zhejiang Gas Company, and as a result, natural gas is supplied to us in gaseous form directly through pipelines natural gas. Zhejiang Gas Company is a company exclusively approved by the relevant Zhejiang provincial authorities to distribute the natural gas in Zhejiang province. Accordingly, before the existence of another natural gas supplier being approved to provide natural gas in Zhejiang Province. Our Power Plants could only purchase natural gas from Zhejiang Gas Company.

The West-East Gas Pipeline is only part of a nationwide natural gas supply infrastructure network as stated in the Eleventh Five Year Plan. The construction of the Sichuan-East Gas Pipeline is expected to reach and supply natural gas to Zhejiang in 2010. This pipeline, which has a designed capacity of 12 billion m³ per year, is expected to run from Sichuan to Shanghai through a number of provinces including Zhejiang province.

In addition, the construction of other sections such as West-East Gas Pipeline (Phase II), which is expected to run through 13 provinces including Zhejiang province with annual transport capacity of 30 billion m³, is in progress and is expected to reach and supply natural gas to Zhejiang in late 2009. [According to Natural Gas Pipe Network Plan in Zhejiang province 2015-2020, the natural gas fields connecting to the West-East Gas Pipeline have a total proven reserve of approximately 1.7 trillion m³.] In light of the above, the Directors believe that the Group will benefit from the expected increase in supply of natural gas to Zhejiang province after completion of such nationwide natural gas supply infrastructure.

The price of gas is prescribed, reviewed and approved by Zhejiang Provincial Pricing Bureau (浙江省物價局). Please refer to the description of each plant above regarding further details of long-term contracts entered into between Zhejiang Gas Company and the respective power plant. Natural gas

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supplied by Zhejiang Gas Company represented 100% of our purchase of natural gas during the three years ended 31 December 2008.

None of our Directors, their respective associates or, to the best knowledge of our Directors, persons who will be interested in more than 5% of our issued share capital of the Company immediately following completion of the [●] and the [●] had any interest in Zhejiang Gas Company.

REPAIR AND MAINTENANCE

According to the "Power Enterprises Equipment Maintenance Guide" 《發電企業設備檢修導則》 issued by SETC, Our Power Plants are subject to inspective overhaul after the first anniversary of operation and to major overhaul (generally requires approximately 15–20 days to complete) every three to four years. Our Power Plants had completed the inspective overhaul after their first anniversary of operation according to the relevant requirements.

In addition, each of Our Power Plants adopts a timetable for routine maintenance, regular inspections and repairs. Such timetables and procedures for repair and maintenance are established by each plant based on industry practice and standards. Under our procedures, routine repair and maintenance are generally conducted during night time. The total maintenance expenses of Our Power Plants for the three years ended 31 December 2006, 2007 and 2008 were approximately RMB1.9 million, RMB2.6 million and RMB2.2 million, respectively, representing approximately 0.5%, 0.4% and 0.5% of our total revenue, respectively.

ACQUISITION OF MINORITY INTERESTS IN DE-NENG POWER PLANT PRIOR TO [●]

Before completion of the Corporate Reorganization, the Group held 53% equity interest in De-Neng Power Plant. In order to increase the total attributable installed capacity and thus revenue and profit of the Group, on 23 May 2009, Blue Sky Power Plant entered into equity transfer agreements with each of Ningbo Beilun and Ningbo Hong-Ji to acquire their 40% and 7% equity interests respectively in De-Neng Power Plant for cash consideration of RMB81,331,300 and RMB14,233,000 respectively with reference to the carrying amount of net asset value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment. For the three years ended 31 December 2006, 2007 and 2008, De-Neng Power Plant recorded net profit of approximately RMB2.2 million, RMB33.3 million and RMB10.9 million respectively, and net asset value of approximately RMB146.9 million, RMB183.3 million and RMB194.2 million respectively based on its management accounts. [As at the Latest Practicable Date, the relevant transfer procedures have been completed and De-Neng Power Plant has become a wholly-owned subsidiary of the Group and as stipulated in the abovementioned equity transfer agreements, the Group, as the transferee will be fully entitled to / liable for the profit or loss of De-Neng Power Plant commencing 1 January 2009.] The cash consideration of RMB65,564,300 has been settled with internal resources and the remaining balance of RMB30 million (approximately HK\$34 million) will be financed by proceeds from the [●].

[NEW PROJECT PROPOSED TO BE DEVELOPED AFTER [●]]

We are in the process of obtaining approvals and permits to develop a new gas-fired cogeneration power plant to be located in Anji county in Zhejiang province, namely the Anji Power Plant. Anji county is located in the northeastern part of Zhejiang province with a population of approximately 450,000. The first phase of Anji Power Plant is expected to comprise approximately 58.5 MW of power capacity and 50 ton/hour of steam capacity. We have submitted a project proposal

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for the Anji Power Plant to the NDRC for review, which has accepted our project proposal. We can therefore further proceed with the application process of the development of Anji Power Plant. In June 2009, the relevant government authorities have approved the location of the Anji Power Plant. We are currently conducting further feasibility studies, initial preparation and marketing work for this project. Based on the approved location, Anji Power Plant is expected to source natural gas from Zhejiang Gas Company and sell electricity to Huzhou Electric Power Company. After receiving the necessary approvals, we plan to enter into natural gas supply agreement and power sales agreement with Zhejiang Gas Company and Huzhou Electric Power Company respectively. As a cogeneration plant, Anji Power Plant is expected to sell steam in addition to electricity. We have so far entered into letter of intents with over 30 industrial companies in Zhejiang province for the purpose of selling steam directly to them when Anji Power Plant becomes operational. Subject to receiving the necessary approvals and permits from the relevant government authorities, the completion of construction and securing gas supply, the Anji Power Plant is currently expected to commence commercial operation in 2011.

The Group has entered into an agreement with Zhejiang Anji Economic Development Zone Committee (the "Anji Committee", 浙江省安吉經濟開發區管委會) for the development of Anji Power Plant. The Anji Committee agrees that the respective land premium payable by the Group amounts to about RMB12.9 million. The Group has already paid RMB1.2 million as deposit at the Latest Practicable Date and the outstanding land premium is expected to be financed from internal resources of the Group. No formal land grant agreement was entered into by the Group.

The estimated investment amount for the development of the first phase of Anji Power Plant is RMB299 million, amongst which [●]% (i.e. approximately HK\$40 million) will be financed by the proceeds from the [●] and the remaining amount by internal resources of the Group.]

COMPETITIVE LANDSCAPE

China's power market is relatively concentrated. According to China Electric Power Yearbook 2007, China had a total power installed capacity of approximately 713 GW by the end of 2007, and the five largest power providers had a total of installed capacity of approximately [299] GW, representing approximately 41.9% share of the whole market.

As of the end of 2007, there were 45,180 MW of power installed capacity in Zhejiang province, including a total of 3,366 MW of gas-fired installed capacity under the Zhejiang provincial grid. We believe the key barriers to entry into the gas-fired power industry include (i) industry operational and management experience, (ii) the ability to identify and obtain power projects and the relevant regulatory approvals, (iii) financial capability, and (iv) the ability to secure steady supply of fuel, such as natural gas. Overall, the competitive environment of the power industry, including the gas-fired power supply industry in Zhejiang province, is largely influenced by the industry regulatory framework.

The power grids within Zhejiang province are all subsidiaries of the State Grid Corporation of China. For example, our customers, Zhejiang Electric Power Corporation and Huzhou Electric Power Company are both wholly-owned subsidiaries of the State Grid Corporation of China. While the former is the provincial power grid company of Zhejiang province, the latter is the local power grid company of Huzhou city within Zhejiang province. We supply electricity to these two power grid companies within Zhejiang province primarily because of the locations of Our Power Plants. [There

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are other local city power grid companies within Zhejiang province who are not our customers because of the locations of Our Power Plants.] Besides us, other power providers, including coal-fired, gas-fired, cogeneration and others, may also supply electricity to our customers, Zhejiang Electric Power Corporation and Huzhou Electric Power Company. In view of the above, we consider that there is no direct competition for despatch allocation between gas-fired power providers in Zhejiang province.

Within Zhejiang province, all gas-fired power plants purchase natural gas from Zhejiang Gas Company, which is a State-owned enterprise with the exclusive right to sell and distribute natural gas transported into Zhejiang province through the West-East Gas Pipeline owned and operated by PetroChina. Zhejiang Gas Company allocates natural gas to gas-fired plants based on planning of the PRC government and according to the Natural Gas Utilization Policy issued by the State Development and Planning Commission. In view of the above, we consider that there is no direct competition for the supply of natural gas between gas-fired power providers in Zhejiang province.

Competition exists when there is an opportunity to develop a new gas-fired power plant or to make acquisitions in gas-fired power plant in Zhejiang province. However, we consider that the level of competition we face is low since gas-fired power generation is relatively new in Zhejiang province as compared to coal-fired power generation and there is a small number of potential competitors who have expertise and experience in gas-fired power generation in Zhejiang. We have demonstrated, during the Track Record Period, that given our industry experience, financial capability and operational efficiencies, we have been able to compete successfully on a recurring basis for opportunities to develop and acquire new power projects in Zhejiang province.

ENVIRONMENTAL PROTECTION

The main PRC environmental protection laws and regulations applicable to Our Power Plants' operation include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Administrative regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例), the Law of the People's Republic of China on the Prevention and Control of the Air Pollution (中華人民共和國大氣污染防治法), the Law on Prevention of Water Pollution of the PRC (中華人民共和國水污染防治法) and the Administrative Regulation on the Levy and Use Discharge Fees (排污費徵收使用管理條例). Each of Our Power Plants has installed a monitoring system to monitor the emission volume of sulphur dioxide and nitrogen oxides on a real-time basis. The sewage will be inspected regularly to determine whether the relevant standard is satisfied before discharging.

During the power generation process, conventional coal-fired power plant discharges waste water and emits air pollutants, such as sulphur dioxide, nitrogen oxide and fine particles. Our Power Plants are fuelled with natural gas which is a cleaner fossil fuel. Unlike conventional coal-fired power plants, Our Power Plants emit significantly less amount of nitrogen oxides, almost no sulphur dioxide and fine particles. For the same amount of heat generated, burning natural gas produces about 50% less carbon dioxide than burning coal. Our Power Plants have obtained all the necessary approvals from local governments and have not been subject to any penalties involving non-compliance with the emission requirements set by local governments.

We believe that the environmental protection systems and facilities of Our Power Plants are adequate to comply with applicable PRC national and local environmental protection regulations. The Company's PRC legal adviser has confirmed that, during the Track Record Period and up to the Latest

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Practicable Date, the Company had not breached any environmental laws or regulations applicable to us in all material aspects.

HEALTH AND SAFETY COMPLIANCE

Our Power Plants have adopted various internal policies and are taking protective measures to prevent health and safety hazards. We had not encountered any material unplanned outage in Our Power Plants during the Track Record Period.

Up to the Latest Practicable Date, we had complied with the PRC laws and regulations on environment protection and workplace safety that were applicable to our operations, including Safety Production Law of the People's Republic of China (中華人民共和國安全生產法), Safety Production Rules of Zhejiang province (浙江省安全生產條例), Supervision Measures on Safety Power Generation (電力安全生產監管辦法) by SERC and Rules on Safety Production (安全生產工作規定) by State Power Corporation. We have not been subject to any fines or administrative action involving non-compliance with any relevant regulations.

PRC REGULATORY APPROVAL

Our Power Plants have obtained relevant permits from competent environmental authorities before their establishment and at the time of their construction, and have also passed the check and examination by the environmental authorities after the completion of the construction. [Based on the Certifications issued by the relevant authorities, Our Power Plants had complied with all relevant environmental protection standards since they commenced operation.]

In relation to the Corporate Reorganization and [●], the PRC legal adviser of the Company confirmed that the Company has obtained all necessary approvals and consents and has complied with all applicable rules, regulations and registration requirements imposed by the relevant PRC authorities, [including but not limited to the SAFE Notice and Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors ("Regulations on Merger and Acquisition").] Based on their understanding of the current PRC laws, regulations and rules as well as the fact that CSRC currently has not issued any definitive rule or interpretation concerning whether offerings such as ours will be subject to the Regulations on Merger and Acquisition, and given that all of our PRC subsidiaries are established as foreign-owned enterprises before September 8, 2006, the effective date of such regulations, the PRC legal adviser of the Company advised that the [●] of the Company does not require the approval from CSRC.

INTELLECTUAL PROPERTY

We have applied for the registration of certain trademarks in Hong Kong and the PRC. The applications are currently under process by the relevant government agencies.

For further details of the intellectual property rights of our Group, please refer to "Appendix V — Statutory and General Information" of this document.

INSURANCE

Our Power Plants currently maintain with PICC Property and Casualty Company Limited in aggregate of approximately RMB950 million of insurance coverage over our property, plant, equipment and other types of insurance such as public liability. We believe that the insurance coverage

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of Our Power Plants is adequate. See “Risk Factors — Our operations are subject to hazards customary to the power generation industry and we may not have adequate insurance to cover all of these hazards” in this document.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the Latest Practicable Date, we had obtained all licenses, permits and certificates necessary to conduct our operations from the relevant governmental bodies in the PRC and had not encountered significant difficulties in obtaining requisite permits.

Pursuant to the Regulations on the Administration of Power Business Permit 《電力業務許可證管理規定》, all power plants in the PRC are required to obtain the power business permit as the pre-requisite for the commencement of the operation. Before obtaining the respective power business permit, Our Power Plants have commenced commercial operation to generate electricity to the power grid companies. The reasons for not obtaining power business permits of Our Power Plants before the commencement of their respective business operation were: (1) since the implementation of the power business permit system on 1 December 2005 in the PRC, there is a huge number of power plants which need to apply for the permits, thus the SERC decides to issue the permits in different periods and batches after the promulgation of the “Regulation on Power Business Permit”; (2) time is needed for SERC to examine and approve the voluminous applications of such power plants already in existence prior to the promulgation of the “Regulation on Power Business Permit”; and (3) time is needed for Our Power Plants to clarify with SERC the detailed requirements and procedure for the applications of the power business permit. Nevertheless, all Our Power Plants commenced their business operation after receiving the documentary notifications which are written permissions made of the relevant power grid companies on commencement of business operation of Our Power Plants.

The Company’s PRC legal adviser advised that according to the Regulations on the Administration of Power Business Permit 《電力業務許可證管理規定》, enterprises which have not obtained power business permit but conducted power generation business, the relevant income would be forfeited and the enterprises could be penalized for an amount up to five times of the relevant income. According to the Company’s representation and the Company’s PRC legal adviser’s physical meeting with Hangzhou office of the SERC which is the responsible authority for the relevant approvals, Regulations on Power Business Permit 《電力業務許可證管理規定》 was approved on 28 September 2005 and effective from 1 December 2005 and extensive and substantial procedures were required for SERC to review application documents and complete the approval process since then. The official of the Hangzhou office of the SERC has confirmed in such physical meeting that the relevant power plants of the Group have duly submitted all the required documents for approval according to their instructions, and has further advised that enterprises which have duly completed filing of application documents according to their requests would not be penalized for their past acts. In addition, we have obtained a written confirmation from the Hangzhou office of the SERC that the authority has rectified and confirmed that Our Power Plants’ act of power generation before obtaining the power business permit will not be penalised and the relevant income was considered legal. The Hangzhou office of the SERC is duly authorized by SERC to regulate the power industry in Zhejiang province. It is the supervisory authority of the power industry in Zhejiang province. Blue Sky Power Plant, Jing-Xing Power Plant and De-Neng Power Plant are all under its administration and supervision. There is no Zhejiang provincial office of SERC.

In light of the above and according to the PRC legal opinion, Our Power Plants have fulfilled the relevant legal obligations under the Regulations on the Administration of Power Business Permit

BUSINESS

《電力業務許可證管理規定》and accordingly the PRC legal advisers are of the understanding that the SERC of Hangzhou will not penalize Our Power Plants for generation of power before obtaining the power business permit.

In accordance with the *Notice on Printing and Distributing the Policies for the Electricity System Reform* (《國務院關於印發電力體制改革方案的通知》) promulgated by the State Council on 10 February 2002, the SERC is authorized by the State to perform its responsibility of electricity regulation, and the SERC of Hangzhou is authorized by the SERC to regulate electricity business within the Zhejiang province, which shall be regarded in our case as representing SERC to exercise its authority provincially.

According to the relevant licenses, permits and certificates issued by the governmental authorities in relation to the operations of Our Power Plants, the PRC legal advisor of the Company, considers that the Company has complied with PRC laws and regulations in all material aspects and will not be penalized for any material misconduct.

To ensure our compliance with applicable laws and regulations, we will establish an internal audit department upon [●] which will be responsible for supervising the operations of all power plants within our Group. The internal audit department will comprise two members, including the internal audit department head and an assistant. The internal audit department head has the relevant internal audit experience for five years or above. The internal audit department will establish various internal policies, review material contracts and major capital expenditure and conduct periodic evaluations and inspections of each of our power plants. In addition, the internal audit department will update the management with any newly promulgated rules and regulations applicable to the Group. In the event that any non-compliance is identified, the internal audit department will request immediate rectification of such non-compliance. The Directors believe that through our internal audit and supervision, our Group could ensure due compliance with the applicable laws and regulations in the future.

We are not currently a defendant in any material litigation, claim, administrative action or arbitration, and we confirm, by making due inquiries, that there is no pending or threatened proceeding which we believe would have a material adverse effect on our operation or financial condition.

We were not subject to any material claims or losses from any serious machine breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labor disturbance, natural disaster, environmental hazard and industrial accident during the Track Record Period.

PROPERTIES

We own and lease real estate properties where our offices, dormitories and Our Power Plants are located in the PRC.

Land Use Rights and Building Ownership Certificate

As of the Latest Practicable Date, we had obtained all relevant land use rights certificates for Our Power Plants. In addition, we have obtained all of the building ownership certificates of Our Power Plants.

For further details of the property interests owned and/or leased by our Group, please refer to "Appendix IV — Property Valuation" of this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the [●] and the [●], two of our Controlling Shareholders, Mr. Lu (through his interest in GDZ and Amber International) and Mr. Chai (through his interest in DUOU and Amber International), will, together, own approximately 75% of the enlarged issued share capital of the Company (assuming the Over-allocation Option is not exercised). As at the Latest Practicable Date, the Controlling Shareholders also held interests outside the Group in Shanghai Pu-Xing. Shanghai Pu-Xing is a PRC incorporated company principally engaged in the investment, construction and operation of wind power plants in the PRC. As at the Latest Practicable Date, Shanghai Pu-Xing has obtained project approval for one wind power project located in Zhejiang province which is still under construction. As such, commercial operation has not commenced and no revenue has ever been generated. Shanghai Pu-Xing is also exploring other potential wind power project opportunities.

The Directors consider that there is clear business delineation and that there is no direct competition between Shanghai Pu-Xing and the Group. Power generation is a highly regulated industry in China where the establishment of power plants, the choice of location for new plants, the choice of technology and fuel type, and the power grid to which a power plant sells its power are all highly regulated by the PRC government. Typically, new power plants are approved by the government based on their estimation of future power demand of the subject region and the mix of power plants providing power to the power grid covering that particular region. The choice of fuel type and technology for a new plant in application is based on the country's overall strategic direction, the availability and supply of the relevant type of fuels, and the specific features of different types of power plants, with the view of maintaining a steady and efficient power system. As this happens, certain locations may be more appropriate for gas-fired power plants as opposed to wind power or plants using other technology or fuel type. Therefore, the Directors are of the view that competition for new projects exist only between power operators using the same technology or fuel source. Considering the Non-Competition Deed, the Directors are of the view that there should not be any direct competition between Shanghai Pu-Xing and the Group for new power projects in the future. Following the above, because the customer (the power grid to which a power plant sells its power) of a power plant is decided when the establishment of a plant is approved, the Directors are of the view that there should not be any direct competition between Shanghai Pu-Xing and the Group on customers. Also, the planned utilization hours allocated to and final volume of power to be dispatched by each power plant in the PRC is also determined by the PRC government, in consideration of a number of factors, inter alia, the nation's energy-related policies and initiatives and the expected supply and demand situation. Our Power Plants, categorized as gas-fired power generation units, were granted 3,500 planned utilization hours each year during the Track Record Period. Considering the way utilization hours of Our Power Plants are determined and the existence of an explicit guidance on the planned utilization hours issued by the PRC government, the Directors are of the view that there is no direct competition between Shanghai Pu-Xing and the Group on the sale of power.

Furthermore, the Group's business strategy is to develop natural gas based power generation business, including Our Power Plants and more technologically-advanced and environmentally-friendly gas-based power generation businesses such as cogeneration, tri-generation or CCHP power plants. The wind power project (which has not commenced operation) of Shanghai Pu-Xing, on the other hand, will not be gas-based and operate under a different power generation technology from the combined cycle gas combustion process used by Our Power Plants. The core equipments and fuel used in wind power plants are totally different from gas-fired power plants. As such, the Directors are of the view that there is no direct competition between Shanghai Pu-Xing and the Group over technology,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

equipment and fuel source. The Directors consider that it is appropriate for the Group to concentrate its resources and efforts on developing its existing and future businesses of various power generation methods using natural gas as the primary fuel source.

The board of Shanghai Pu-Xing composes of Mr. Chai, Mr. Ding Guang-Ping, a non-executive Director and another individual who has no management role in and is not an employee of the Group. Save for the aforesaid, Our Board and the senior management team do not serve any executive or management roles in Shanghai Pu-Xing. Mr. Chai and Mr. Ding Guang-Ping are not involved in the daily management of Shanghai Pu-Xing. Mr. Chai will spend the majority of his time and attention to supervise the overall business operation and formulate the overall business strategy of the Group. In the event that any transaction poses direct conflicts between the Group's operation and the operation of Shanghai Pu-Xing in future, Mr. Chai and Mr. Ding Guang-Ping will abstain from voting in the relevant resolution in the meeting of the Board.

DEED OF NON-COMPETITION UNDERTAKINGS

Mr. Lu, Mr. Chai, Amber International, DUOU and GDZ (collectively the "**Covenantors**"), have entered into a deed of non-competition undertakings ("**Non-Competition Deed**") in favor of our Company. Pursuant to the Non-Competition Deed, each of the Covenantors has unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries) that, as long as (i) the Shares are listed and traded on the Stock Exchange and (ii) the Covenantors and their associates are the controlling shareholder of the Company,

- (a) he/it will not, and will procure that his/its associates (except any members of the Group) would not, directly or indirectly, either on his/its own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or hold interests in or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is involved in the business of the Company as set out in this document and other natural gas power generation business of the Company from time to time (the "**Restricted Business**"); and
- (b) as long as he/it and his/its associates are beneficially interested in more than 50% of the equity interest in Shanghai Pu-Xing, he/it shall, and shall use his/its best endeavours to procure his/its associates shall, procure that Shanghai Pu-Xing shall not engage in gas-fired power generation business.

Such non-competition undertakings shall not restrict each of the Covenantors (or any of their respective associates other than the Group), either by itself or through any other person, from:

- (a) holding interests in the shares of a company which is listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by any of the Covenantors and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company which together with

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

his/its associates hold more shares in the Company than the Covenantors and their respective associates; or

- (b) holding directly or indirectly the interests in the Company.

Each of the Covenantors further undertakes that if he or it and/or his or its associates identify or receive any business investment or other business opportunities in relation to Restricted Business (the “**New Opportunities**”), he or it shall refer such New Opportunities to us first or procure that such New Opportunities be referred to us first on a timely basis and within seven days and shall give written notice to the Company of the New Opportunities identifying the target company (if relevant) and the nature of the New Opportunities and detailing all information reasonably necessary for us to consider whether to pursue the New Opportunities (including financial and operating information, details of any investment or acquisition costs and the contact details of the third party offering, proposing or presenting the New Opportunities to him or it).

The Company shall seek approval from the Directors, including independent non-executive Directors, who do not have a material interest in the New Opportunities (the “**Independent Board**”), as to whether to pursue or decline the New Opportunities and will inform the relevant Covenantor accordingly within 30 days of our receipt of the written notice referring to us the New Opportunities. The Independent Board will consider whether it is in our interest and that of our Shareholders as a whole to pursue the New Opportunities being offered, taking into account the valuation of such New Opportunities as may be determined by an independent third-party valuer appointed by us where necessary. In deciding whether or not to pursue the New Opportunities offered, the Independent Board will take into account, (a) the financial impact of pursuing the New Opportunities to our Group; (b) whether the nature of the New Opportunities are consistent with our Group’s strategies and development plans; (c) the general market conditions in the power generation industry; and (d) any advice from our independent financial advisor, should the appointment of which be deemed necessary by the Independent Board. The Independent Board will, on behalf of the Company, notify the relevant Covenantor of its decision reached in writing within the said 30-day period.

If we decline the New Opportunities referred, the relevant Covenantor shall be entitled to but shall not be obliged to pursue the New Opportunities, save and except where there is a material change in the terms and conditions of the New Opportunities pursued by such Covenantor, he or it shall offer the New Opportunities as so revised to us.

The obligations of the Covenantors under the Non-Competition Deed will cease on the earlier of the date on which (i) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares for any reason); or (ii) when they (or their associates) jointly entitled to exercise or control the exercise of less than 30% (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder) of the voting power at general meetings of the Company.

The Company will implement the following measures to ensure that the Non-Competition Deed is being observed:

- a. The Group will organize semi-annual working meetings with Mr. Lu and Mr. Chai to review their business portfolios and to enable the Company to consider whether there is any opportunity to operate Restricted Business which shall be offered to the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- b. The independent non-executive Directors will review, at least annually, the Covenantors' compliance with the non-competition undertakings and the Company will disclose findings of such review in the annual report of the Company or by way of announcement.
- c. The Independent Board may appoint an independent financial adviser to provide advice in the exercise/non-exercise of the first rights of refusal under the Non-Competition Deed.

The Covenantors have unconditionally and irrevocably undertaken with the Company that they will:

- (i) provide and use reasonable endeavours to procure the provision to our Company such other information as may be necessary for us to consider properly whether any business constitutes Restricted Business or whether to take up any new opportunity;
- (ii) provide all necessary information for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Deed;
- (iii) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our auditors to have access to their financial and corporate records as may be necessary for us to determine whether the non-competition undertakings have been complied with by the Covenantors and their associates; and
- (iv) make an annual declaration on compliance with the Non-Competition Deed for inclusion in the Company's annual report whether they and their associates have complied with the Non-Competition Deed.

The undertakings contained in the Non-Competition Deed are conditional upon (a) [●]; and (b) [●].

The Directors and the Controlling Shareholders have confirmed that they do not have any interest in business apart from the Group's business (if any) which competes or is likely to compete, directly or indirectly with the Group's business.

INDEPENDENCE OF THE GROUP

The Directors are satisfied that the Group is capable of carrying on its business independently from the Controlling Shareholders after the [●]. This conclusion is based on, among others, the following:

Operational independence

We conduct our business independently from our Controlling Shareholders. Our Group has the personnel and capabilities to handle all operational functions including power generation, procurement, safety control, finance and accounting, human resources and information technology.

There is no sharing of property, plant and equipment between the Group and the Controlling Shareholders. We do not share any of our employees with the Controlling Shareholders or their affiliates.

Our Power Plants are wholly fuelled by natural gas and we sourced the gas from Zhejiang Gas Company, an Independent Third Party from the Controlling Shareholders or their affiliates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our Board and the senior management team, except Mr. Chai and Mr. Ding Guang-Ping who are directors of Shanghai Pu-Xing, do not serve any executive or management roles in Shanghai Pu-Xing. Starting from 30 June 2008, Mr. Chai is primarily responsible for attending directors' meetings, approving annual budgets and plans and participating in strategic decision of Shanghai Pu-Xing. Mr. Chai is not involved in the daily management of Shanghai Pu-Xing. Mr. Chai will spend the majority of his time and attention to supervise the overall business operation and formulate the overall business strategy of the Group. Mr. Ding Guang-Ping was appointed the chairman of the board of Shanghai Pu-Xing in [December] 2008. Mr. Ding is not involved in the daily management of Shanghai Pu-Xing. Further, all major decisions will be made by our Board of Directors as a whole, including the independent non-executive Directors. Our daily operations will be managed by the senior management team, in which all members are independent from Shanghai Pu-Xing.

The Directors are of the view that there is no potential competition between the Group and Shanghai Pu-Xing. In the event that any transaction poses direct conflicts between the Group's operation and the operation of Shanghai Pu-Xing, Mr. Chai and Mr. Ding Guang-Ping will abstain from voting in the relevant resolution in the meeting of the Board. In light of the above, we are of the view that we will be able to operate independently of Shanghai Pu-Xing.

Financial independence

The Group has an independent financial system and makes financial decisions according to the Group's own business needs.

During the Track Record Period, the Controlling Shareholders, through entities either controlled or partly-owned by them, had provided loans to the Group and bank guarantee to secure bank loans of the Group. As at 31 December 2008, all such bank guarantees had been fully released. [As at the Latest Practicable Date, all such loans had been fully settled].

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. The Group has its own finance department and has established its own financial reporting system independent of the Controlling Shareholders. The Group has its own bank account, makes its own tax registrations and has employed a sufficient number of dedicated financial accounting personnel.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board of Directors consists of seven Directors including two executive Directors, two non-executive Director and three independent non-executive Directors. We have entered into service contracts with each of our executive Directors.

Executive Directors

Mr. Chai Wei (柴偉), aged 38, is the President, an executive Director and Chief Executive Officer of the Company. Mr. Chai is a co-founder of the Group and a substantial shareholder of the Company. He is responsible for the overall business strategy and corporate development of the Group, sourcing and development of new projects and maintaining the relationship between the Group and the local government authorities in which the Group's power plants are located. Mr. Chai is also a director of each of the Intermediate Hong Kong Companies and De-Neng Power Plant. Mr. Chai has over 16 years of experience in corporate development and management in a variety of sectors, including energy and public media. Prior to joining the Group, Mr. Chai worked in public media industries. Mr. Chai was the founder of Zhejiang King Island Limited (浙江金島廣告有限公司) and Zhejiang Expressway Advertising Co. (浙江高速廣告公司). He was a director and general manager of Zhejiang King Island Limited (浙江金島廣告有限公司) during the period from 1992 to 2003 and was the vice-chairman and general manager of Zhejiang Expressway Advertising Co. (浙江高速廣告公司) during the period from 1998 to 2003. Mr. Chai has been responsible for the overall management of Our Power Plants since 2005. Mr. Chai has been a director of Shanghai Pu-Xing since 2002 and was the general manager of Shanghai Pu-Xing during the period from 2002 to [December] 2008 (please refer to page [74] of the document for information on the relationship between the Company and Shanghai Pu-Xing). He is currently the [Vice President] of China Energy Association deputy director of the editors committee of 《Zhejiang Economic》 Magazine (浙江經濟雜誌編委會), and member of the 《China Natural Gas Industry》 Magazine council (《中國天然氣工業》雜誌理事會). Mr. Chai graduated from Zhejiang Art and Craft School (浙江省工藝美術學校) majoring in industrial design.

Mr. Chai has entered into a service contract with the Company for a term of three years commencing on [●]. Mr. Chai is entitled to a director's fee of [●] [per annum] and [a discretionary year end bonus].

Mr. Hu Xian-Wei (胡先偉), aged 31, is an executive Director, Chief Financial Officer and Vice President of the Company, responsible for the financial management, treasury, budgeting and financial reporting matters of the Group. Mr. Hu joined the Group in May 2005. He has over 12 years' experience in the field of auditing, accounting and financial management. Mr. Hu is also a director of De-Neng Power Plant, Blue Sky Power Plant and Jing-Xing Power Plant. As a director of Our Power Plants, Mr. Hu has been involved in the management of Our Power Plants and is therefore experienced in the operations of Our Power Plants. Prior to joining the Group, Mr. Hu had worked for Wan Xiang Qian Chao Co., Ltd. (萬向錢潮股份有限公司), Wanxiang Finance and Zhejiang Hangmin Co. Ltd (浙江省航民股份有限公司), a company listed on Shanghai Stock Exchange, as the person in charge of finance and accounting matters]. He graduated from Southwest University of Science and Technology in 2005, majoring in accounting. He is a certified accountant, economist and certified tax advisor in the PRC.

Mr. Hu has entered into a service contract with the Company for a term of three years commencing on [●]. Mr. Hu is entitled to a director's fee of [●] [per annum] and [a discretionary year end bonus].

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

Mr. Ding Guang-Ping (丁光平), aged 51, a non-executive Director of the Company and the Chairman of the Board. Mr. Ding was appointed a Director on 21 March 2009. Mr. Ding has over 10 years of experience in corporate management and had worked for the government for over 10 years. Prior to joining the Group in [March 2009], Mr. Ding was the head of the Urumqi Commission for Economic System Restructuring Production Department (烏魯木齊體改委生產處) during the period from July 1989 to March 1994 and was the deputy director of the Urumqi Economic Commission (烏魯木齊經濟委員會) and chief of the Urumqi Bureau of Exploration & Development of Geology & Mineral Resources (烏魯木齊地礦局) during the period from April 1994 to 1999. He was the chairman of SDIC Xinjiang Luobupo Potash Co., Ltd (國投新疆羅布泊鉀鹽有限公司) during the period from 2000 to 2001 and was the chief executive of Xinjiang D'Long International Strategic Investment Company (新疆德隆國際戰略投資有限公司) during the period from 2001 to 2004. Mr. Ding has been the managing president of Wanxiang Holding since 2005 and is responsible for the overall management of the company. He has been a director of Shanghai Pu-Xing since [December] 2008. Mr. Ding graduated from Xi'an University of Science & Technology (西安礦業學院) in 1989 with a Bachelor's degree in Engineering, majoring in industrial electric automation, and completed his post-graduate study in political economics in 1999. Mr. Ding is nominated to the Board by Mr. Lu, a Controlling Shareholder of the Company.

Mr. Ding has entered into a service contract with the Company for a term of three years commencing [●]. Mr. Ding is entitled to a director's fee of [●] [per annum] and [a discretionary year end bonus].

Mr. Feng Li-Min (馮立民), aged 47, a non-executive Director of the Company. Mr. Feng joined this Group when he was appointed a Director on 21 March 2009. Mr. Feng has over 20 years of experience in banking and corporate finance. Mr. Feng has been the vice-president of Wanxiang Holding since 2005. He was a director of Shanghai Pu-Xing from February 2007 until [December] 2008. He had worked for Woncore Communications Co., Ltd from 2001 to 2004 as vice-president and chief financial officer. Prior to that, he worked for Bank of China [during the period from 1983 to 1990 and for P&O Steam Navigation from 1993 to 2000]. Mr. Feng graduated from University of International Relations (國際關係學院) in 1983 with a BA Degree in English literature and international relations. Mr. Feng is nominated to the Board by Mr. Lu, a Controlling Shareholder of the Company.

Mr. Feng has entered into a service contract with the Company for a term of three years commencing [●]. Mr. Feng is entitled to a director's fee of [●] [per annum] and [a discretionary year end bonus].

Independent Non-executive Directors

Mr. Zhang Shou Lin (張守林), aged 49, an independent non-executive Director of the Company. Mr. Zhang was appointed a Director on 25 May 2009. Mr. Zhang is currently the Managing Director of Barclays Capital. He has over [10] years of experience in corporate finance and investment. Mr. Zhang had worked for Securicor Asia Management Limited as Managing Director. Mr. Zhang holds a Master Degree in Business Administration from Harvard University and a Bachelor's Degree in Engineering from The University of Queensland.

[Mr. Zhang has entered into a [letter of engagement] with the Company for a term of three years commencing on [●]. Mr. Zhang is entitled to a director's fee of [●] [per annum].

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tse Chi Man (謝志文), aged 55, an independent non-executive Director of the Company. Mr. Tse was appointed a Director on 25 May 2009. Mr. Tse has over 20 years of experience in finance and business development management. Prior to joining the Group, Mr. Tse held various position in a number of organizations including Chase Manhattan Asia Limited as a director, Inchcape Pacific Limited as mergers and acquisitions director, Lerado Group Holdings Limited as executive director and Dresdner Kleinwort Benson China Limited as managing director. Mr. Tse had worked for Imagi International Holdings Limited, a company listed on the Stock Exchange, from 1999 to 2008 where he served as a director since 2004 and chief financial officer since 2007 overseeing the company's accounting and finance, administration and human resources functions. Mr. Tse was also a member of the Vocational Training Council Design Institute Advisory Board. Mr. Tse holds a Bachelor's Degree and a Master Degree in Business Administration, both from the University of Texas, Arlington.

[Mr. Tse has entered into a [letter of engagement] with the Company for a term of three years commencing on [●]. Mr. Tse is entitled to a director's fee of [●] [per annum].

Mr. Yao Xian Guo (姚先國), aged 56, an independent non-executive Director of the Company. Mr. Yao was appointed a Director on 25 May 2009. Mr. Yao is the dean, professor and tutor for doctoral degree students of the [Public Management Faculty] of Zhe Jiang University. He is also a judge of the National Natural Science Foundation Committee Management Science Department (國家自然科學基金委員會管理科學部), vice-chairman of the China Industrial Economic Association (中國工業經濟學會), member of the Zhejiang Government Advisory Council (浙江省政府諮詢委員會) and the chairman of the Zhejiang Public Administration Study Committee (浙江省公共管理學會). Mr. Yao holds a Master Degree in Economics from Fudan University. Mr. Yao is currently an independent non-executive director of Xinhua Zhongbao Co., Ltd. and Zhejiang Southeast Electric Power Company Limited, both are companies listed on Shanghai Stock Exchange, and Zhejiang Hailiang Co., Ltd., a company listed on Shenzhen Stock Exchange. Mr. Yao also served as independent non-executive directors in Zhejiang Guangsha Co., Ltd. and Zhejiang Xinhua Venture Investment Co., Ltd., both are companies listed on Shanghai Stock Exchange, and Ningbo Tech-Bank Co., Ltd., a company listed on Shenzhen Stock Exchange.

[Mr. Yao has entered into a [letter of engagement] with the Company for a term of three years commencing on [●]. Mr. Yao is entitled to a director's fee of [●] [per annum].

Save as disclosed, each of the Directors confirms with respect to him that: (i) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; (iii) he does not hold any positions in the Company or other members of the Group; (iv) he does not have any interests in the Shares within the meaning of Part XV of SFO; (v) there is no other information that should be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v); and (vi) there are no other matters that need to be brought to the attention of holders of securities of the Company.

SENIOR MANAGEMENT

Mr. Shen Jian Ping (沈建平), aged 55, is the Vice President of the Company and a director of De-Neng Power Plant and Blue Sky Power Plant. Mr. Shen joined the Group in [July 2004]. Mr. Shen

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

is responsible for the strategic planning and overall management of the Group. He has over 35 years' experience in the power industry. [Mr. Shen had worked at Hang Zhou Thermal Power Plant (杭州熱電廠) as deputy factory manager and at Hang Zhou Zie Lian Thermoelectricity Co., Ltd. (杭州協聯熱電有限公司) as general manager.] He is the Visiting Professor of Wuhan Electric Power Technical College (武漢電力職業技術學院) since 2006 and a member of the Zhejiang Engineering Thermophysics Committee (浙江省工程熱物理學會) since 1995. He graduated from Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in 2000, majoring in economics; and Zhejiang University (浙江大學) in 2000 majoring in Thermal energy and power engineering.

Mr. Zheng Xiao Dong (鄭小東), aged 37, is the Vice President of the Company and a director of Blue Sky Power Plant and Jing-Xing Power Plant. Mr. Zheng joined the Group in [December 2004]. Mr. Zheng is responsible for investment and infrastructure management of the Group. He has over 13 years' experience in the power industry. Before joining the Company, he worked as the Deputy Chief Engineer at Jiang Su Dong Tai Thermal Power Plant (江蘇東台熱電廠). He graduated from Hohai University (河海大學) in 2003, majoring in electrical engineering and automation.

Mr. Chen Huai Zhong (陳懷忠), aged 40, is the Vice President of the Company. Mr. Chen joined to Group in [October 2007]. Mr. Chen is responsible for production and technology management of the Group. He has over 19 years' experience in the power industry. Before joining the Group, he worked as the General Manager of Senda Jianhu Thermal Power Co., Ltd. (森達建湖熱電有限公司). He graduated from Nanjing Aviation Institute (南京航空學院) in 1990, majoring in thermal energy and power engineering. Mr. Chen qualified as a senior engineer in 2003.

COMPANY SECRETARY

Mr. Lai Chun Yu (黎振宇), aged 32, is the company secretary of the Company. Mr. Lai joined the Group in May 2009. Mr. Lai is ordinarily resident in Hong Kong and is employed by the Company on full-time basis pursuant to Rule 8.17 of the Listing Rules. Mr. Lai is responsible for the overall secretarial matters of the Company. Prior to joining the Group, Mr. Lai was the qualified accountant and company secretary of a PRC-based computer-aided software solution provider and was an associate director of Financial PR HK Limited. Prior to that, he worked at Qin Jia Yuan Media Services Company Limited, a company listed on the Stock Exchange, as the financial controller during the period from July 2006 to June 2007 and as accounting manager during the period from August 2005 to June 2006. Mr. Lai obtained a bachelor's degree in business from Queensland University of Technology in August 1999. Mr. Lai is a member of CPA Australia since 2002 and a member of Hong Kong Institute of Certified Public Accountants since 2004.

MANAGEMENT CONTINUITY

Pursuant to Rule 8.05(1)(b) of the Listing Rules, we are required to demonstrate management continuity for at least three preceding financial years.

The core management team of the Group during the Track Record Period comprised five members including two executive Directors, namely Mr. Chai and Mr. Hu Xian Wei and three other senior management members, namely Mr. Shen Jian Ping, Mr. Zheng Xiao Dong and Mr. Chen Huai Zhong. The management responsibilities of the Group has always been vested in Mr. Chai and the core management team throughout the Track Record Period and up to the time of [●]. Among the five members of the core management team, Mr. Chai, starting from the establishment of each of our Power

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Plants and throughout the Track Record Period, has been the person-in-charge responsible for the overall management of the Group as assisted by the core management team in discharging financial, strategic development, investment and technological functions of the Group. Throughout the Track Record Period, all except one of the members of the core management team sat on the boards of Our Power Plants. At the same time, the directors of Our Power Plants reported and were accountable to Mr. Chai and the core management team. The Directors confirmed that all five members of the core management team have been actively involved in day-to-day operations of the Group and four members of the core management team most relevant to the results of the Group during the Track Record Period joined the Group before the beginning of the Track Record Period. Accordingly, the Directors are of the view that the three-year management continuity requirement pursuant to Rule 8.05(1)(b) of the Listing Rules is fulfilled.

EMPLOYEES

As at the Latest Practicable Date, we had a total of [237] full-time employees. The following table shows a breakdown of employees of the Company by function as at that date:

	<u>No. of Employees</u>
Senior Management	[10]
Strategic Investment	[3]
Finance, Accounting and Administration	[25]
Technology and Engineering	[32]
Operation and Others	[167]
Total	<u>[237]</u>

THE COMPANY'S RELATIONSHIP WITH EMPLOYEES

The Company recognizes the importance of maintaining good relationships with its employees. The remuneration payable to the employees includes salaries and allowances. The Company continues to provide training for its staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

The Company has not experienced any significant problems with its employees or disruption to its operations due to labor disputes, nor has it experienced any difficulties in recruitment and retention of experienced staff. The Directors believe that the Company has a good working relationship with its employees.

AUDIT COMMITTEE

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee will be to make recommendation to the Board on the appointment of and removal of auditors, to review and supervise our financial reporting process and internal control system and provide advice and comments to the Board. The audit committee is also empowered to review and report to the Board on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The audit committee consists of four members, namely Mr. Zhang Shou Lin, Mr. Tse Chi Man and Mr. Yao Xianguo, our independent non-executive Directors and Mr. Feng Li Min, our non-executive Director. The chairman of the audit committee is Mr. Tse Chi Man.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION COMMITTEE

We have set up a remuneration committee which consists of three members, namely Mr. Zhang Shou Lin and Mr. Yao Xiangua, our independent non-executive Directors and Mr. Ding Guang Ping, our non-executive Director. The chairman of the committee is Mr. Zhang Shou Lin, an independent non-executive Director. The Remuneration Committee considers and recommends to our Board of Directors the remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The remuneration of all the Directors and the senior management is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to the operations of the Company. The executive Directors are also employees of the Company and receive, in their capacity as employees of the Company, certain compensation.

Prior to the [●], the remuneration policy of the Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. Remuneration package typically comprises salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company.

Upon and after [●], the remuneration package of the executive Directors and the senior management will be linked more to the performance of the Group and the return to its Shareholders. The remuneration committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The employee costs of the Group (including Directors' and senior management's emoluments) in 2006, 2007, 2008 were approximately RMB8,771,000, RMB18,235,000 and RMB10,705,000 respectively.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended 31 December 2006, 2007 and 2008 was approximately RMB1,863,000, RMB3,159,000 and RMB1,005,000 respectively. Approximately RMB53,000, RMB58,000 and RMB90,000 was paid by the Company as contribution to the pension schemes in respect of such individuals in the three years ended 31 December 2006, 2007, 2008 respectively.

The aggregate amount of salaries, bonuses and contributions to pension schemes we paid to the relevant Directors in respect of each of the three financial years ended 31 December 2008 were approximately RMB1,002,000, RMB1,609,000 and RMB531,000 respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 6 of section C to the Accountants' Report as set out in Appendix I to this document.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2006, 2007 and 2008, by the Company or any of the subsidiaries to or on behalf of any of the Directors.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Welfare contributions

We confirm that we comply in all material respects with all statutory social insurance and housing accumulation fund obligations applicable to us under PRC laws. In accordance with applicable PRC laws and regulations on social insurance, we contribute to various social insurance plans such as pension contribution plans, medical insurance plans, work-related injury insurance plans and unemployment insurance plans for our employees in the PRC. With respect to our non-PRC employees, we also comply with all statutory insurance obligations applicable to us under the laws of the respective jurisdictions.

The amount of retirement benefit contributions we made for the financial years ended 31 December 2006, 2007 and 2008 amounted to approximately RMB492,000, RMB660,000 and RMB682,000, respectively.

COMPLIANCE ADVISER

[●]

SHARE CAPITAL

Ranking

The Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this document save for the entitlement under the [●].

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in [●], our Directors have been granted a general mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the total nominal amount of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the [●], immediately following completion of the [●] and the [●]; and
2. the total amount of the share capital of our Company repurchased by us (if any) pursuant to the authority referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

Our Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements.

This general mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting; or
- (iii) when it is varied or revoked by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further details of this general mandate, please see the section headed "Statutory and General Information — Written resolutions of the sole shareholder of the Company passed on [●]" in Appendix VI to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in [●], the Directors have been granted a general mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company immediately following the completion of, the [●] and the [●] (excluding Shares which may to be issued pursuant to the exercise of the Over-allocation Option).

This mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase by the Company of its own Securities" in Appendix VI to this document.

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SHARE CAPITAL

This general mandate will expire:

- (i) at the conclusions of the Company's next annual general meeting; or
- (ii) upon the expiry of the period within which the Company is required by any applicable laws of the Cayman Islands or its Articles to hold its next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further information about this general mandate, see the section headed "Statutory and General Information — Written resolutions of the sole shareholder of the Company passed on [●]" in Appendix VI to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [●] and the [●] (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allocation Option, each of the following persons (not being a Director or chief executive of the Company), will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature Of interests	Total number of Shares (Note 1)	approximate percentage of shareholding
Amber International	Beneficial interest	[300,000,000] (L)	75.0%
GDZ (Note 2)	Interest in a controlled corporation	[300,000,000] (L)	75.0%
Mr. Lu (Note 2)	Interest in a controlled corporation	[300,000,000] (L)	75.0%
Mrs. Lu (Note 3)	Interest of spouse	[300,000,000] (L)	75.0%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Share.
- (2) These Shares are held by Amber International, which is owned as to 90% by GDZ, which in turn is wholly-owned by Mr. Lu. Therefore, GDZ and Mr. Lu are deemed to be interested in these Shares. The remaining 10% of Amber International is owned by DUOU, which in turn is wholly-owned by Mr. Chai, a Director.
- (3) Mrs. Lu is the spouse of Mr. Lu and is therefore deemed to be interested in the said Shares in which Mr. Lu is deemed to be interested.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the [●] and the [●] have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

FINANCIAL INFORMATION

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 document ("Combined Financial Information"). The Combined Financial Information are presented as if [the Company had been our parent company 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 document.

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 Company had been our parent company 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

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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 aggregate 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).

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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	555.6	602.6
	(Note 1)		

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 Company. Our Power Plants submit daily power dispatch plan to Zhejiang Electric Power Corporation and Huzhou Electric Power Company 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 gas consumed

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 gas consumed, 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 for more details.

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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	1.51	1.51	1.64

Note:

(1) 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),

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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 45% 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 document. 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

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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 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 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 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.

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The estimated useful lives and expected production volume for the current and comparative periods 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 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 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 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.

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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 document.

	Year ended 31 December					
	2006		2007		2008	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Turnover	415,790	100	645,191	100	424,072	100
Operating expenses						
Fuel consumption	(304,896)	(73)	(425,845)	(66)	(290,047)	(68)
Depreciation and amortization	(37,996)	(9)	(52,444)	(8)	(38,467)	(9)
Repairs and maintenance	(1,898)	(1)	(2,645)	(0)	(2,184)	(0)
Personnel costs	(8,771)	(2)	(18,235)	(3)	(10,705)	(3)
Administrative expenses	(9,915)	(2)	(11,088)	(2)	(11,233)	(3)
Sales related taxes	(498)	(0)	(1,073)	(0)	(671)	(0)
Other operating expenses	(2,114)	(1)	(2,831)	(0)	(2,436)	(1)
Operating profit	49,702	12	131,030	21	68,329	16
Finance income	1,411	0	2,506	0	4,200	1
Finance expense	(38,256)	(9)	(52,229)	(8)	(51,045)	(12)
Net finance costs	(36,845)	(9)	(49,723)	(8)	(46,845)	(11)
Other net income	300	0	4,978	1	17,086	4
Profit before tax	13,157	3	86,285	14	38,570	9
Income tax	—	0	—	0	—	0
Profit for the year	13,157	3	86,285	14	38,570	9
Attributable to :						
Equity holders of the Company	6,310	1	58,445	9	33,445	8
Minority interests	6,847	2	27,840	5	5,125	1
Profit for the year	13,157	3	86,285	14	38,570	9

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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		
	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	<u>415,790</u>	<u>645,191</u>	<u>424,072</u>

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 such as 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 due to the slow down in growth of PRC and Zhejiang economy which in turn led to the slow down in growth of electricity demand in Zhejiang. The supply of natural gas to the Group has gradually resumed to normal level from October 2008.

Fuel consumption

Natural gas is the primary source of fuel for Our Power Plants. The cost of gas consumed remains consistently the most significant portion of our operating expenses. The cost of gas consumed 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 shortage of gas in Zhejiang province which the Directors believe was in turn primarily affected by natural gas reserved in priority for Beijing and other Olympic co-host cities to cope with the increased demand in relation to the hosting of the 2008 Olympic Games in the third quarter of 2008.

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

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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	545	662	200
	<u>9,915</u>	<u>11,088</u>	<u>11,233</u>

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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.

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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 such as 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 last quarter 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 gas consumed 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 shortage of natural gas supplied to Zhejiang province in the third quarter of 2008 which the Directors believe was in turn affected by hosting of the 2008 Beijing Olympic Games. Volume of gas consumed (2008: 174.4 million m³; 2007: 281.4 million m³) 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 gas consumed 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 m³ (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.

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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 in the third quarter of 2008.

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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 RMB42.8 to RMB555.6, which also contributed to the increased turnover of the Group.

Fuel consumption

Our cost of gas consumed 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 m³; 2006: 201.5 million m³) 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 gas consumed 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 RMB42.8 from RMB512.8 during 2006 to RMB555.6 during 2007, while the unit cost of natural gas remaining stable at RMB1.51 per m³ (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

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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.

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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 [●].

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	
	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
	<u>196,316</u>	<u>212,276</u>	<u>228,956</u>	<u>362,537</u>
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	—	—
	<u>363,454</u>	<u>330,472</u>	<u>348,619</u>	<u>451,041</u>
Net current liabilities	<u>(167,138)</u>	<u>(118,196)</u>	<u>(119,663)</u>	<u>(88,504)</u>

We had net current liabilities of RMB167.1 million, RMB118.2 million, RMB119.7 million and [88.5] 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.

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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 (used in)/generated from 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 depreciation and amortisation of approximately RMB77.0 million in 2008, which was consistent with

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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 Company, 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/period and then multiplied by 365 days/the number of days in the period generating the turnover

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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 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 Plant 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	<u>8,749</u>	<u>12,911</u>	<u>26,362</u>

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 [●].

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

FINANCIAL INFORMATION

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	<u>47,431</u>	<u>90,960</u>	<u>96,696</u>

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	<u>73,438</u>	<u>38,080</u>	<u>18,125</u>

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 such balances will be fully settled before the [●].

FINANCIAL INFORMATION

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	—	—	—
	<u>1,785</u>	<u>6,163</u>	<u>13,631</u>

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
	2006	2007	2008	30 April
	RMB'000	RMB'000	RMB'000	2009
				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
	<u>218,255</u>	<u>170,760</u>	<u>219,000</u>	<u>239,000</u>
Non-current				
Secured bank loans	30,000	162,000	264,500	264,500
Unsecured bank loans	435,000	198,000	35,500	35,500
	<u>465,000</u>	<u>360,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>683,255</u>	<u>530,760</u>	<u>519,000</u>	<u>539,000</u>

FINANCIAL INFORMATION

- (i) The secured bank and other loans 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
	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 loans as at 30 April 2007 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
	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 RMB[278] million, consisting of utilized banking facilities of approximately RMB[207] million and unutilized banking facilities of approximately RMB[71] 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 and [such loans have been fully settled as at the Latest Practicable Date].

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.

FINANCIAL INFORMATION

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 [●], the Group has sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.]

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 III to this document 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:

	<u>(RMB'000)</u>
Net book value of property interests ⁽¹⁾ of the Group as at 31 December 2008 as set out in Appendix I	
Buildings	70,746
Prepaid lease payments	<u>29,548</u>
Movements for the period from 31 December 2008 to 30 April 2009	
Add: addition during the period (unaudited)	2,592
Less: depreciation provide during the period (unaudited)	(1,059)
Less: amortization provide during the period (unaudited)	<u>(261)</u>
Net book value as at 30 April 2009 (unaudited)	101,566
Valuation surplus (unaudited)	<u>16,142</u>
Valuation of properties ⁽¹⁾ as at 30 April 2009 (unaudited)	<u><u>117,708</u></u>

Notes:

1. For the purpose of this reconciliation, properties without proper title certificates are excluded.

FINANCIAL INFORMATION

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

The unaudited pro forma 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 [●] 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 RMB[] million
(HK\$[] million)

Unaudited pro forma forecast earnings per Share for the year ending
31 December 2009 (*Note 2*) not less than RMB[]
(equivalent to HK\$[])

Notes:

1. *The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this document.*

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 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 200,000,000 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 HK\$[] to RMB1.00.*

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.

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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".

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 document.

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 has not declared or paid any dividends since its incorporation. However, our subsidiaries declared dividends to their then shareholders in 2008 and 2009 in the aggregate amount of approximately RMB95 million, of which RMB74 million has been paid. 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. However, the Directors [do not expect] to declare any dividend for the year ending 31 December 2009.

FINANCIAL INFORMATION

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			Four months ended 30 April 2009
	2006	2007	2008	
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 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 due to the economic turmoil during the second half of the financial year ended 31 December 2008. 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 such as 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 small extent attributable to the global financial crisis in the last quarter of 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 in late 2008 and 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.

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FINANCIAL INFORMATION

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 document, 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.

FUTURE PLANS

FUTURE PLANS

Our goal is to become a leading gas-fired power provider in Zhejiang province and a leading environmentally-friendly energy enterprise in China in the longer term. We have significant experience in developing, managing and operating gas-fired power plants. We intend to leverage our existing core strength in gas-fired power generation business to develop and operate gas-fired cogeneration plants and trigeneration or CCHP projects. Our strategy includes reinforce developing new plants ourselves and seeking strategic acquisition opportunities. In particular, we will pursue the following:

- Continue to manage Our Power Plants effectively and efficiently
- Expand or upgrade Our Power Plants
- Engage in more sophisticated gas-based power provision businesses such as cogeneration and trigeneration or CCHP power generation which are efficient and environmentally-friendly
- Increase our market share through investing in new projects and making acquisitions

APPENDIX I

ACCOUNTANTS' REPORT



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

[●]

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 document of the Company dated [●] (the "Document").

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 completed in June 2009 (the "Reorganization") as detailed in "History, Corporate Reorganization and Group Structure" in the Document, 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.

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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:

<u>Name of company</u>	<u>Financial period</u>	<u>Statutory auditors (Note 1)</u>
Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd. ("Blue Sky Power Plant")	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")	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")	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

APPENDIX I

ACCOUNTANTS' REPORT

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.

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ACCOUNTANTS' REPORT

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%		HKD[10,001]/ HKD20,000	Investment holding
Amber Jingxing	15(f)	Hong Kong 26 June 2008	100%		HKD[10,001]/ HKD20,000	Investment holding
Amber Deneng	15(f)	Hong Kong 26 June 2008	100%		HKD[—]/ 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.

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ACCOUNTANTS' REPORT

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 attributable to the year				
Dividends declared during the year	8	—	—	42,272
Earnings per share				
Basic earnings per share (RMB)	9	0.02	0.19	0.11

The accompanying notes form part of this Financial Information.

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ACCOUNTANTS' REPORT

2 Combined balance sheets

	Section Note	Year ended 31 December		
		2006 RMB'000	2007 RMB'000	2008 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
		<u>1,012,958</u>	<u>932,753</u>	<u>901,323</u>
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
		<u>196,316</u>	<u>212,276</u>	<u>228,956</u>
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	—
		<u>363,454</u>	<u>330,472</u>	<u>348,619</u>
Net current liabilities		<u>(167,138)</u>	<u>(118,196)</u>	<u>(119,663)</u>
Total assets less current liabilities		<u>845,820</u>	<u>814,557</u>	<u>781,660</u>
Non-current liabilities				
Interest-bearing borrowings	17	465,000	360,000	300,000
Long-term payables	20	34,350	31,741	28,884
		<u>499,350</u>	<u>391,741</u>	<u>328,884</u>
Net assets		<u>346,470</u>	<u>422,816</u>	<u>452,776</u>
Equity attributable to equity holders of the Company		212,223	283,546	361,510
Minority interests		134,247	139,270	91,266
Total equity		<u>346,470</u>	<u>422,816</u>	<u>452,776</u>

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3 Combined statements of changes in equity

Attributable to equity holders of the Company							
	Notes	Paid-in capital	Statutory surplus reserve	(Accumulated loss)/Retained earnings	Subtotal	Minority interests	Total equity
		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		<u>210,498</u>	<u>2,265</u>	<u>(540)</u>	<u>212,223</u>	<u>134,247</u>	<u>346,470</u>
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		<u>222,583</u>	<u>13,231</u>	<u>47,732</u>	<u>283,546</u>	<u>139,270</u>	<u>422,816</u>
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		<u>306,883</u>	<u>17,238</u>	<u>37,389</u>	<u>361,510</u>	<u>91,266</u>	<u>452,776</u>

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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

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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 not yet effective for the accounting periods beginning on or after 1 January 2008 are set out in note 1(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 assuming the Group will continue to operate throughout the next twelve months as a going concern, notwithstanding the Group's net current liabilities of RMB 119,663,000 as at 31 December 2008. The directors are of the opinion that, based on a detailed review of the cash flow forecast of the Group for the period ending 30 September 2010, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

(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.

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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.

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(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

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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.

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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.

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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.

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(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.

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(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.

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(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.

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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.

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(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	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

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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

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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.

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- (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).

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6 Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2006					
Name of directors	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit schemes	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Mr. Chai Wei	—	660	21	—	681
Mr. Hu Xianwei	—	300	21	—	321
<i>Non-executive directors</i>					
Mr. Feng Limin	—	—	—	—	—
Mr. Ding Guangping	—	—	—	—	—
<i>Independent non-executive directors</i>					
Mr. Zhang Shoulin	—	—	—	—	—
Mr. TSE Chi Man	—	—	—	—	—
Mr. Yao Xianguo	—	—	—	—	—
	—	960	42	—	1,002
	==	==	==	==	==
Year ended 31 December 2007					
Name of directors	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit schemes	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Mr. Chai Wei	—	660	23	355	1,038
Mr. Hu Xianwei	—	300	23	248	571
<i>Non-executive directors</i>					
Mr. Feng Limin	—	—	—	—	—
Mr. Ding Guangping	—	—	—	—	—
<i>Independent non-executive directors</i>					
Mr. Zhang Shoulin	—	—	—	—	—
Mr. TSE Chi Man	—	—	—	—	—
Mr. Yao Xianguo	—	—	—	—	—
	—	960	46	603	1,609
	==	==	==	==	==

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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
	RMB'000	RMB'000	RMB'000
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.

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8 Dividends

Pursuant to the resolutions passed at the board of directors' meetings of Blue Sky Power Plant and Jing-Xing Power Plant held on 5 January 2008 and 8 January 2008, respectively, dividends (excluding dividends to minority shareholders) of RMB30,040,000 and RMB12,232,000 were declared to the then respective shareholders for the year ended 31 December 2007. 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 Document and 299,999,996 shares to be issued pursuant to the capitalisation issue as detailed in the Section A, paragraph 3 "Written resolutions of the sole shareholder of the Company passed on [●]" set out in Appendix VI to the Document, 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.

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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	<u>94,599</u>	<u>744,213</u>	<u>169,469</u>	<u>10,319</u>	<u>—</u>	<u>1,018,600</u>
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	<u>95,009</u>	<u>714,235</u>	<u>169,666</u>	<u>11,714</u>	<u>211</u>	<u>990,835</u>
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	<u>96,225</u>	<u>716,341</u>	<u>171,596</u>	<u>12,270</u>	<u>1,440</u>	<u>997,872</u>
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	<u>(2,333)</u>	<u>(27,713)</u>	<u>(7,872)</u>	<u>(1,108)</u>	<u>—</u>	<u>(39,026)</u>
Charge for the year	<u>(3,566)</u>	<u>(35,566)</u>	<u>(10,638)</u>	<u>(1,844)</u>	<u>—</u>	<u>(51,614)</u>
At 31 December 2007	<u>(5,899)</u>	<u>(63,279)</u>	<u>(18,510)</u>	<u>(2,952)</u>	<u>—</u>	<u>(90,640)</u>
Charge for the year	<u>(3,651)</u>	<u>(21,158)</u>	<u>(10,719)</u>	<u>(2,108)</u>	<u>—</u>	<u>(37,636)</u>
At 31 December 2008	<u>(9,550)</u>	<u>(84,437)</u>	<u>(29,229)</u>	<u>(5,060)</u>	<u>—</u>	<u>(128,276)</u>
Carrying amounts						
At 31 December 2006	<u>92,266</u>	<u>716,500</u>	<u>161,597</u>	<u>9,211</u>	<u>—</u>	<u>979,574</u>
At 31 December 2007	<u>89,110</u>	<u>650,956</u>	<u>151,156</u>	<u>8,762</u>	<u>211</u>	<u>900,195</u>
At 31 December 2008	<u>86,675</u>	<u>631,904</u>	<u>142,367</u>	<u>7,210</u>	<u>1,440</u>	<u>869,596</u>

- (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 RMBNil, RMB278,909,000, and RMB 536,352,000 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, RMB 1,624,000 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 RMB 51,236,000, respectively remains to be amortised.

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11 Lease prepayments

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

- (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

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

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.

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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.

- Capital injection represents cash injection from the Controlling Shareholders during 2006, 2007 and 2008 for increase in paid-in capital of subsidiaries.
- 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.
- On 16 July 2007, Jing-Xing Power Plant acquired the 8% equity interest in Blue Sky Power Plant from the minority shareholders by cash.
- 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.
- 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.
- 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.

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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
	<u>218,255</u>	<u>170,760</u>	<u>219,000</u>
Non-current			
Secured bank loans	30,000	162,000	264,500
Unsecured bank loans	435,000	198,000	35,500
	<u>465,000</u>	<u>360,000</u>	<u>300,000</u>
	<u>683,255</u>	<u>530,760</u>	<u>519,000</u>

- (i) The secured bank and other loans as at 31 December 2008 carried interest rate ranging from 6.12% to 8.25% (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 loans as of 31 December 2008 carried interest rate ranging from 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:

	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
	<u>465,000</u>	<u>360,000</u>	<u>300,000</u>
	<u>490,000</u>	<u>385,000</u>	<u>385,000</u>

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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
	<u>138,691</u>	<u>153,204</u>	<u>129,619</u>

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
	<u>47,431</u>	<u>90,960</u>	<u>96,696</u>

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	<u>6,508</u>	<u>6,508</u>	<u>—</u>

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	<u>34,350</u>	<u>31,741</u>	<u>28,884</u>

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.

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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.

<u>Name of party</u>	<u>Relationship</u>
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:

	<u>Year ended 31 December</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Unsecured related party loans provided by			
Wanxiang Finance	—	165,000	115,000
Shanghai Pu-Xing	100,470	37,005	—
	<u>100,470</u>	<u>202,005</u>	<u>115,000</u>
Secured related party loans provided by			
Wanxiang Finance	—	28,000	23,000
	<u>—</u>	<u>28,000</u>	<u>23,000</u>
	<u>Year ended 31 December</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Related party loans interest charged by			
Wanxiang Finance	—	3,892	9,756
Shanghai Pu-Xing	7,923	5,809	44
	<u>7,923</u>	<u>9,701</u>	<u>9,800</u>
Expense paid on behalf of the Group by			
Amber International	—	—	3,552
Shanghai Pu-Xing	3,507	4,514	—
	<u>3,507</u>	<u>4,514</u>	<u>3,552</u>

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(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
	<u>17,822</u>	<u>24,164</u>	<u>14,798</u>

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	—
	<u>125,255</u>	<u>112,760</u>	<u>50,000</u>
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% for the year ended 31 December 2008(31 December 2006:6.12% and 31 December 2007:5.56% to 8.02%).

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 [●].

(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	—
	<u>272,750</u>	<u>124,250</u>	<u>—</u>

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(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	—
	<u>1,863</u>	<u>3,159</u>	<u>1,117</u>

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	—	—	—
	<u>1,785</u>	<u>6,163</u>	<u>13,631</u>

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
	<u>594</u>	<u>878</u>	<u>856</u>

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.

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ACCOUNTANTS' REPORT

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 Company 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.

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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 RMB 167,138,000, RMB 118,196,000 and RMB 119,663,000 as at 31 December 2006, 2007 and 2008, respectively. The Group had net cash generated from operating activities amounting to RMB 59,769,000, RMB 165,179,000 and RMB 37,134,000 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
	<u>856,296</u>	<u>965,404</u>	<u>378,420</u>	<u>586,984</u>
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
	<u>715,705</u>	<u>884,314</u>	<u>438,445</u>	<u>445,869</u>
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
	<u>677,503</u>	<u>756,163</u>	<u>373,840</u>	<u>382,323</u>

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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
	<u>683,255</u>	<u>530,760</u>	<u>519,000</u>

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 RMB 4,987,000 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.

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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	<u>(583)</u>	<u>(400)</u>	<u>(316)</u>

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.

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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	<u>74.90%</u>	<u>63.41%</u>	<u>58.51%</u>

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 [●]. Further details of the Reorganization are set out in the paragraph headed "Corporate reorganization" in Appendix VI to the Document. As a result of the Reorganization, the Company became the holding company of the Group.

(b) Acquisition of minority interests

According to the consensus reached by the Group and the minority shareholders of De-Neng Power Plant in later 2008/early 2009, the principal terms of the acquisition, including the acquisition basis date was set at 31 December 2008 and the basis of consideration was 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 result of the De-Neng Power Plant from 1 January 2009. On 23 May 2009, the Group entered into certain agreements to acquire the remaining 47% equity interest in De-Neng Power Plant from its minority shareholders in accordance with the consensus at a consideration of RMB95,564,000 in total.

APPENDIX I

ACCOUNTANTS' REPORT

(c) *Valuation of properties*

For the purpose of the [●], 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 Document.

(d) *Dividends*

[Pursuant to the resolutions passed at the board of directors' meeting on [date], dividends of [RMB40,348,000] were declared by the Company to its shareholder. The dividends declared have not been recognised as a liability as at 31 December 2008. The relevant withholding tax pursuant to the New Tax Law have been undertaken by its shareholder according to an undertaking agreement dated [date].]

The directors 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 is HKD 100,000,000. 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

APPENDIX III

PROFIT FORECAST

The forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2009 is set out in the section headed "Financial Information — Profit forecast for the year ending 31 December 2009" in this document.

A. BASES

The Directors have prepared the forecast of combined profit attributable to equity holders of the Company for the year ending 31 December 2009 on the basis of the results shown in the unaudited management accounts of the Group for the [four] months ended 30 April 2009 and a forecast of the combined results of the Group for the remaining eight months ending 31 December 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as summarized in Appendix I to the document.

B. PRINCIPAL ASSUMPTIONS

The forecast has been prepared based on the following principal assumptions:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory in which the Group currently operates or which are otherwise material to the Group's business;
- there will be no changes in legislation, regulations or rules in the PRC or any other country or territory in which the Group operates or with which the Group has arrangements or agreements, which materially adversely affect its business;
- there will be no material change in the bases or rates of taxation in the PRC or any other country or territory in which the Group operates, except as otherwise disclosed in this document;
- there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
- our operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents; and
- the Group's operations, results, and financial position will not be adversely affected by the risk factors described under the "Risk Factors" section of the Document.

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations of the property interests of our Group as at 30 April 2009.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

[●●●● 2009]

The Directors
Amber Energy Limited
No. 181-1 Hejiatang, Chongxian Town
Yuhang District
Hangzhou
Zhejiang Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the property interests held by AMBER Energy Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of such property interests as at 30 April 2009 (the "date of valuation").

Definition of Market Value

Our valuation of each property represents its Market Value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

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PROPERTY VALUATION

Valuation Basis and Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal adviser, King and Wood on PRC law, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the property interests for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the opinion of the Group's legal adviser, King and Wood are set out in the notes in the respective valuation certificate.

Method of Valuation

In valuing the property interests in Group I, which is held by the Group for owner-occupation in the PRC, we have adopted the Depreciated Replacement Costs ("DRC") approach. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The value is subject to adequate potential profitability of the business.

The property interests in Groups II and III which are leased to the Group in PRC and Hong Kong have been ascribed no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to lack of substantial profit rents.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and advice given by its PRC legal advisers on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of buildings, particulars of occupancy, joint venture agreements, articles of

APPENDIX IV

PROPERTY VALUATION

association, development schemes, construction costs, site and gross floor area and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,

for and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K F Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note : Mr. Andrew K F Chan is a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in the PRC.

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APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUATIONS

<u>Property</u>		Capital value in existing state as at 30 April 2009 RMB	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 April 2009 RMB
Group I — Property interests held by the Group for occupation in the PRC				
1.	An industrial complex, No. 818, Changhong East Road, Wukang Town, Deqing County, Zhejiang Province, the PRC 中華人民共和國浙江省德清縣武康 鎮長虹東街818號	43,600,000	53%	23,108,000
2.	An industrial complex, No.158, Hupo Road, Wuliqiao Village, Zhicheng Town, Changxing County, Huzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省湖州市長興 縣雉城鎮五裏橋村琥珀路158號	52,000,000	100%	52,000,000
3.	An industrial complex, Siwei Village, Chongxian Town, Yuhang District, Hangzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省杭州市余杭 區崇賢鎮四維村	42,600,000	100%	42,600,000
			Sub-total:	<u>117,708,000</u>

APPENDIX IV

PROPERTY VALUATION

Group II — Property interests leased to the Group in the PRC

4.	No. 115 Xingshan Road, Wukang Town, Deqing County, Zhejiang Province, the PRC 中華人民共和國浙江省德清縣武康 鎮興山路115號	No Commercial Value
5.	Room 1108 Liyuan Mansion, No. 88 Jiaogong Road, Xihu District, Hangzhou City, Zhejiang province, The PRC 中華人民共和國浙江省杭州市西湖 區教工路88號立元大廈1108室	No Commercial Value
6.	Block 10, No. 6 Sanliyang Road, Gongshu District, Hangzhou City, Zhejiang Province, The PRC 中華人民共和國浙江省杭州市 拱墅區三里洋路6號10幢	No Commercial Value
Sub-total:		<u>No Commercial Value</u>

Group III — Property Interests leased to the Group in Hong Kong

7.	Room 706, 7 th Floor, Albion Plaza Nos. 2-6 Granville Road, Tsim Sha Tsui Kowloon, Hong Kong	No Commercial Value
Sub-total:		<u>No Commercial Value</u>
Grand-Total:		<u><u>117,708,000</u></u>

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APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I – Property interests held by the Group for occupation in the PRC

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 30 April 2009 RMB
1. An industrial complex, No. 818 Changhong East Road, Wukang Town, Deqing County, Huzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省 湖州市德清縣武康鎮長 虹東街818號	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 60,922.04 sq.m. (655,765 sq.ft.). The property comprises 7 low-rise buildings with a total gross floor area of approximately 7,644.27 sq.m. (82,283 sq.ft.) completed in 2005. The land use rights of the property have been granted for a term of 50 years due to expire on 19 May 2055 for industrial use.	The property is currently occupied by the Group for industrial use.	43,600,000 (53% interests attributable to the Group: RMB23,108,000)

Notes :-

- (1) According to State-owned Land Use Rights Certificate No. 01400137 issued by Deqing Land Resources Bureau on 7 November 2005, the land use rights of the property with a site area of 60,922.04 sq.m. have been granted to Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. (浙江德能天然氣發電有限公司) for a term of 50 years due to expire on 19 May 2055 for industrial use.
- (2) According to four Building Ownership Certificates issued by Real Estate Bureau of Deqing County dated 6 September 2007, the building ownerships of the property have been vested to Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. The details are summarised as follows:

Certificate No.	No. of Storey	Gross Floor Area (sq.m.)	Use
No. 00269-0001	1	929.56	Industrial use
No. 00269-0002	3	2,479.15	Industrial use
No. 00269-0003	2	545.13	Industrial use
No. 00269-0004	3	3,690.43	Industrial use
Total:		7,644.27	

- (3) According to Business Licence No. 330500400000230 dated 18 October 2007, Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. was established with a registered capital of USD18,408,710 for a valid operation period from 18 August 2004 to 17 August 2054.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) [The property has been mortgaged to China Construction Bank;
 - (ii) Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. has obtained the land use rights and building ownerships of the property. It is entitled to transfer, lease, remortgage and/or otherwise dispose of the property with the written consent from the aforesaid bank.
- (5) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows: -

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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PROPERTY VALUATION

			Capital value in existing state as at 30 April 2009 RMB
Property	Description and tenure	Particular of occupancy	
2. An industrial complex, No. 158 Hupo Road, Wuliqiao Village, Zhicheng Town, Changxing County, Huzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省 湖州市長興縣雉城鎮五 裏橋村琥珀路158號	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 59,505.9sq.m. (640,522sq.ft.) The property comprises 10 low-rise buildings with a total gross floor area of approximately 7,212.14sq.m. (77,631sq.ft.) completed in 2006. The land use rights of the property have been granted for a term of 50 years due to expire on 7 July 2055 for industrial use.	The property is currently occupied by the Group for industrial use.	52,000,000 (100% interests attributable to the Group: RMB52,000,000)

Notes :-

- (1) According to State-owned Land Use Rights Certificate No. (2008) 1-1730 issued by Land and Resources Bureau of Changxing County (長興縣國土資源局) on 10 May 2008, the land use rights of the property comprising a total site area of 59,505.9sq.m. have been granted to Zhejiang Amber Jing-xing Natural Gas Power Generation Co., Ltd. (浙江琥珀京興天然氣發電有限公司) for a term of 50 years due to expire on 7 July 2055 for industrial use.
- (2) According to three Building Ownership Certificates issued by Real Estate Bureau of Changxing County (長興縣房地產管理處) dated 27 June 2008, the building ownerships of the property have been vested to Zhejiang Amber Jing-xing Natural Gas Power Generation Co., Ltd. The details are summarised as follows:

Certificate No.	Block No.	No. of Storey	Gross Floor Area (sq.m.)	Use
No. 00069981	5 - 9	1-2	2,243.41	workshop
No. 00069970	3, 4	1-3	2,076.05	workshop
No. 00069971	11-13	2-4	2,892.68	Office, dormitory
Total:	10		7,212.14	

- (3) According to Business Licence No. 330500400002686 dated 3 April 2008, Zhejiang Amber Jing-xing Natural Gas Power Generation Co., Ltd. was established as a limited company with a registered capital of USD11,600,000 and has a valid operation period from 6 January 2005 to 5 January 2055.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) [The land use rights of the property has been mortgage to Bank of Ningbo, Hangzhou Branch;
 - (ii) Zhejiang Amber Jing-xing Natural Gas Power Generation Co., Ltd. has obtained the land use rights and building ownership of the property. It is entitled to transfer, lease, mortgage and/or otherwise dispose of the property with the written consent from the aforesaid bank.
- (5) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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			Capital value in existing state as at 30 April 2009 RMB
Property	Description and tenure	Particular of occupancy	
3. An industrial complex Siwei Village, Chongxian Town, Yuhang District, Hangzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省 杭州市余杭區崇賢鎮四 維村	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 55,019.9sq.m. (592,234sq.ft.) The industrial complex comprises 8 low-rise buildings with a total gross floor area of approximately 8,479.43sq.m. (91,273sq.ft.) completed in 2006. The land use rights of the property have been granted for a term of 30 years due to expire on 6 February 2035 for industrial use.	The property is currently occupied by the Group for production purpose.	42,600,000 (100% interests attributable to the Group: RMB42,600,000)

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (2007)108-1221 issued by Land and Resources Bureau of Hangzhou City (杭州市國土資源局) on 15 October 2007, the land use rights of the property comprising a total site area of 55,019.9sq.m. have been granted to Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd. (杭州藍天天然氣發電有限公司) for a term of 30 years due to expire on 6 February 2035 for industrial use.
- (2) According to Grant Contracts of Land Use Rights No (2005)9 entered into between Land and Resources Bureau of Yuhang District, Hangzhou City (杭州市余杭區國土資源局) and Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd. on 7 February 2005, the land use rights of property comprising a total site area of 58,500sq.m. have been granted to Hangzhou Bluesky Natural Gas Power Co., Ltd. for a term of 30 years for industrial use at a total consideration of RMB8,775,000.

According to Compensation Agreement entered into between the People's Government of Chongxian County, Yuhang District, Hangzhou City (Party A) and Hangzhou Blue Sky Natural Gas Generation Co., Ltd. (Party B), dated 23 January 2006, Party A was to take back a portion of the granted land and a parcel of allocated land of gross floor areas of 5.215 Mu and 1.87 Mu respectively from Party B, with payable compensation of RMB724,100.

- (3) According to 9 Building Ownership Certificates issued by Real Estate Bureau of Hangzhou City (杭州市房產管理局) dated 18 December 2007, the building ownerships of the property have been vested to Hangzhou Bluesky Natural Gas Power Co., Ltd. The details are summarised as follows:

Certificate No.	Block No.	No. of Storey	Gross Floor Area (sq.m.)
07024983	2	1	284
07024984	1	1	497.99
07024985	3	1	226.4
07024986	4	1	69.15
07024987	5	2	1,223.25
07024988	6	3	3,554.41
07024989	7(part)	4	337.57
07024990	8	1	469.53
07024997	7(part)	4	1,817.13
Total:			8,479.43

- (4) According to Business Licence No. 330000400000166 dated 25 July 2008, Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd. was established as a limited company with a registered capital of USD17,171,400 and has a valid operation period from 15 December 2004 to 14 December 2034.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The property has been mortgaged to Agricultural Bank of China, Hangzhou Yuhang Sub-branch;

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- (ii) Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd. has obtained the land use rights and building ownership of the property. It is entitled to transfer, lease, remortgage and/or otherwise dispose of the property with the written consent from the aforesaid bank.
- (6) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:-

Grant Contract of Land Use Rights	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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Group II — Property interests leased to the Group in PRC

Property interests related to the Group in PRC		Capital value in existing state as at 30 April 2009								
Property	Description and tenure									
4. No. 115, Xingshan Road, Wukang Town, Deqing County, Zhejiang Province, the PRC 中華人民共和國浙江省德 清縣武康鎮興山路115號	The property comprises a 4-storey building completed in 2007. The property has a gross floor area of approximately 1,700 sq.m. (18,299 sq.ft.) and is currently occupied by the Group as dormitory. In addition, according to our site inspection and the information provided by the Company, the actual gross floor area is less than the area mentioned in the leasing contract. The property is currently leased by Deqing Tengfei Greening Protection Engineering Co., Ltd. to Zhejiang De-Neng Natural Gas Power Generation Co., Ltd. (浙江德能天然氣發電有限公司) for a term of 5 years from 28 July 2007 to 27 July 2012 at an annual rental of RMB165,000. According to the PRC legal opinion, 1) the leaser has obtained the ownership certificates of the property and is entitled to lease the property; 2) the lease agreement is valid and has been registered in relevant authority; 3) the lessee has the right to occupy the property in accordance with the lease agreement.	No commercial value								
5. Room 1108, Liyuan Mansion, No.88 Jiaogong Road, Xihu District, Hangzhou City, Zhejiang Province, The PRC 中華人民共和國浙江省杭 州市西湖區教工路88號立 元大廈1108室	The property comprises an office unit on level 11 of a 19-storey excluding 2-storey basement office building completed in 2008. The property has a gross floor area of approximately 214.09 sq.m. (2,304 sq.ft.) and is currently occupied by the Group as office. The property is currently leased by Zhejiang Huafeng Technology Development Co., Ltd. to Zhejiang Amber Jing-xing Natural Gas Power Generation Co., Ltd., Hangzhou Branch (浙江琥珀京興天然氣發電有限公司杭州分公司) for a term of 3 years from 30 June 2008 to 29 June 2011 with annual rental details as below: <table><tr><th>Year</th><th>Annual Rental (RMB) (exclusive of management and utility fees)</th></tr><tr><td>1st year</td><td>175,040</td></tr><tr><td>2nd year</td><td>175,040</td></tr><tr><td>3rd year</td><td>185,542</td></tr></table> According to the PRC legal opinion, 1) the leaser is changing the ownership certificate of the property which has no material impact on the implementation of the lease agreement; 2) the lease agreement is valid and has been registered in relevant authority; 3) the lessee has the right to occupy the property in accordance with the lease agreement.	Year	Annual Rental (RMB) (exclusive of management and utility fees)	1st year	175,040	2nd year	175,040	3rd year	185,542	No commercial value
Year	Annual Rental (RMB) (exclusive of management and utility fees)									
1st year	175,040									
2nd year	175,040									
3rd year	185,542									

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	Property	Description and tenure	Capital value in existing state as at 30 April 2009
6.	Block 10, No. 6 Sanliyang Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC 中華人民共和國浙江省 杭州市拱墅區三裏洋路 6號10幢	The property comprises an one-storey building completed in 1996. The property has a gross floor area of approximately 144.35 sq.m. (1,553 sq.ft.) and is currently occupied by the Group as dormitory. The property is currently leased by Hangzhou Sanliyang Transportation Co., Ltd. to Hangzhou Blue Sky Natural Gas Power Generation Co., Ltd., Hangzhou Branch (杭州藍天天然氣發電有限公司杭州分公司) for a term of 1 year from 12 November 2008 to 11 November 2009 at an annual rental of RMB18,000. According to the PRC legal opinion, 1) the leaser has obtained the ownership certificates of the property and is entitled to lease the property; 2) the lease agreement is valid; 3) the lessee has the right to occupy the property in accordance with the lease agreement; 4) the lease agreement has not yet registered in relevant authority.	No commercial value

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Group III — Property Interests leased to the Group in Hong Kong

	<u>Property</u>	<u>Description and tenure</u>	<u>Capital value in existing state as at 30 April 2009</u>
7.	Room 706, 7 th Floor, Albion Plaza Nos. 2-6 Granville Road, Tsim Sha Tsui Kowloon, Hong Kong	The property comprises on office unit on the 7th floor of a 16-storey commercial building completed in 1983. The property has a saleable area of approximately 40.41 sq.m. (435 sq.ft.) and is occupied by the Group as an office The Property is leased to the Group for a term of two years from 8 June 2009 to 7 June 2011 at a monthly rent of HK\$12,285 exclusive of government rates, management fee and other outgoings.	No commercial value

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 September 2008 under the Companies Law. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the

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board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

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Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits

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scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of

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such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be four (4). Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

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- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding

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not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any

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Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least

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fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, if permitted by the rules of the Designated Stock Exchange (as defined in the Articles), it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any

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particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the

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Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such

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holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

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(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 September 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the

APPENDIX V**SUMMARY OF THE CONSTITUTION OF
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duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which

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are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix [VII]. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 8 September 2008. The Company has established, a principal place of business in Hong Kong at Room 706, Albion Plaza, 2-6 Granville Road, Tsimshatsui, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as an oversea company under Part XI of the Hong Kong Companies Ordinance on 16 June 2009. Mr. Lai Chun Yu has been appointed as the authorized representatives of the Company for acceptance of service of process in Hong Kong. The address for acceptance of service of process in Hong Kong of Mr. Lai is Flat 19, 4/F, Kwun Hei Court, 3 Sheung Lok Street, Ho Man Tin, Kowloon, Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands laws and its constitutive documents comprising the Memorandum of Association and Articles of Association. A summary of certain parts of its constitution and relevant aspects of the Companies Law is set out in Appendix V of this document.

2. Changes in share capital

- (a) The authorized share capital of the Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 Shares of par value HK\$0.10 each.
- (b) On 8 September 2008, one Share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Amber International on 8 September 2008.
- (c) Amber International transferred all its equity interests in each of Blue Sky Power Plant and Jing Xing Power Plant to the Group on 26 December 2008 and 8 January 2009 respectively. Pursuant to the written resolutions of the sole Director passed on 20 March 2009, the Company allotted and issued two Shares at HK\$193,653,941 and HK\$98,834,399 to Amber International, credited as fully paid, as consideration of the above asset transfer from Amber International to Amber Bluesky and Amber Jingxing respectively. Details of the above said transfers are set out in the sub-section headed "Corporate Reorganization" in this Appendix.
- (d) Amber International transferred all its equity interest in De-Neng Power Plant to the Group on 26 May 2009. Pursuant to a written resolution of the Directors passed on [18 June] 2009, the Company allotted and issued one Share at HK\$75,614,511 to Amber International, credited as fully paid, as consideration of the above asset transfer from Amber International to Amber Deneng.
- (e) Pursuant to written resolutions of the sole shareholder of the Company passed on [18 June], the authorized share capital of the Company was increased from HK\$380,000 to HK\$[100,000,000] by the creation of an additional [996,200,000] Shares.
- (f) Immediately upon completion of the [●] and [●], [400,000,000] Shares will be issued fully paid or credited as fully paid and [600,000,000] Shares will remain unissued.

Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

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3. Written resolutions of the sole shareholder of the Company passed on [18 June 2009]

[●]

4. Corporate reorganization

The companies in the Group underwent a reorganization in preparation for the [●] which involved the following:

(a) Acquisition of the equity interests in Blue Sky Power Plant

- (i) On 12 March 2008, Amber International and Zhejiang Kai-Xin entered into an equity transfer agreement whereby Zhejiang Kai-Xin agreed to transfer its 27.32% equity interest in Blue Sky Power Plant to Amber International for a consideration of RMB42,272,230.
- (ii) On 12 March 2008, Amber International and Jing-Xing Power Plant entered into an equity transfer agreement whereby Jing-Xing Power Plant agreed to transfer its 8.2% equity interest in Blue Sky Power Plant to Amber International for a consideration of [USD1,689,000].

(b) Acquisition of share interests in each of Amber Bluesky, Amber Deneng and Amber Jingxing

- (i) On 19 September 2008, Amber International transferred its 10,000 shares in the capital of Amber Bluesky, being the entire issued share capital of Amber Bluesky, to the Company for a consideration of HK\$10,000;
- (ii) On 19 September 2008, Amber International transferred its 10,000 shares in the capital of Amber Deneng, being the entire issued share capital of Amber Deneng, to the Company for a consideration of HK\$10,000; and
- (iii) On 19 September 2008, Amber International transferred its 10,000 shares in the capital of Amber Jingxing, being the entire issued share capital of Amber Jingxing, to the Company for a consideration of HK\$10,000.

(c) Acquisition of equity interests in each of Blue Sky Power Plant, Jing-Xing Power Plant and De-Neng Power Plant

- (i) On 25 November 2008, Amber International and Amber Bluesky entered into an equity transfer agreement whereby Amber International agreed to transfer its 100% equity interest in Blue Sky Power Plant to Amber Bluesky for a consideration of RMB170,846,000 and the consideration was satisfied by the allotment of one Share, credited and issued as fully paid, to Amber International on 20 March 2009;
- (ii) On 25 November 2008, Amber International and Amber Jingxing entered into an equity transfer agreement whereby Amber International agreed to transfer its 100% equity interest in Jing Xing Power Plant to Amber Jingxing for a consideration of RMB87,194,000 and the consideration was satisfied by the allotment of one Share, credited and issued as fully paid, to Amber International on 20 March 2009;

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- (iii) On 13 May 2009, Amber International and Amber Deneng entered into an equity transfer agreement whereby Amber International agreed to transfer its 53% equity interest in De Neng Power Plant to Amber Deneng for a consideration of USD9,756,711 and the consideration was satisfied by the allotment of one Share, credited and issued as fully paid, to Amber International on 11 June 2009; and
- (iv) On 23 May 2009, Blue Sky Power Plant entered into equity transfer agreements with each of Ningbo Beilun and Ningbo Hong-Ji to acquire their 40% and 7% equity interest respectively in De-neng Power Plant for a consideration of RMB81,331,300 and RMB14,233,000 respectively.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as mentioned in the sub-section headed "Corporate Reorganization" in this Appendix, the following companies are the only Group companies to have undergone a change in their share capital (or registered capital, as the case may be) during the two years immediately prior to the date of the document.

(a) Amber Bluesky

On 26 June 2008, Amber Bluesky was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. 10,000 shares in the share capital of Amber Bluesky were issued and allotted to Amber International upon incorporation.

On 19 September 2008, Amber International transferred its 10,000 shares in the share capital of Amber Bluesky to the Company at a consideration of HK\$10,000.

On 9 October 2008, the authorised share capital of Amber Bluesky was increased from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$20,000 by the creation of an additional 10,000 shares of HK\$1.00 each.

On 20 March 2009, Amber Bluesky allotted and issued one share in its share capital to the Company at an issue price of HK\$193,653,941 in consideration of the Company issuing Shares to Amber International for the transfer of the Blue Sky Power Plant to Amber Bluesky.

(b) Amber Jingxing

On 26 June 2008, Amber Jingxing was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. 10,000 shares in the share capital of Amber Jingxing were issued and allotted to Amber International upon incorporation.

On 19 September 2008, Amber International transferred its 10,000 shares in the share capital of Amber Jingxing to the Company at a consideration of HK\$10,000.

On 9 October 2008, the authorised share capital of Amber Jingxing was increased from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$20,000 by the creation of an additional 10,000 shares of HK\$1.00 each.

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On 20 March 2009, Amber Jingxing allotted and issued one share in its share capital to the Company at an issue price of HK\$98,834,399 in consideration of the Company issuing Shares to Amber International for the transfer of the Jing-Xing Power Plant to Amber Jingxing.

(c) *Amber Deneng*

On 26 June 2008, Amber Deneng was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. 10,000 shares in the share capital of Amber Deneng were issued and allotted to Amber International upon incorporation.

On 19 September 2008, Amber International transferred its 10,000 shares in the share capital of Amber Deneng to the Company at a consideration of HK\$10,000.

On 9 October 2008, the authorised share capital of Amber Deneng was increased from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$20,000 by the creation of an additional 10,000 shares of HK\$1.00 each.

On 11 June 2009, Amber Deneng allotted and issued one share in its share capital to the Company at an issue price of HK\$75,614,511 in consideration of the Company issuing Shares to Amber International for the transfer of the De-Neng Power Plant to Amber Deneng.

(d) *Blue Sky Power Plant*

On 15 December 2004, Blue Sky Power Plant was established by Amber International (35%), Zhejiang Zhen-Neng (16%), Zhejiang Kai-Xin (25%) and Shanghai Pu-Xing (24%) in the PRC as a Sino-foreign joint enterprise with the approved total investment amount of USD64,343,400 and the registered share capital of USD21,490,800.

On 19 September 2006, Amber International acquired 24% equity interest in Blue Sky Power Plant from Shanghai Pu-Xing at a consideration of USD5,130,000; Zhejiang Zhen-Neng transferred its 5.62% and 2.38% equity interest in Blue Sky Power Plant to Amber International and Zhejiang Kai-Xin at nil consideration respectively, following which Amber International, Zhejiang Zhen-Neng and Zhejiang Kai-Xin held 64.62%, 8% and 27.38% equity interest in Blue Sky Power Plant respectively.

On 16 July 2007, Jing-Xing Power Plant acquired 8% equity interest in Blue Sky Power Plant from Zhejiang Zhen-Neng at a consideration of RMB13,026,400, following which Amber International, Jing-Xing Power Plant and Zhejiang Kai-Xin held 64.62%, 8% and 27.38% equity interest in Blue Sky Power Plant respectively.

On 19 May 2008, the registered share capital of Blue Sky Power Plant was decreased from USD21,490,800 to USD17,171,400 and the approved total investment amount was decreased from USD64,343,400 to USD42,900,000.

(e) *De-Neng Power Plant*

On 18 August 2004, De-Neng Power Plant was established by Amber International (45%), Ningbo Beilun (40%), Zhejiang Zhen-Neng (8%) and Ningbo Hong-Ji (7%) in the PRC as

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a Sino-foreign joint enterprise with the approved total investment amount of USD29,850,000 and the registered share capital of USD12,000,000.

On 20 January 2006, the approved investment amount of De-Neng Power Plant was increased from USD29,850,000 to USD51,850,000 and the registered share capital of De-Neng Power Plant was increased from USD12,000,000 to USD20,800,000.

On 5 July 2007, Amber International acquired 8% equity interest in De-Neng Power Plant from Zhejiang Zhen-Neng for an equivalent USD amount of RMB9,702,200, following which Amber International, Ningbo Beilun and Ningbo Hong-Ji held 53%, 40% and 7% equity interest in De-Neng Power Plant respectively.

On 18 October 2007, the approved total investment amount of De-Neng Power Plant was decreased from USD51,850,000 to USD43,971,974 and the registered share capital of De-Neng Power Plant was decreased from USD20,800,000 to USD18,408,710.

In June 2009, Blue Sky Power Plant completed the acquisition of 40% equity interest in De-Neng Power Plant from Ningbo Beilun. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB81,331,300.

In June 2009, Blue Sky Power Plant completed the acquisition of 7% equity interest in De-Neng Power Plant from Ningbo Hong-Ji. The consideration of the acquisition, which was based on the carrying amount of the net assets value of De-Neng Power Plant as at 31 December 2008 and certain appreciation in value of its land and equipment, amounted to RMB14,233,000.

Upon completion of the above transfers, De-neng Power Plant became a wholly-owned subsidiary of the Company and as stipulated in the abovementioned equity transfer agreements, the Group as the transferee, will be fully entitled to / liable for the profit / loss of De-Neng Power Plant commencing 1 January 2009.

(f) Jing-Xing Power Plant

On 6 January 2005, Jing-Xing Power Plant was established by Zhejiang Changxing Jingxing Natural Gas Co., Ltd ("Zhejiang Changxing Jingxing") (70%) and Liu You Gui (30%) in the PRC as a Sino-foreign joint enterprise with the approved total investment amount of USD29,000,000 and the registered share capital of USD11,600,000.

On 25 August 2005, Amber International acquired 30% equity interest in Jing-Xing Power Plant from Liu You Gui at a consideration of USD605,000 and Shanghai Pu-Xing acquired 70% equity interest in Jing-Xing Power Plant from Zhejiang Changxing Jingxing at a consideration of RMB24,631,188, following which Shanghai Pu-Xing and Amber International held 70% and 30% equity interest in Jing-Xing Power Plant respectively.

On 5 September 2006, Amber International acquired 70% of the issued share capital in Jing-Xing Power Plant from Shanghai Pu-Xing at a consideration of USD8,400,000, following which Amber International held 100% equity interest in Jing-Xing Power Plant.

On 7 October 2008, the approved total investment amount of Jing-Xing Power Plant was increased from USD29,000,000 to USD41,600,000 and the registered share capital of Jing-Xing Power Plant was increased from USD11,600,000 to USD16,660,000.

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Save as mentioned in the paragraph headed "Corporate Reorganization" in this appendix and as described in this paragraph, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

6. Repurchase by the Company of its own securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction. [●]

Note: Pursuant to a resolution in writing passed by the sole shareholder of the Company on [18 June 2009], a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by the Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned in this document (including but not limited to Shares which may be issued pursuant to the exercise of the Over-allocation Option). This mandate will expire at the earliest of (i) the conclusion of the next annual Shareholders' general meeting, (ii) the expiration of the period within which the next Shareholders' annual general meeting is required by the Articles of Association or applicable laws of the Cayman Islands to be held, or (iii) such mandate being revoked or varied by ordinary resolution of the Shareholders in a general meeting (the "Relevant Period").

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders to have general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association, Articles of Association, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this document and taking into account the current working capital position of the Group, the Directors

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consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association, Articles of Association, the Companies Law and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

(e) Share capital

The exercise in full of the Repurchase Mandate, on the basis of [400,000,000] Shares in issue immediately after completion of the [●] and the [●], but taking no account of any Shares which may be issued upon the exercise of the Over-allocation Option could accordingly result in up to [40,000,000] Shares being repurchased by the Company during the Relevant Period.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

- (a) the equity transfer agreement dated 9 August 2005 entered into between Liu You Gui and Amber International in relation to the transfer of 30% equity interest in Jing-Xing Power Plant from Liu You Gui to Amber International at a consideration of USD605,000;

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- (b) the equity transfer agreement dated 9 August 2005 entered into between Zhejiang Changxing Jingxing and Shanghai Pu-Xing in relation to the transfer of 70% equity interest in Jing-Xing Power Plant from Zhejiang Changxing Jingxing to Shanghai Pu-Xing at a consideration of RMB24,631,187.50;
- (c) the equity transfer agreement dated 19 June 2006 entered into between Shanghai Pu-Xing and Amber International in relation to the transfer of 70% equity interest in Jing-Xing Power Plant from Shanghai Pu-Xing to Amber International at a consideration of USD8,400,000;
- (d) the equity transfer agreement dated 27 July 2006 entered into between Shanghai Pu-Xing and Amber International in relation to the transfer of 24% equity interest in Blue Sky Power Plant from Shanghai Pu-Xing to Amber International at a consideration of USD5,130,000;
- (e) the equity transfer agreement dated 28 July 2006 entered into between Zhejiang Zhen-Neng and Amber International in relation to the transfer of 5.62% equity interest in Blue Sky Power Plant from Zhejiang Zhen-Neng to Amber International at nil consideration;
- (f) the equity transfer agreement dated 28 July 2006 entered into between Zhejiang Zhen-Neng and Zhejiang Kai-Xin in relation to the transfer of 2.38% equity interest in Blue Sky Power Plant from Zhejiang Zhen-Neng to Zhejiang Kai-Xin at nil consideration;
- (g) the equity transfer agreement dated 12 March 2007 entered into between Zhejiang Zhen-Neng and Jing-Xing Power Plant in relation to the transfer of 8% equity interest in Blue Sky Power Plant from Zhejiang Zhen-Neng to Jing-Xing Power Plant at a consideration of RMB13,026,400;
- (h) the equity transfer agreement dated 20 May 2007 entered into between Zhejiang Zhen-Neng and Amber International in relation to the transfer of 8% equity interest in De-Neng Power Plant from Zhejiang Zhen-Neng to Amber International for the consideration of the amount of USD which is equivalent to RMB9,702,200;
- (i) the equity transfer agreement dated 12 March 2008 entered into between Zhejiang Kai-Xin and Amber International in relation to the transfer of 27.32% equity interest in Blue Sky Power Plant from Zhejiang Kai-Xin to Amber International at a consideration of RMB42,272,230 ;
- (j) the equity transfer agreement dated 12 March 2008 entered into between Jing-Xing Power Plant and Amber International in relation to the transfer of 8.2% equity interest in Blue Sky Power Plant from Jing-Xing Power Plant to Amber International at a consideration of USD1,689,000;
- (k) the share purchase agreement dated 19 September 2008 entered into between Amber International and the Company in relation to the transfer of 100% shareholding in Amber Jingxing from Amber International to the Company at a consideration of HK\$10,000;
- (l) the share purchase agreement dated 19 September 2008 entered into between Amber International and the Company in relation to the transfer of 100% shareholding in Amber Bluesky from Amber International to the Company at a consideration of HK\$10,000;

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- (m) the share purchase agreement dated 19 September 2008 entered into between Amber International and the Company in relation to the transfer of 100% shareholding in Amber Deneng from Amber International to the Company at a consideration of HK\$10,000;
- (n) the equity transfer agreement dated 25 November 2008 entered into between Amber International and Amber Jingxing in relation to the transfer of 100% equity interest in Jing-Xing Power Plant from Amber International to Amber Jingxing at a consideration based on the net asset value of Jing-Xing Power Plant as at 31 October 2008;
- (o) the equity transfer agreement dated 25 November 2008 entered into between Amber International and Amber Bluesky in relation to the transfer of 100% equity interest in Blue Sky Power Plant from Amber International to Amber Bluesky at a consideration based on the net asset value of Blue Sky Power Plant as at 31 October 2008;
- (p) the trademarks transfer agreement dated 21 April 2009 entered into between Shanghai Pu-Xing and Blue Sky Power Plant in relation to the transfer of the trademarks as set out in the schedule to the agreement from Shanghai Pu-Xing to Blue Sky Power Plant at a consideration based on the book value of the trademarks;
- (q) the equity transfer agreement dated 23 May 2009 entered into between Ningbo-Hong-Ji and Blue Sky Power Plant in relation to the transfer of 7% equity interest in De-Neng Power Plant from Ningbo-Hong-Ji to Blue Sky Power Plant at a consideration of RMB14,233,000;
- (r) the equity transfer agreement dated 23 May 2009 entered into between Ningbo Beilun and Blue Sky Power Plant in relation to the transfer of 40% equity interest in De-Neng Power Plant from Ningbo Beilun to Blue Sky Power Plant at a consideration of RMB81,331,300;
- (s) the equity transfer agreement dated 13 May 2009 entered into between Amber International and Amber Deneng in relation to the transfer of 53% equity interest in De-Neng Power Plant from Amber International to Amber Deneng at a consideration of US\$9,756,711.11;
- (t) a deed of non-competition dated [●] and entered into by Mr. Lu, Mr. Chai, Amber International, GDZ and DUOU in favor of the Company pursuant to which each of Mr. Lu, Mr. Chai, Amber International, GDZ and DUOU agreed not to compete with our Group in relation to its core business, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" of this document;
- (u) a deed of indemnity dated [●] entered into between Mr. Lu, Mr. Chai, Amber International, GDZ and DUOU and the Company pursuant to which, each of Mr. Lu, Mr. Chai, Amber International, GDZ and DUOU provided certain indemnities in respect of tax and other matters in favor of the Group; and

[●]

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2. Information about the Group's enterprises in the PRC

Brief particulars of the operating subsidiaries of the Company set up in the PRC are set out below:

(a) *Jing Xing Power Plant*

Date of incorporation:	6 January 2005
Place of incorporation:	PRC
Term:	50 years (from 6 January 2005 to 5 January 2055)
Nature:	Wholly foreign-owned enterprise
Total investment:	[US\$41,600,000]
Registered capital:	[US\$16,660,000]
Beneficial shareholder:	Amber Jingxing
Legal Representative:	Mr. Zheng Xiao Dong
Scope of Business:	Power generation, power supply by combined power grid, heat supply, electricity-related technology support and provision of consultation services (not including restricted class and prohibited class in the "Catalog for the Guidance of Foreign Investment Industries")

(b) *Jing Xing Power Plant — Hangzhou Branch*

Date of incorporation:	19 November 2007
Place of incorporation:	PRC
Term:	48 years (from 19 November 2007 to 5 January 2055)
Nature:	Branch of a wholly foreign-owned enterprise
Legal Representative:	Mr. Chai
Scope of Business:	Provision of liaison and consultation services within the scope of business of the head office

(c) *De Neng Power Plant*

Date of incorporation:	18 August 2004
Place of incorporation:	PRC
Term:	50 years (from 18 August 2004 to 17 August 2054)
Nature:	[Sino-Foreign joint venture]
Total investment:	[US\$43,971,970]
Registered capital:	[US\$18,408,710]
Beneficial shareholder:	Amber International Ningbo Economic and Technological Development Zone Beilun Electronic Fuel Co., Ltd.
Legal Representative:	Mr. Chai
Scope of Business:	Natural gas electricity generation and sales, production and sales of electrical and mechanical engineering equipment and hot water business (apart from business which requires permit)

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(d) *Blue Sky Power Plant*

Date of incorporation:	15 December 2004
Place of incorporation:	PRC
Term:	30 years (from 15 December 2004 to 14 December 2034)
Nature:	Wholly foreign-owned enterprise
Total investment:	[US\$42,900,000]
Registered capital:	[US\$17,171,400]
Beneficial shareholder:	Amber Bluesky
Legal Representative:	Mr. Shen Jian Ping
Scope of Business:	Production and sales of electricity and steam

(e) *Blue Sky Power Plant-Hangzhou Branch*

Date of incorporation:	13 November 2008
Place of incorporation:	PRC
Term:	26 years (from 13 November 2008 to 14 December 2034)
Nature:	Branch of a wholly-owned foreign enterprise
Legal representative:	Mr. Chai
Scope of Business:	Provision of liaison and consultation services within the scope of business of head office

3. Intellectual property rights

As at the Latest Practicable Date, the Group has registered/has applied for registration of the following intellectual property rights.

(a) *Trademarks*

- (i) As at the Latest Practicable Date, applications for registration of the following trademarks have been accepted and were advertised in the Hong Kong Trade Marks Journal in March 2009.

Trademark	Applicant	Place of Application	Filing Date	Class	Application No.	Date of Acceptance for Registrator
	Company	Hong Kong	22 October 2008	4,7,9,36,37,39,40,42	301225557	20 March 2009
	Company	Hong Kong	22 October 2008	4,7,9,36,37,39,40,42	301225566	13 March 2009
						
						

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- (ii) Pursuant to a trademarks transfer agreement dated 21 April 2009 entered into between Shanghai Pu-Xing and Blue Sky Power Plant, Shanghai Pu-Xing transferred the registered trademarks numbered 1 to 3 below to Blue Sky Power Plant and assigned the applications for trademarks numbered 4 to 12 below to Blue Sky Power Plant. Upon obtaining approval from [the Trademark Office of State Administration for Industry and Commerce of the PRC, our Group will become the registered owner of the following trademarks:]

	<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Commencement Date</u>	<u>Expiry Date</u>
1.	AMBER	PRC	7	5116881	21 March 2009	20 March 2019
2.	琥珀	PRC	7	5116876	21 March 2009	20 March 2019
3.		PRC	7	5116719	21 March 2009	20 March 2019

	<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
4.	AMBER	PRC	1	5116880	13 January 2006
5.	AMBER	PRC	36	5116883	13 January 2006
6.	AMBER	PRC	40	5116884	13 January 2006
7.	琥珀	PRC	1	5116875	13 January 2006
8.	琥珀	PRC	36	5116878	13 January 2006
9.	琥珀	PRC	40	5116879	13 January 2006
10.		PRC	1	5116718	13 January 2006
11.		PRC	36	5116721	13 January 2006
12.		PRC	40	5116722	13 January 2006

(b) Domain names

As at the Latest Practicable Date, the Group had registered the following domain names:

<u>Domain name</u>	<u>Registered Owner</u>	<u>Date of Registration</u>
www.amberenergy.com.hk	Amber Bluesky	17 October 2008 – 23 October 2013
www.amberenergy.com.cn	Jing-Xing Power Plant	12 August 2005 – 12 August 2009

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

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C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company commencing from [●] for a term of three years, respectively. Each of the executive Directors is entitled to a basic salary. The current basic annual remunerations (excluding any discretionary bonus which may be paid) payable by the Group to the executive Directors are set out below. The executive Directors are entitled to participate in the Company's medical benefit.

<u>Executive Director</u>	<u>HK\$</u>
Chai Wei	[●]
Hu Xian Wei	[●]

[Each of Ding Guang Ping and Feng Li Min, being our non-executive Director, has entered into a service agreement for an initial term of three year commencing from [●], and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least [one] month's notice in writing. The non-executive Director will not receive any remuneration from our Company.]

Each of the independent non-executive Directors has entered into a letter of engagement with the Company for a term of three years commencing from [●]. The current basic annual remuneration payable by the Group to the independent non-executive Directors are as follows:

<u>Independent Non-Executive Director</u>	<u>HK\$</u>
Zhang Zhou Lin	[●]
Tse Chi Man	[●]
Yao Xianguo	[●]

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

2. Directors' remuneration

Remuneration and benefits in kind of approximately [RMB531,000] in aggregate were paid and granted by the Group to the relevant Directors in respect of the year ended 31 December 2008.

Under the current arrangements, the Directors will be entitled to receive remuneration which, for the financial ending 31 December 2009, is expected to be approximately [●], excluding the discretionary bonuses payable to the Directors.

Save as disclosed in the document, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within two years preceding the date of this document.

3. Personal guarantees

Save and except as disclosed in Appendix I to this document, no executive Directors or related parties had provided guarantees for debts and liabilities due by any members of the Group during the Track Record Period.

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4. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the [●] and the [●] (but without taking into account of Shares which may be taken up under the [●] and Shares falling to be allotted and issued upon the exercise of the Over-allocation Option), none of the Directors will have any interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange once the Shares are listed.

5. Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, immediately following the completion of the [●] and the [●] (but without taking account of Shares which may be taken up under the [●] and Shares falling to be allotted and issued upon the exercise of the Over-allocation Option), the following persons (not being a Director or chief executive of the Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholder	Capacity	Number of Shares held (note 1)	Approximate percentage of shareholding
Amber International	Beneficial owner	[300,000,000] (L)	75%
GDZ (note 2)	Interest in a controlled corporation	[300,000,000] (L)	75%
Mr. Lu (note 2)	Interest in a controlled corporation	[300,000,000] (L)	75%
Mrs. Lu (note 3)	Interest of spouse	[300,000,000] (L)	75%

Notes:

- The letter "L" denotes the entity/person's long position in the Shares.
- These Shares are held by Amber International, which is owned as to 90% by GDZ, which in turn is wholly owned by Mr. Lu. Therefore, GDZ and Mr. Lu are deemed to be interested in these Shares. The remaining 10% of Amber International is owned by DUOU, which is wholly owned by Mr. Chai, a Director.
- Mrs. Lu is the spouse of Mr. Lu and is therefore deemed to be interested in the said Shares in which Mr. Lu is deemed to be interested.

6. Agency fees or commission

Save as disclosed in this document, within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

7. Disclaimers

Save as disclosed in this document,

- none of the Directors or chief executive of the Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of

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the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange once the Shares are listed;

- (b) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (c) none of the Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the [●] and Shares falling to be allotted and issued upon the exercise of the Over-allocation Option, the Directors are not aware of any person who immediately following the completion of the [●] and the [●] will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (f) none of the experts named in the paragraph headed "Consents of experts" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group; and
- (g) so far as it is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest supplier of the Group.

D. OTHER INFORMATION

1. Indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix) to provide the following indemnities in favor of the Company (for itself and as trustee for its subsidiaries). Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

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Under the deed of indemnity, amongst others, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes with each of the member of the Group that he/it will indemnify each of the members of our Group against (a) taxation falling on any member of our Group resulting from or by reference to any income, profits or gains accrued or received (or deemed to be so earned, accrued or received) on or before the date when the [●] becomes unconditional (the "Effective Date"); and (b) any losses, liabilities or damages which may be suffered by the Group in connection with the commencement of commercial operation by Our Power Plants before obtaining power business permits. The Indemnifiers further undertake to indemnify each of the members of our Group on demand against any losses, damages, costs or expenses which may be suffered or incurred in connection with any form of taxation or taxation claim on or before the Effective Date or any foregoing operation related loss or claim.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Group; and (b) the taxation arises or is incurred as a result of a retrospective change in law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or interpretation thereof or practice by the relevant tax authority after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands.

2. Litigation

[As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.]

[●]

4. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$[●] and are payable by the Company.

5. Promoters

There are no promoters of the Company. Save as disclosed in this document, no amount or benefit has been paid or given to the promoters in connection with the [●] or related transactions described in this document within the two years preceding the date of this document.

6. Consents of experts

[●]

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7. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

[●]

9. Share register

The register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

[●]

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

[●]

12. Miscellaneous

(a) Save as disclosed in this document,

- (i) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (iii) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has been no material adverse change in the financial position or prospects of the Group since 31 December 2008 (being the date to which the latest combined financial information of the Group were made up); and
- (v) within the two years preceding the date of this document, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries.

(b) The Company has no founder shares, management shares, deferred shares or debentures.