



海天水电

HaiTian Hydropower

HAITIAN HYDROPOWER INTERNATIONAL LIMITED

海天水电国际有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8261

First Quarterly Report

2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Haitian Hydropower International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

- Turnover for the three months ended 31 March 2013 amounted to approximately RMB3.7 million (2012: RMB6.8 million), representing a decrease of 45.6% as compared with the corresponding period in 2012.
- Gross profit for the three months ended 31 March 2013 amounted to approximately RMB2.0 million (2012: RMB5.0 million), representing a decrease of 60.0% as compared with the corresponding period in 2012.
- The Group recorded a loss for the three months ended 31 March 2013 of approximately RMB1.1 million compared to a profit of approximately RMB2.0 million for the corresponding period in 2012.
- Basic (loss)/earnings per share for the three months ended 31 March 2013 amounted to RMB(0.11) cents (2012: RMB0.27 cents).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2013.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013, together with the comparative unaudited figures in the corresponding period of last year, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2013

	Notes	Three months ended	
		2013	2012
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	3,652	6,793
Cost of sales		(1,644)	(1,773)
Gross profit		2,008	5,020
Other income	6	115	699
Administrative expenses		(983)	(819)
Finance cost	7	(2,184)	(2,168)
(Loss) profit before tax		(1,044)	2,732
Income tax expense	8	(27)	(741)
(Loss) profit for the period and total comprehensive (expense) income for the period	9	(1,071)	1,991
(Loss) earnings per share (RMB cents)			
Basic and diluted	11	(0.11)	0.27

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2013

	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Capital reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	8,156	48,782	362	48,622	1,841	24	8,530	116,317
Loss for the period and total comprehensive expense for the period	—	—	—	—	—	—	(1,071)	(1,071)
At 31 March 2013 (unaudited)	8,156	48,782	362	48,622	1,841	24	7,459	115,246
At 1 January 2012 (audited)	7	—	362	29,993	1,172	24	7,559	39,117
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	1,991	1,991
At 31 March 2012 (unaudited)	7	—	362	29,993	1,172	24	9,550	41,108

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2013

1. General Information

Haitian Hydropower International Limited (the “Company”) was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 July 2012. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong respectively.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

The directors of the Company consider that Victor River Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability, is the ultimate holding company of the Company and Mr. Lin Yang is the ultimate controlling shareholder.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation of the listing of the Company’s shares on GEM of the Stock Exchange, the Company became the holding company of the Group on 19 June 2012.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements of the Group have been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group before the completion of the Reorganisation, using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

1. General Information (Continued)

The Company is engaged in investment holding while the Group is principally engaged in hydropower generation.

2. Basis of Preparation

The unaudited condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. Principal Accounting Policies

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2013 were consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

4. Turnover

Turnover represents the amounts received and receivable for electricity sold in the normal course of business, net of sales related taxes.

5. Segment Information

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the board of directors) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: hydropower generation. The board of directors monitors the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and results is presented in the condensed consolidated statement of comprehensive income.

6. Other Income

	Three months ended	
	31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net exchange gain	—	629
Rental income (net of outgoings: nil)	30	30
Gain on disposal of property, plant and equipment	—	16
Bank interest income	85	24
	115	699

7. Finance Cost

	Three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on borrowings not wholly repayable within five years	2,184	2,168

8. Income Tax Expense

	Three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	31	745
Deferred taxation	(4)	(4)
	27	741

- (i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during both periods.
- (iii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% during both periods.

9. (Loss) Profit for the Period

	Three months ended	
	31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation	1,181	1,206
Amortisation of prepaid lease payments (included in cost of sales)	68	64
Amortisation of intangible asset (included in administrative expenses)	50	50
Operating lease charges in respect of properties	17	20

10. Dividend

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2013.

11. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share for the three months ended 31 March 2013 is based on the (loss) profit attributable to the owners of the Company of RMB(1.07) million (three months ended 31 March 2012: RMB1.99 million) and the weighted average of 1,000,000,000 and 750,000,000 ordinary shares in issue during the three months ended 31 March 2013 and 2012 respectively. The weighted average number of ordinary shares in issue during the three months ended 31 March 2012 on the assumption that 750,000,000 shares of HK\$0.01 each, representing the number of shares of the Company immediately after the Reorganisation and the capitalisation issue as disclosed in Appendix V to the Prospectus but excluding any shares to be issued pursuant to the placing had been effective on 1 January 2012.

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the three months ended 31 March 2013 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the operation and management of small hydropower plants in the People’s Republic of China (the “PRC”) which were either developed by itself or acquired from other parties.

Operating Hydropower Plants

As at 31 March 2013, the Group possessed three wholly-owned operating hydropower plants namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant and Jiulong Hydropower Plant which are located in Fujian Province, the eastern part of the PRC. The Group’s revenues have been derived from the sale of electricity generated by the operating hydropower plants to local power grids in Fujian Province.

Extension Development of Jiulong Hydropower Plant

To strengthen the future cash flow and further expand our operation, the Group plans to develop an additional hydropower plant in Babu Stream (八蒲溪), Zhouning County, Fujian Province, the PRC. The Group was granted the development right by the relevant authority to develop additional hydropower plants in Babu Stream for an operating period of 50 years. Such additional hydropower plant is regarded as an extension of the existing Jiulong Hydropower Plant as it will make use of the water resources of the same river, Babu Stream, as Jiulong Hydropower Plant.

In September 2012, the preliminary preparation works for Jiulong Hydropower Plant extension project have been initiated and it is expected that the mainframe construction will be started in the third quarter of 2013. Depending on the construction progress, the Directors of the Company expect the mainframe construction will be completed in the fourth quarter of 2014 and the project will start to contribute revenue to the Group in 2015.

Acquisition of Hydropower Plants

As a core of expansion strategy, the Group continues to seek for acquiring small and medium-size hydropower plants with attractive return and appreciation potential. As at 31 March 2013, the Group has identified a few potential hydropower plants in Fujian Province and conducted preliminary reviews and feasibility studies. On 24 April 2013, the Group acquired the entire registered capital of Ningde Xingyuan Hydropower Co., Ltd. and its debts owing to its shareholder. For details, please refer to the paragraph headed “Events after the Reporting Period” in this report.

Financial Review

Turnover

The Group recorded a turnover of approximately RMB3.7 million for the three months ended 31 March 2013, representing a 45.6% decrease as compared to approximately RMB6.8 million for the same period in 2012 due to decrease of power sales resulting from reduction in precipitation.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB2.0 million for the three months ended 31 March 2013 (2012: RMB5.0 million) representing a decrease of 60.0% as compared to that for the corresponding period in 2012. Cost of sales decreased from RMB1.8 million for the three months ended 31 March 2012 to RMB1.6 million for the three months ended 31 March 2013. Gross profit margin, calculated as gross profit divided by turnover, for the three months ended 31 March 2013 amounted to 54.1% (2012: 73.5%). The decrease in gross profit margin in 2013 was mainly attributable to revenue decreased by 45.6% compared to the last corresponding period. Cost of sales of the Group was relatively stable, which had less impact on the gross profit margin. During the period under review, the cost of sales mainly included depreciation, direct salaries and water resource fees, of which, depreciation and direct salaries were relatively stable, accounting for 89% of the cost of sales and other variable costs accounting for only 11%.

Administrative Expenses

The administrative expenses of the Group primarily comprised of legal fees and staff costs. For the three months ended 31 March 2013, the Group's administrative expenses increased to approximately RMB1.0 million compared to approximately RMB0.8 million for the corresponding period of last year, representing an increase of approximately 25.0%. The increase was mainly attributed to the expansion of the Group's management team.

Finance Cost

The finance cost of the Group represented interest expenses on bank borrowings. For the three months ended 31 March 2013 and 2012, finance cost recorded by the Group were maintained at the level of approximately RMB2.2 million.

Income Tax Expense

Owing to the lowering of profit, the income tax of the Group decreased by 96.1% from approximately RMB0.7 million for the three months ended 31 March 2012 to approximately RMB27,000 for the three months ended 31 March 2013.

(Loss)/Profit and Total Comprehensive (Expense)/Income

As a result of the above changes, the Group recorded a loss and total comprehensive expense of approximately RMB1.1 million for the three months ended 31 March 2013 compared to a profit of approximately RMB2.0 million for the same period in 2012.

Outlook

Looking ahead, the Group will continue to seek and acquire small and medium-size hydropower plants with promising outlooks and appreciation potential. Since the “Twelve Five” plan has encouraged the development of hydropower, improved the tariff setting mechanism and facilitated the continuous and healthy development of small hydropower plants, the Board believes that small and medium-size hydropower plants have greater potential for future developments and investments, and will continue to present the Group with unprecedented development opportunities and benefits. As such, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

Events after the Reporting Period

As disclosed in the announcement dated 24 April 2013, Fujian Dachuan Hydropower Development Co., Ltd., an indirect wholly-owned subsidiary of the Company, acquired the entire registered capital of Ningde Xingyuan Hydropower Co., Ltd. and its debts owing to its shareholder for a total consideration of RMB24,928,243.69 on 24 April 2013. Ningde Xingyuan Hydropower Co., Ltd. has invested and built the Ningde City Jinxi-I Hydropower Station with a total installed capacity of 3.2 MW which commenced construction in November 2005 and was completed and put into operation in May 2008.

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2013, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang ("Mr. Lin") (Note)	Interest of controlled corporation	750,000,000 Shares	75

Note: 750,000,000 shares are held by Victor River Limited ("Victor River"), which is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the shares held by Victor River under the SFO.

Saved as disclosed above, as at 31 March 2013, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 March 2013, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, the following person had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Victor River (Note)	Beneficial owner	750,000,000 Shares	75
Ms. Chen Congling (Note)	Interest of spouse	750,000,000 Shares	75

Note: Victor River is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 750,000,000 Shares held by Victor River under the SFO. Ms. Chen Congling is the spouse of Mr. Lin. Under the SFO, Ms. Chen Congling is deemed to be interested in the 750,000,000 Shares owned by Mr. Lin through Victor River.

Saved as disclosed above, as at 31 March 2013, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Interests and Short Positions of the Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

As far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the period under review.

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the three months ended 31 March 2013.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 March 2013.

Code on Corporate Governance Practice

The Company has complied with the code provisions of the Code on Corporate Governance Practice set out in Appendix 15 of the GEM Listing Rules throughout the period under review.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review.

Compliance Adviser's Interest in the Company

As at 31 March 2013, as notified by the Company's compliance adviser, Ample Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 28 June 2012, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Audit Committee

The Company has established the audit committee in accordance with the requirements of the Code on Corporate Governance Practice as set up in Appendix 15 of the GEM Listing Rules. The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited first quarterly financial results of the Group for the three months ended 31 March 2013.

On behalf of the Board
Haitian Hydropower International Limited
Lin Yang
Chairman and Executive Director

Fujian Province, The PRC, 10 May 2013

At the date of this report, the Board comprises four executive directors, namely Mr. Lin Yang, Mr. Zheng Xuesong, Mr. Chen Congwen and Mr. Lin Tian Hai; and three independent non-executive directors, namely Mr. Zhang Shiju, Mr. Cheng Chuhan and Mr. Chan Kam Fuk.