海天水电
HaiTian Hydropower

HAITIAN HYDROPOWER INTERNATIONAL LIMITED
海 天 水 電 國 際 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8261

Interim Report

2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CORPORATE INFORMATION

Executive Directors

Mr. Lin Yang *(Chairman)*
Mr. Chen Congwen
Mr. Lin Tian Hai
Mr. Zheng Xuesong

Independent Non-Executive Directors

Mr. Chan Kam Fuk
Mr. Cheng Chuhan
Mr. Zhang Shijiu

Audit Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Zhang Shijiu

Remuneration Committee

Mr. Lin Yang *(Chairman)*
Mr. Chan Kam Fuk
Mr. Cheng Chuhan

Nomination Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Zhang Shijiu

Compliance Committee

Mr. Zheng Xuesong *(Chairman)*
Mr. Chan Kam Fuk
Mr. Chen Congwen
Mr. Cheng Chuhan
Mr. Lin Tian Hai
Mr. Lin Yang
Mr. Zhang Shijiu

Compliance Officer

Mr. Lin Yang

Company Secretary

Ms. Lam Sau Ping Melanie

Authorised Representatives

Mr. Lin Tian Hai
Ms. Lam Sau Ping Melanie

Auditor

SHINEWING (HK) CPA Limited

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit 606, 6th Floor
Alliance Building
133 Connaught Road Central
Hong Kong

Head Office in the People's Republic of China

Room 10, 21st Floor
B1 Building
Wanda Square Second Stages
Finance Street, Aojiang Road
Aofeng Avenue, Taijiang District
Fuzhou City, Fujian Province
PRC

Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China, Fujian Branch
Huaxia Bank, Fuzhou Jinan Branch

Compliance Adviser

Ample Capital Limited

Company Website

www.haitianhydropower.com

Stock Code

8261

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB13.8 million for the six months ended 30 June 2013 (2012: RMB16.3 million), representing a decrease of 15% as compared with corresponding period in 2012.

- Profit attributable to owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB2.6 million (2012: RMB5.2 million), representing a decrease of 50% as compared with corresponding period in 2012.

- Basic earnings per share for the six months ended 30 June 2013 amounted to RMB0.26 cents (2012: RMB0.69 cents).

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 30 June 2013, the Group possessed four wholly-owned operating hydropower plants namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower plant, Jiulong Hydropower Plant and Jinxi-I 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 expand operation, the Group initiated the development of hydropower plant in Bapu 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 Bapu Stream for an operating period of 50 years. Such development was regarded as an extension of the existing Jiulong Hydropower Plant as it will make use of the water resources of the same river, Bapu Stream, as Jiulong Hydropower Plant.

In September 2012, the preliminary preparation works for Jiulong Hydropower Plant extension project have been initiated. As of June 2013, the Group has: 1. completed the "Report on the Construction Feasibility Studies" for project construction with respect to the commissioned design works; 2. completed the approval of the integrated planning in Bapu Stream area; 3. commissioned the preparation of the "Assessment Report on the Environmental Impact", "Assessment Report on the Social Stability Risks", "Consent on the Construction of Hydraulic Projects", "Thesis on Water Resources " and "Soil and Water Conservation Plan"; 4. conducted geological exploration; 5. accomplished the requisition and measurement of land for the roads leading to the plants; 6. made application for the feasibility review; 7. completed the preliminary work of land requisition; 8. finished the preliminary work of the confirmation of the project. It is expected that the major construction will commence in the fourth quarter of 2013. Depending on the construction progress, the Directors expect that the major construction will be completed in the first quarter of 2015 and the project will start to contribute revenue to the Group in 2015.

Acquisition of Hydropower Plants

Acquisition is the key to the success of the Group's expansion. The Group continues to explore opportunities in small and medium-size hydropower plants acquisition with attractive return and appreciation potential. On 24 April 2013, the Group acquired Ningde City Jinxi-I Hydropower Station, with a total installed capacity of 3.2 MW, an annual average generating output of 9,350,000 kWh and annual utilisation hours of 2,922 hours. For details, please refer to the paragraph headed "Significant Investment Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets" in this report.

Financial Review

Turnover

The revenue, gross profit and gross profit margin of Group for the six months ended 30 June 2012 and six months ended 30 June 2013 are shown below:

	Turnover Six months ended 30 June			Gross profit Six months ended 30 June			Gross profit margin Six months ended 30 June	
	2013	2012	Flux	**2013**	2012	Flux	**2013**	2012
	Unaudited	Unaudited		**Unaudited**	Unaudited		**Unaudited**	Unaudited
	RMB'000	RMB'000	%	**RMB'000**	RMB'000	%	**%**	%
— Qianping	**5,211**	6,706	(22)	**3,915**	5,285	(26)	**75**	79
— Ma Tou Shan	**4,746**	6,105	(22)	**3,592**	4,885	(26)	**76**	80
— Jiulong	**3,090**	3,454	(11)	**2,248**	2,538	(11)	**73**	73
— Jinxi-I*	**790**	N/A	N/A	**578**	N/A	N/A	**73**	N/A
Total	**13,837**	16,265	(15)	**10,333**	12,708	(19)	**75**	78

* *Acquired on 24 April 2013*

During the period under review, the Group recorded a turnover of RMB13.8 million for the six months ended 30 June 2013, representing a decrease of 15% as compared to RMB16.3 million for the six months ended 30 June 2012.

During the six months ended 30 June 2013, Qianping Hydropower Plant, Ma Tou Shan Hydropower Plant and Jiulong Hydropower Plant showed a decrease in turnover of approximately 22%, 22% and 11% respectively compared with the six months ended 30 June 2012.

The volume of electricity sold for the first half of 2013 decreased by approximately 18% from 56,096 Mwh to 45,994 Mwh. The decrease of power sale was resulted from decreased precipitation. The precipitation in Fuan City, Fujian Province in the first half of 2013 was 716 mm, lower than 1,085 mm in the first half of 2012, and the precipitation in Zhouning County, Fujian Province was 865 mm in the first half of 2013, lower than 1,288 mm in the first half of 2012.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB10.3 million for the six months ended 30 June 2013 (2012: RMB12.7 million) representing a decrease of 19% as compared to that for the corresponding period in 2012. Gross profit margin, calculated as gross profit divided by turnover, for the six months ended 30 June 2013 amounted to 75% (2012: 78%). The decrease in gross profit margin was mainly due to the lowering of turnover and relatively stable cost of sales. 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 81% (2012: 79%) of the cost of sales and other variable costs accounting for only 19% (2012: 21%).

Administrative Expenses

The administrative expenses of the Group primarily comprised of legal fees and staff costs. For the six months ended 30 June 2013, the Group's administrative expenses increased to approximately RMB2.3 million compared to approximately RMB1.8 million for the corresponding period of last year, representing an increase of approximately 28%. The increase was mainly attributed to the expansion of the Group's management team.

Finance Costs

The finance costs of the Group represented interest expenses on bank loans. For the six months ended 30 June 2012 and 2013, finance costs recorded by the Group were approximately RMB4.6 million and RMB4.2 million respectively.

Income Tax Expenses

Owing to decreased profit, the income tax of the Group decreased by 32% from approximately RMB1.9 million for the six months ended 30 June 2012 to approximately RMB1.3 million for the six months ended 30 June 2013.

Profit and Total Comprehensive Income

Mainly due to less precipitation, the profit and total comprehensive income of the Group decreased by 50% from approximately RMB5.2 million for the six months ended 30 June 2012 to RMB2.6 million for the six months ended 30 June 2013.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the six months ended 30 June 2013 amounted to RMB0.26 cents (2012: RMB0.69 cents), representing a decrease of 62% as compared with the corresponding period in 2012.

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows, shareholders' funds and bank borrowings.

The Group had cash and cash equivalents of approximately RMB63.2 million as at 30 June 2013, representing a decrease of approximately RMB26.5 million compared to that of approximately RMB89.7 million as at 31 December 2012. Net cash generated from operating activities amounted to approximately RMB6.7 million for the six months ended 30 June 2013 as compared to net cash generated from operating activities of RMB9.4 million for the corresponding period of last year.

Pledge of Assets

The bank borrowings of approximately RMB109.2 million at 30 June 2013 were secured by certain prepaid lease payments, certain property, plant and equipment and certain trade receivables and the electricity tariff collection right of the subsidiaries of the Company. The Group pledged the following assets to banks for borrowings granted to the Group:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Prepaid lease payments	**12,247**	12,384
Property, plant and equipment	**109,172**	111,479
Trade receivables	**6,380**	4,248
	127,799	128,111

Foreign Exchange Exposure

The Group's income and expenditure during the six months ended 30 June 2013 were principally denominated in Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2013 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the period under review.

Gearing Ratio

The gearing ratio of the Group, based on total bank borrowings to the total assets of the Group, slightly decreased to 47% as at 30 June 2013 (31 December 2012: 48%).

Capital Structure

As at 30 June 2013, the Group had total assets of approximately RMB233.7 million, including property, plant and equipment of approximately RMB133.0 million, intangible asset of approximately RMB8.6 million, and cash and cash equivalents of approximately RMB63.2 million. As at 31 December 2012, the Group had total assets of approximately RMB233.6 million, comprising property, plant and equipment of approximately RMB114.1 million, intangible asset of approximately RMB8.7 million, and cash and cash equivalents of approximately RMB89.7 million.

As at 30 June 2013, the Group had total liabilities of approximately RMB114.8 million, mainly comprising bank borrowings of approximately RMB109.2 million. As at 31 December 2012, the Group had total liabilities of approximately RMB117.3 million, mainly consisting of bank borrowings of approximately RMB113.2 million.

There has been no material change in the capital structure of the Group during the period under review. The total number of the issued shares of the Company was 1,000,000,000 as at 30 June 2013.

Contingent Liabilities

As at 30 June 2013, save for disclosed in note 19, the Group did not have any significant contingent liabilities.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2013 (2012: nil).

Bank Borrowings

As at 30 June 2013, the Group's bank borrowings amount to approximately RMB109.2 million, bearing interest rates from 7.21% to 7.53% per annum.

Employees and Remuneration Policies

As at 30 June 2013, the Group employed approximately 64 employees, as compared to 62 employees as at 31 December 2012, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB1.17 million (for the period ended 30 June 2012: approximately 0.86 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

The Group has adopted a share option scheme (the "Scheme") pursuant to which the Directors may grant options to individuals including Directors, employees or consultants of the Group to acquire shares of the Company. The Directors consider that the Scheme assists in recruiting and retaining high caliber executives and employees.

Significant Investment Held, Material Acquisition and Disposal of Subsidiaries and Affiliated Companies, and Plans for Material Investment or Capital Assets

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.

Save for disclosed above, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the period under review.

Save for disclosed in this Interim Report, there is no plan for material investments or capital assets as at 30 June 2013.

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 optimise 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.

OTHER INFORMATION

Comparison between Future Plans and Prospects and Actual Business Progress and Use of Proceeds

The following is a comparison of the Group's future plan as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the first half year of 2013.

Business objectives for the period from 1 January 2013 to 31 December 2013	Actual business progress up to 30 June 2013
Possible acquisition of hydropower plants	On 24 April 2013, the Group acquired the entire interest of Ningde City Jinxi-I Hydropower Station, with a total installed capacity of 3.2 MW, an annual average generating output of 9,350,000 kWh and annual utilisation hours of 2,922 hours. The Group has also identified a few other potential hydropower plants in Fujian Province and is currently conducting preliminary reviews and feasibility studies.
Enhancement of technologies and facilities of existing hydropower plants	The preliminary preparation works for Jiulong Hydropower Plant extension project have been initiated in September 2012. As of June 2013, various reports, plans and feasibility reviews for the mainframe construction were prepared for the government approval. As additional time were incurred on such preparation, the Directors estimate the government approval procedure will be completed in third quarter of 2013 and the commencement of mainframe construction will be delayed to the fourth quarter of 2013. However, it is still expected that the major construction can be completed in the first quarter of 2015.
Enhancement of technologies and facilities of newly acquired hydropower plants	After the acquisitions of the Jinxi-I Hydropower Plant, the Group upgraded the auxiliary equipments which can minimise the water losses and promote the power generating efficiency.

Business objectives for the period from 1 January 2013 to 31 December 2013	Actual business progress up to 30 June 2013
Enhancement of safety management	The Group has implemented steps and procedures to review the safety policy and upgraded the safety equipment for the three operating hydropower plants.

The net proceeds from the placing of the shares ("Placing") of the Company were approximately HK$59.9 million. The net proceeds from the Placing from the date of listing (i.e. 6 July 2012) (the "Listing Date") to 30 June 2013 had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2013 HK$'000	Actual use of proceeds from the Listing Date to 30 June 2013 HK$'000
Possible acquisition of hydropower plants (Note 1)	46,898	31,008
Enhancement of technologies and facilities of existing hydropower plants (Note 2)	14,740	1,290
Enhancement of technologies and facilities of newly acquired hydropower plants (Note 3)	130	56
Enhancement of safety management	110	92
Total	61,878	32,446

Note 1: Actual use of proceeds was lower as compared to the planned use of proceeds, which was mainly because the Group is still identifying other potential acquisition targets apart from Ningde City Jinxi-I Hydropower Station acquired on 24 April 2013.

Note 2: The extension development of Jiulong Hydropower plants was commenced in September 2012 and still in progress of preliminary works as of June 2013. The mainframe construction is expected to start in fourth quarter of 2013.

Note 3: After the acquisitions of the Jinxi-I Hydropower Plant, the Company upgraded the auxiliary equipments which can minimise the water losses and promote power generating efficiency. The Group will implement the technologies upgrade of the other hydropower plants acquired in future.

Reference is made to the updates on the use of proceeds in the Group's 2012 annual report. As at 31 December 2012, the Group has utilised HK$640,000 of the net proceeds from the Placing.

The actual net proceeds from the placing of the shares of the Company were approximately HK$59.5 million, which was lower than the estimated net proceeds of approximately HK$62.3 million, mainly due to the Placing price of the shares fixing at HK$0.30 per share, lower than the midpoint of the indicative Placing price range of HK$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants would be adjusted. The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong and in the PRC.

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 30 June 2013, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares or debenture of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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 Rule 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.

Save for disclosed above, as at 30 June 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 Rule 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 30 June 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.

Save for disclosed above, as at 30 June 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 six months ended 30 June 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 30 June 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 30 June 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 interim financial statements and the interim report of the Group for the six months ended 30 June 2013.

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

Fujian Province, The PRC, 12 August 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 Shijiu, Mr. Cheng Chuhan and Mr. Chan Kam Fuk.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Turnover	4	**10,185**	9,472	**13,837**	16,265
Cost of sales		**(1,859)**	(1,784)	**(3,504)**	(3,557)
Gross profit		**8,326**	7,688	**10,333**	12,708
Other income	6	**61**	120	**176**	819
Administrative expenses		**(1,355)**	(1,018)	**(2,297)**	(1,837)
Other operating expenses		**—**	(3)	**(41)**	(3)
Finance costs	7	**(2,049)**	(2,443)	**(4,233)**	(4,611)
Profit before tax		**4,983**	4,344	**3,938**	7,076
Income tax expense	8	**(1,270)**	(1,181)	**(1,297)**	(1,922)
Profit for the period and total comprehensive income for the period	9	**3,713**	3,163	**2,641**	5,154
Earnings per share (RMB cents) Basic and diluted	11	**0.37**	0.42	**0.26**	0.69

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	132,989	114,104
Prepaid lease payments		15,457	12,112
Goodwill		4,898	3,759
Intangible asset		8,600	8,701
		161,944	138,676
Current assets			
Trade and other receivables	13	8,257	5,005
Prepaid lease payments		351	272
Bank balances and cash		63,195	89,672
		71,803	94,949
Current liabilities			
Trade and other payables	14	2,343	2,574
Income tax payables		1,310	789
Secured bank borrowings	15	10,800	10,800
		14,453	14,163
Net current assets		57,350	80,786
		219,294	219,462
Capital and reserves			
Share capital	16	8,156	8,156
Reserves		110,802	108,161
Total equity		118,958	116,317
Non-current liabilities			
Secured bank borrowings	15	98,400	102,400
Deferred tax liabilities	18	1,936	745
		100,336	103,145
		219,294	219,462

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012 (audited)	7	—	362	29,993	1,172	24	7,559	39,117
Arising from reorganisation (Note 16(d))	(7)	—	—	7	—	—	—	—
Issue of shares upon reorganisation (Note 16(b))	1	—	—	18,622	—	—	—	18,623
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	5,154	5,154
At 30 June 2012 (unaudited)	1	—	362	48,622	1,172	24	12,713	62,894
At 1 January 2013 (audited)	8,156	48,782	362	48,622	1,841	24	8,530	116,317
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	2,641	2,641
At 30 June 2013 (unaudited)	8,156	48,782	362	48,622	1,841	24	11,171	118,958

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**6,663**	9,380
Net cash (used in) from investing activities	**(24,874)**	26
Net cash (used in) from financing activities	**(8,266)**	12,089
Net (decrease) increase in cash and cash equivalents	**(26,477)**	21,495
Cash and cash equivalents at 1 January	**89,672**	16,922
Cash and cash equivalents at 30 June, represented by bank balances and cash	**63,195**	38,417

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 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 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 primary 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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 19 June 2012. Details of the Reorganisation were set out in the section headed "History and Development — Reorganisation" to the prospectus of the Company dated 28 June 2012 (the "Prospectus"). The share of the Company has been listed on the Stock Exchange on 6 July 2012.

1. General Information (Continued)

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements 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 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"). The condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows including the results and cash flows of the companies comprises the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2012.

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

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA as well as with 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 condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

3. Principal Accounting Policies (Continued)

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC)* – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as set out in Note (2) of the consolidated financial statements for the year ended 31 December 2012.

In addition, there are following amendments to HKFRSs have been issued but are not effective subsequent to the date of consolidated financial statements for the year ended 31 December 2012.

3. Principal Accounting Policies (Continued)

The Group has not early applied the following New HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) * – Interpretation 21	Levies[1]

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretation Committee).

1 Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group in the future.

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 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; and segment assets and liabilities are presented in the condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position respectively.

6. Other Income

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net exchange gain	**—**	45	**—**	674
Rental income (net of outgoings: nil)	**—**	30	**30**	60
Gain on disposal of property, plant and equipment	**—**	14	**—**	30
Bank interest income	**61**	31	**146**	55
	61	120	**176**	819

7. Finance Costs

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on borrowings wholly repayable over five years	**2,049**	2,443	**4,233**	4,611

8. Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The charge comprises:				
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	**1,269**	1,185	**1,300**	1,930
Under provision in prior years	**15**	—	**15**	—
Deferred taxation (Note 18)	**(14)**	(4)	**(18)**	(8)
	1,270	1,181	**1,297**	1,922

(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. Profit for the Period

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period has been arrived at after charging:				
Depreciation	**1,303**	1,196	**2,507**	2,402
Amortisation of prepaid lease payments (included in cost of sales)	**82**	64	**150**	128
Amortisation of intangible asset (included in administrative expenses)	**51**	51	**101**	101
Operating lease charges in respect of properties	**35**	16	**68**	36
Net exchange loss	**115**	—	**150**	—

10. Dividends

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

11. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	**3,713**	3,163	**2,641**	5,154

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	'000	'000	**'000**	'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,000,000**	750,000	**1,000,000**	750,000

The weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2013 represents 1,000,000,000 ordinary shares issued.

The weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2012 was 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 earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 June 2013 and 2012.

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2013, the Group spent approximately RMB533,000 (six months ended 30 June 2012: approximately RMB71,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2013, the Group had additions of property, plant and equipment approximately RMB20,859,000 from acquisition of a subsidiary.

In addition, the Group did not dispose of any property, plant and equipment during the six months ended 30 June 2013. During the six months ended 30 June 2012, the Group disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB12,000 for cash proceeds of approximately RMB42,000, resulting in a gain on disposal of approximately RMB30,000.

13. Trade and Other Receivables

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Trade receivables	**7,132**	4,248
Prepayments	**613**	282
Deposits and other receivables	**512**	475
	8,257	5,005

The Group allows a range of credit period of 15 to 30 days to its trade customers. The Group did not hold any collateral over the trade receivable balances. The following is an aged analysis of trade receivables presented based on invoice date which approximated the revenue recognition date at the end of the reporting period.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within 30 days	**7,132**	3,758
31–60 days	**—**	490
	7,132	4,248

14. Trade and Other Payables

The Group's trade payables are aged within 180 days which presented based on the invoice date at the end of the reporting period.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Trade payables	401	101
Construction payables	250	250
Other payables and accrued expenses	1,073	1,916
Other tax payables	619	307
	2,343	2,574

15. Secured Bank Borrowings

During the six months ended 30 June 2013, the Group did not obtain any new bank borrowings.

During the year ended 31 December 2012, the Group obtained new bank borrowings in the amount of RMB21,000,000. The bank borrowings carry interest at variable market rates of 7.21% to 7.53% per annum and are repayable by installments over a period of 10 years. The proceeds were used to repay the existing bank borrowings of the Group for the sake of lower interest rate.

As at 30 June 2013, the secured bank borrowings are secured by certain assets as disclosed in note 22 and the electricity tariff collection right of the subsidiaries of the Company.

16. Share Capital

	Notes	Number of shares 30 June 2013 '000 (unaudited)	Number of shares 31 December 2012 '000 (audited)	Nominal value of ordinary shares 30 June 2013 RMB'000 (unaudited)	Nominal value of ordinary shares 31 December 2012 RMB'000 (audited)
Ordinary shares of HK$0.01 each					
Authorised:					
At the beginning of period / year	(a)	**2,000,000**	38,000	**16,329**	329
Increase during the year	(c)	**—**	1,962,000	**—**	16,000
At the end of period / year		**2,000,000**	2,000,000	**16,329**	16,329
Issued and fully paid:					
At the beginning of period / year	(a)	**1,000,000**	10	**8,156**	—
Issue of shares upon Reorganisation	(b)	**—**	90	**—**	1
Issue of shares upon capitalisation issue	(e)	**—**	749,900	**—**	6,116
Issue of shares upon placing	(f)	**—**	250,000	**—**	2,039
At the end of period / year		**1,000,000**	1,000,000	**8,156**	8,156

16. Share Capital (Continued)

(a) The authorised share capital of the Company of HK$380,000 (equivalent to approximately RMB329,000) was divided into 380,000 shares of HK$1.00 each. At the time of incorporation, one share of HK$1.00 each was allotted and issued at par to the initial subscriber. On 27 August 2010, 99 shares of HK$1.00 each were allotted and issued at nil. Pursuant to a special resolution passed on 12 October 2010, each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 100 shares of HK$0.01 each. Accordingly, the Company has an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and an issued share capital of HK$100 divided into 10,000 shares of HK$0.01 each as at 1 January 2012.

(b) On 30 April 2012, Victor River Limited subscribed for, and the Company issued and allotted 90,000 shares of HK$0.01 each fully paid to Victor River Limited (equivalent to approximately RMB1,000) in consideration of the debt assignment of HK$23,763,058 (equivalent to approximately RMB18,623,000).

(c) Pursuant to an ordinary resolution in writing passed by the Company on 19 June 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK$0.01 each.

(d) Pursuant to the reorganisation agreement dated 19 June 2012, the Company acquired the remaining 1,000 shares (equivalent to approximately RMB7,000) of Haitian BVI from Mr. Lin Yang and Haitian Hydropwer Group Limited ("Haitian BVI") became a wholly-owned subsidiary of the Company. In consideration for the aforesaid acquisitions, 10,000 nil paid shares of the Company of HK$0.01 each held by Victor River Limited were credited as fully paid.

(e) As a result of the issue of the placing shares pursuant to the placing (the "Placing"), 749,900,000 shares of HK$0.01 each in the Company were allotted and issued, credited to the share premium account as fully paid at par (equivalent to approximately RMB6,116,000) to Victor River Limited, being the sole shareholder appearing on the register of members of the Company at the close of the business on 19 June 2012.

(f) On 19 June 2012, 250,000,000 shares of HK$0.01 each were issued at the placing price of HK$0.3 each under the Placing. Aggregate par value of these shares of approximately RMB2,039,000 was credited to the share capital account of the Company. The excess of the issue price over the par value of the shares of approximately RMB59,131,000, net of transactions costs attributable to the Placing of approximately RMB4,233,000, was credited to the share premium account of the Company.

17. Share Option Scheme

Pursuant to a written resolution of the Company passed on 19 June 2012, the Company has conditionally adopted the share option scheme (the "Scheme") on 19 June 2012 for the primary purpose of providing incentives to eligible participants. No share option has been granted since the Scheme has been adopted. As at 31 December 2012 and 30 June 2013, there are no outstanding share options under the Scheme.

18. Deferred Taxation

The following are the major deferred tax liabilities recognised and movements thereon during the current and preceding interim periods:

	Fair value adjustment on property, plant and equipment RMB'000	Fair value adjustment on prepaid lease payments RMB'000	Fair value adjustment on intangible asset RMB'000	Total RMB'000
At 1 January 2012 (audited)	200	30	532	762
Credited to the condensed consolidated statement of comprehensive income	(2)	—	(6)	(8)
At 30 June 2012 (unaudited)	198	30	526	754
At 1 January 2013 (audited)	**196**	**29**	**520**	**745**
Acquisition of a subsidiary (Note 23)	**1,097**	**112**	**—**	**1,209**
Credited to the condensed consolidated statement of comprehensive income	**(11)**	**(1)**	**(6)**	**(18)**
At 30 June 2013 (unaudited)	**1,282**	**140**	**514**	**1,936**

18. Deferred Taxation (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. Contingent Liabilities

Up to date of this report, no rules have been issued on whether the income from sales of carbon credits known as Certified Emission Reductions ("CERs") is subject to any value-added tax or business tax. Based on discussion with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the income from sales of CERs. Therefore, the Group has not made any provision on such contingencies.

20. Operating Leases

Details of the Group's commitments under non-cancellable operating lease are set out as follow:

(a) The Group as lessee

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of one year. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

20. Operating Leases (Continued)

(a) The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	116	81
In the second to fifth year inclusive	76	114
	192	195

(b) The Group as lessor

The Group leases certain of its staff quarters under operating lease arrangements. The leases typically run for an initial period of five years. No provision for contingent rent and terms of renewal was established in the leases.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	—	120
In the second to fifth year inclusive	—	120
	—	240

21. Capital Commitments

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	1,722	1,522

22. Pledge of Assets

At the end of the reporting period, the Group pledged the following assets to banks for borrowings granted to the Group.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Prepaid lease payments	12,247	12,384
Property, plant and equipment	109,172	111,479
Trade receivables	6,380	4,248
	127,799	128,111

23. Acquisition of a Subsidiary

On 24 April 2013, the Group acquired 100% interest in Ningde Xingyuan Hydropower Co., Ltd. ("Xingyuan Hydropower") from Mr. Lin Dong ("Vendor"), an independent third party. Xingyuan Hydropwer is principally engaged in hydropower generation and was acquired with the objective of improving the Group's performance.

23. Acquisition of a Subsidiary (Continued)

Consideration transferred

	RMB'000
Cash consideration	24,928

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	20,859
Prepaid lease payment	3,574
Trade and other receivables	286
Bank balance and cash	441
Trade and other payables	(162)
Amount due to Vendor	(17,928)
Deferred tax liabilities (Note 18)	(1,209)
	5,861

Goodwill arising on acquisition

	RMB'000
Consideration transferred	24,928
Less: assignment of shareholder's loan	(17,928)
Less: recognised amount of identifiable net assets acquired	(5,861)
Goodwill arising on acquisition	1,139

Goodwill arose on the acquisition of Xingyuan Hydropower because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Xingyuan Hydropwer. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

23. Acquisition of a Subsidiary (Continued)

Net cash outflow arising on acquisition

	RMB'000
Consideration transferred	24,928
Lees: cash and cash equivalent balance acquired	(441)
	24,487

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB392,000 attributable to Xingyuan Hydropower. Revenue for the interim period includes RMB790,000 is attributable to Xingyuan Hydropower.

Had the acquisition of Xingyuan Hydropower been effected at the beginning of the interim period, the total amount of the profit of the Group for the six months ended 30 June 2013 would have been RMB2,760,000, and the amount of revenue for the interim period would have been RMB14,379,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xingyuan Hydropower been acquired at the beginning of the interim period, the directors of the Company calculated depreciation of property, plant and equipment and amortisation of prepaid lease payment based on the recognised amounts of property, plant and equipment and prepaid lease payment at the date of the acquisition.

24. Related Parties Transactions

The Group entered into the following transactions during the period:

(i) The Group may not be qualified to the Clean Development Mechanism ("CDM") project upon the date from it changed to a foreign-owned enterprise and may be requested to refund the cash received ("Cash Refund") to the respective PRC authority should the PRC authorities have different interpretations on the Measures for Operation and Management of Clean Development Mechanism Projects《清潔發展機制項目運行管理辦法》(Revised) promulgated on 3 August 2011 from the Group.

Pursuant to a deed of indemnity dated 19 June 2012, the controlling shareholder and Victor River Limited would jointly and severally indemnify the Group for the Cash Refund.

(ii) Under a deed of indemnity dated 19 June 2012, the controlling shareholder and Victor River Limited, have jointly and severally undertaken to provide indemnities on all penalties which would be incurred or suffered by the Group as a result of any non-compliance with the PRC regulatory requirements in relation to the loans advancing to a related company on or before the listing of the shares of the Company on the Stock Exchange.

(iii) Under the deed of assignment dated on 19 June 2012 entered into between Mr. Lin Yang and Haitian Hydropower (HK) Limited ("Haitian HK"), Mr. Lin Yang agreed to assign, and Haitian HK accepted to the assignment of, all rights, title, benefit and interest in the domain name for the consideration of HK$1.00.

(iv) The Group entered into a lease agreement with a related company — 福建省海興能源集團有限公司, in which Mr. Wang Xiaoyun, the brother-in-law of Mr. Lin Yang has a beneficial interest for its office premise with a lease term of 3 years and a monthly rental expense of approximately RMB5,000. During the six months ended 30 June 2013, the Group paid rental expenses of approximately RMB30,000 (for the six months ended 30 June 2012: nil) to this related company for leasing the office premises.

24. Related Parties Transactions (Continued)

(v) Compensation to key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Short-term benefits	**190**	44	**333**	87
Post-employments benefits	**3**	5	**6**	10
	193	49	**339**	97

The remuneration of directors and key executives is determined with regards to the performance of individuals and market trends.