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

Annual Report 2013

Haitian Hydropower International Limited

is a clean energy company specializing in small hydropower development in China.

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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 of the Stock Exchange (the "GEM Listing Rules") for the purpose 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: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this report misleading; (iii) all opinions expressed in this report have been arrived at after due an careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors

Mr. Lin Yang *(Chairman)*
Mr. Zheng Xuesong *(Chief Executive Officer)*
Mr. Chen Congwen
Mr. Lin Tian Hai (appointed on 30 January 2013)
Mr. Huang Xiaodong (resigned on 30 January 2013)

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. Lin Yang
Mr. Chan Kam Fuk
Mr. Chen Congwen
Mr. Cheng Chuhan
Mr. Lin Tian Hai
Mr. Zhang Shijiu

Compliance Officer

Mr. Lin Yang

Company Secretary

Ms. Ng Kit Ying Zelinda (appointed on 15 November 2013)
Ms. Lam Sau Ping Melanie (resigned on 15 November 2013)

Authorised Representatives

Mr. Lin Tian Hai
Ms. Ng Kit Ying Zelinda (appointed on 15 November 2013)
Ms. Lam Sau Ping Melanie (resigned on 15 November 2013)

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

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

Principal Place of Business in Hong Kong

36/F., Tower Two
Times Square,1 Matheson Street
Causeway Bay
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

Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China, Fujian Branch
HUAXIA Bank, Fuzhou JinAn Branch
Bank Of Communications, Fuzhou Taijian Branch

Compliance Adviser

Ample Capital Limited

Company Website

www.haitianhydropower.com

Stock Code

08261

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the full year results of the Company, together with its subsidiaries (referred to as the "Group") for the year ended 31 December 2013.

During the year 2013, the Group has achieved a steady development since its successful listing on the GEM. The shares of the Group were successfully listed on GEM on 6 July 2012. The Group has not only achieved a steady development based on its original businesses, but also managed to identify targets for future acquisition and development.

Business Review

The Group is engaged in the operation and management of small hydropower plants in the PRC which were either developed by itself or acquired from other parties. As at 24 April 2013, the Group successfully acquired Ningde Xingyuan Hydropower Co., Ltd., which held the Jinxi-1 Hydropower Plant with a total installed capacity of 3.2 MW. To date, the Group possesses four wholly-owned hydropower plants in Fujian Province in the PRC, namely Ma Tou Shan Hydropower Plant in Fuan City, Qianping Hydropower Plant in Zhouning County, Ningde City Jinxi-1 Hydropower Plant and Jiulong Hydropower Plant in Zhouning County. The total installed capacity of the Group is 29.45 MW.

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Currently, the Group has commenced enhancement of technologies and extension project for the existing Jiulong Hydropower Plant and it is expected that the mainframe construction will start in May 2014. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half year of 2015 and the project will start to contribute revenue to the Group in May 2015.

Financial Review

For the year ended 31 December 2013, electricity sold of the Group amounted to 100,327 MWh, representing an increase of 6.0% as compared to that of last year. Revenues from power generation amounted to RMB30.2 million, representing an increase of 8.6% as compared to RMB27.8 million of last year. Profit attributable to the owners of the Group amounted to RMB6.1 million, representing an increase of 281.3% as compared to last year.

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 and under the policy guidance of the government work report which is significantly encouraging the development of clean energies and promoting the energy-saving emission reduction, 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.

Acknowledgements

Finally, I would like to take this opportunity to express my sincere gratitude to the continuous support and trusts from our shareholders, clients and business partners. In addition, I would like to thank our directors and employees for their enormous contribution and unwavering commitments to the Group. Based on the successful operation of the Group, we continue to be optimistic about the outlook for its business developments going forward. Through the implementation of our established business strategies, we intend to further enhance the value of the Group and render satisfactory returns for our shareholders.

Lin Yang
Chairman
21 March 2014

Management Discussion and Analysis

Business Review

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. As at 31 December 2013, the Group possessed four wholly-owned operating hydropower plants namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant and Ninde Jinxi-1 Hydropower Plant, which are located in Fujian Province, the eastern part of the PRC. The operational details of the hydropower plants are listed as below:

Ma Tou Shan Hydropower Plant (福安市馬頭山水電站)

Ma Tou Shan Hydropower Plant is located on Qianyang Stream of Saijiang Basin (賽江流域茜洋溪) in Xibing Town (溪柄鎮), Fuan City (福安市) of Fujian Province. With a total installed capacity of 11.25 MW, Ma Tou Shan Hydropower Plant commenced power generation for sale in June 2007. Ma Tou Shan Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 5.0 MW and one 1.25 MW vertical water turbine generators (直立式水輪發電機組). The reservoir has a design of a total capacity of approximately 9,980,000 m^3, which possesses the function of "seasonal adjustment (季調節)", i.e. the reservoir could store excess water in the high precipitation season for the use of electricity generation in low precipitation season during the same year.

Indicators	2013	2012
Installed capacity (MW)	**11.25**	11.25
Electricity sold (MWh)	**32,778**	35,231
Applicable on-grid tariff (RMB/KWh), including VAT	**0.331**	0.331

Qianping Hydropower Plant (周寧縣前坪水電站)

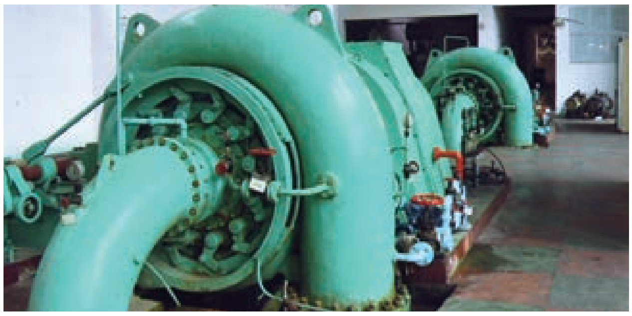
Qianping Hydropower Plant is located on the Longting Stream (龍亭溪) of the Muyang Basin (穆陽溪流域), Zhouning County (周寧縣) of Ningde City (寧德市) in Fujian Province. With a total installed capacity of 10 MW, Qianping Hydropower Plant commenced power generation for sale in June 2008. Qianping Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 5.0 MW horizontal water turbine generators. The dam controls a catchment area of approximately 44 km^2. The reservoir has a design of total capacity of approximately 3,340,000 m^3, which possesses the function of "seasonal adjustment (季調節)", i.e. the reservoir could store excess water in the high precipitation season or the use of electricity generation in low precipitation season during the same year.

Indicators	2013	2012
Installed capacity (MW)	**10**	10
Electricity sold (MWh)	**37,698**	36,114
Applicable on-grid tariff (RMB/kW.h), including VAT	**0.331**	0.331

Jiulong Hydropower Plant (周寧縣九龍水電站)

Jiulong Hydropower Plant is located at Qibu town (七步鎮), Zhouning County (周寧縣) of Ningde City (寧德市) in Fujian Province. It comprises cross stream hydrological works which divert the water from upstream of Bapu Stream (八蒲溪), a tributary of Muyang Stream (穆陽溪), into Qibu Stream (七步溪). Jiulong Hydropower Plant has a total installed capacity of 5.0 MW. It commenced power generation for sale in April 2003. Jiulong Hydropower Plant was acquired by the Group in May 2010.

Jiulong Hydropower Plant is an impoundment dam reservoir hydropower plant which is built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The powerhouse contains two 2.5 MW horizontal water turbine generators (卧式水輪發電機組). The dam controls a catchment area of approximately 46 km^2. The reservoir has an adjusted capacity (水庫調節庫容) of approximately 59,000 m^3, which possesses the function of "daily adjustment (日調節)", i.e. the reservoir could store excess water in the high water hours for the use of electricity generation in low water hours during 24 hours.



Indicators	2013	2012
Installed capacity (MW)	**5**	5
Electricity sold (MWh)	**23,108**	23,291
Applicable on-grid tariff (RMB/kW.h), including VAT	**0.301**	0.301

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 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 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, Bapu 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 start in May 2014. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half year of 2015 and the project will start to contribute revenue to the Group in May 2015.

Ningde Jinxi-1 Hydropower Plant (寧德市金溪一級水電站)

Ningde Jinxi-1 Hydropower Plant is located in Guyang village, a Baizhang natural village, Jinhan town, Ningde city, Fujian Province. With a total installed capacity of 3.2 MW, the powerhouse contains two 1.6 MW horizontal water turbine generators (臥式水輪機組). Jinxi-1 Hydropower Plant commenced power generation for sale in May 2008. Jinxi-1 Hydropower Plant was acquired by the Group in April 2013. Jinxi-1 Hydropower Plant is a comprehensive hydropower plant. The reservoir has total capacity of 1,066,000 m^3 and adjusted capacity of 389,000 m^3, which possesses the function of "daily adjustment (日調節)". i.e. the reservoir could store excess water in the high water hours for the use of electricity generation in low water hours during 24 hours.

Indicators	2013	2012
Installed capacity (MW)	**3.2**	3.2
Electricity sold (MWh)	**6,743**	N/A
Applicable on-grid tariff (RMB/kW.h), including VAT	**0.301**	0.301

Acquisition of Hydropower Plants

As a core of expansion strategy, the Group continues to seek to acquire small and medium-size hydropower plants with attractive return and appreciation potential. The Group acquired Ningde Jinxi-1 Hydropower Plant in April 2013.

Major Customers and Suppliers

For the year of 2013, 100% of the revenues of the Group are derived from the three following customers, namely 國網福建周寧縣供電有限公司, 國網福建福安市供電有限公司 and 國網福建省電業有限公司寧德供電公司, each of which contributes approximately 60.2%, 33.5% and 6.3% to the total revenue of the Group, respectively.

For the year of 2013, approximately 10.4% of the cost of sale of the Group is attributed to the top five suppliers of the Group.

None of the directors, their respective contact persons and any substantial shareholders of the Group are interested in any of the major customers and suppliers of the Group.

Financial Review

Turnover

The Group recorded a turnover of RMB30.2 million for the year ended 31 December 2013 representing a 8.6% increase as compared to RMB27.8 million for the year ended 31 December 2012.

The Group's revenues to date have been derived from the sale of electricity generated by the hydropower plants to local power grids in Fujian Province. Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant and Ningde Jinxi-1 Hydropower Plant contributed approximately 33.5%, 38.7%, 21.5% and 6.3% to the Group's total turnover for the year ended 31 December 2013. The sale of electricity increased from 94,636 MWh for the year ended 31 December 2012 to 100,327 MWh for the year ended 31 December 2013, representing approximately 6.0% growth. The increase was mainly due to the acquisition of the new hydropower plant named Ningde Jinxi-1 Hydropower Plant which contributed approximately 6.7% to the Group's total electricity volume for the year ended 31 December 2013.

Gross Profit and Gross Margin

The Group achieved a gross profit of approximately RMB22.4 million for the year ended 31 December 2013 (2012: RMB20.6 million) representing an increase of 8.7% as compared to that in 2012. Gross margin, calculated as gross profit divided by turnover, for the year ended 31 December 2013 amounted to 74.2% (2012: 74.1%). The gross profit margin does not have a great fluctuation due to the almost portional increase of the revenue and cost of sales.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fee and staff costs. For the year ended 31 December 2013, the Group's administrative expenses decreased to approximately RMB5.3 million compared to approximately RMB8.7 million for the prior year, representing a decrease of approximately 39.1%. The administrative expenses decreased mainly due to the incurring of listing expenses of approximately RMB4.1 million for the year ended 31 December 2012.

Finance Cost

The finance cost of the Group represented interest expenses on bank loans. For the year ended 31 December 2013, finance cost recorded by the Group was approximately RMB8.4 million (2012: RMB9.2 million). The decrease in finance cost was due to the repayment of borrowing during the year.

Income Tax Expense

Owing to increased profit, the income tax of the Group increased by 30.4% from approximately RMB2.3 million for the year ended 31 December 2012 to approximately RMB3.0 million for the year ended 31 December 2013.

Profit and Total Comprehensive Income

For the year ended 31 December 2013, profit and total comprehensive income increased by 281.3% from RMB1.6 million in the prior year to RMB6.1 million, which was mainly due to the listing expense incurred for the year ended 31 December 2012.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the year ended 31 December 2013 amounted to RMB cents 0.61 (2012: RMB cents 0.19), representing an increase of 221.1%.

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and bank borrowings. The Group maintained strong cash and bank balances of approximately RMB42.1 million as at 31 December 2013 (2012: RMB89.7 million). As at 31 December 2013, the Group had net current assets of RMB49.2 million (2012: RMB80.8 million).

The current ratio, as at 31 December 2013, represented by a ratio between current assets over current liabilities, was 4.2 (2012: 6.7) and the gearing ratio as at 31 December 2013, represented by a ratio between total debt over total assets, was 47.1% (2012: 50.2%).

Bank Borrowings

As at 31 December 2013, the Group's bank borrowings amounted to approximately RMB102.4 million, bearing interest rates from 7.2% to 7.5% per annum.

Pledge of Assets

The bank borrowings of approximately RMB102.4 million (2012: RMB113.2 million) as at 31 December 2013 were secured by certain prepaid lease payments, certain property, plant and equipment, certain trade receivables and certain subsidiaries electricity tariff collecting right of the Group.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2013 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 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 current year.

Capital Structure

There has been no material change in the capital structure of the Group during the year ended 31 December 2013.

The total number of the issued shares of the Company was 1,000,000,000 as at 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

Final Dividend

The Directors do not recommend the payment of the final dividend for year ended 31 December 2013 (2012: Nil).

Employees and Remuneration Policies

As at 31 December 2013, the Group employed approximately 62 employees, including directors and the Chief Executive. (2012: 62 employees). Total staff costs for the year under review, including directors' and the Chief Executive's emoluments, amounted to approximately RMB2.6 million (2012: approximately RMB2.6 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.

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. ("Fujian Dachuan"), an indirect wholly-owned subsidiary of the Company, acquired the entire registered capital of Ningde Xingyuan Hydropower Co., Ltd. ("Ningde Xingyuan") and its debts owing to its shareholder for a total consideration of RMB24,928,243.69 on 24 April 2013. Ningde Xingyuan has invested and built the Ningde City Jinxi-1 Hydropower Plant 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.

In October 2013, Fuan Liyuan Hydraulic Power Co., Ltd., an indirect wholly-owned subsidiary of the Company, together with an independent third party, jointly established 福建省海天華金匯富能源發展有限公司 (Fujian Haitian Hua Jin Hui Fu Energy Development Co.,Ltd), and invested RMB6 million, representing 10% equity interest in this new company. The main purpose of establishing this new company is to identify and acquire hydropower plant projects with good potentials.

As disclosed in the announcement dated 29 November 2013, Fujian Dachuan intended to make an acquisition of Fuan Jiulong Hydropower Development Co., Ltd., (福安市九隆水電開發有限公司, "Fuan Jiulong"), and paid an earnest money of RMB16 million to Fuan Jiulong's shareholders in November 2013. The earnest money shall be treated as part of the final consideration for the proposed acquisition in the event that the formal sales and purchase agreement is entered into. In the event that no formal agreement is entered into before 30 June 2014 or Fujian Dachuan decides not to proceed with the proposed acquisition before 30 June 2014, the earnest money shall be returned to Fujian Dachuan together with interest which will be calculated based on the prevailing lending rate of banks. Fuan Jiulong owns Fuan Jiulong-1 & 2 Hydropower Plants (formerly known as "Chanxi-1 & 2 Hydropower Plant"), which have a total installed capacity of 4500 KW. Jiulong-1 Hydropower Plant has an installed capacity of 2400 KW, and its reservoir has a capacity of approximately 410,000 m^3. Jiulong-2 Hydropower Plant has an installed capacity of 2100 KW, and its reservoir has a capacity of approximately 156,000 m^3.

As disclosed in the announcement dated 3 December 2013, on 3 December 2013, Zhouning County Qianyuan Hydropower Development Co., Ltd. ("Qianyuan"), an indirect wholly-owned subsidiary of the Company, entered into an investment contract with Victory World Investment Limited ("Victory World"), an independent third party, pursuant to which, Qianyuan agreed to accept the investment of RMB10,777,800 (approximately HK$13,625,295) in cash from Victory World as a new shareholder. Upon the completion of the investment, the interests of the Company in Qianyuan will be diluted from 100% to approximately 69.98%, and the interests of Victory World in Qianyuan will be 30.02%. As at the date of this report, Fujian Foreign Trade & Economic Relations Commission has not issued an approval for such acquisition, Qianyuan therefore has not received any investment amount, and the interests of the Company in Qianyuan remain 100% as at 31 December 2013 and as of date of this report.

Save for disclosed above, there was no other significant investment held, material acquisition or disposal of subsidiary and affiliated companies during the year ended 31 December 2013 and there is no plan for material investments or capital assets as at 31 December 2013.

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 Prospectus with actual business progress for the year ended 31 December 2013.

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2013
Possible acquisition of hydropower plants	As disclosed in the announcement dated 24 April 2013, Fujian Dachuan acquired the entire registered capital of Ningde Xingyuan and its debts owing to its shareholder for a total consideration of RMB24,928,243.69 on 24 April 2013. Ningde Xingyuan has invested and built the Ningde City Jinxi-1 Hydropower Plant 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. As disclosed in the announcement dated 29 November 2013, Fujian Dachuan intended to make an acquisition of Fuan Jiulong, and paid an earnest money of RMB16 million to Fuan Jiulong's shareholders in November 2013. The earnest money shall be treated as part of the final consideration for the proposed acquisition in the event that the formal sales and purchase agreement is entered into. In the event that no formal agreement is entered into before 30 June 2014 or Fujian Dachuan decides not to proceed with the proposed acquisition before 30 June 2014, the earnest money shall be returned to Fujian Dachuan, together with interest which will be calculated based on the prevailing lending rate of banks. Fuan Jiulong owns Fuan Jiulong-1 & 2 Hydropower Plants (formerly known as "Chanxi-1 & 2 Hydropower Plant"), which have a total installed capacity of 4500 KW. Jiulong-1 Hydropower Plant has an installed capacity of 2400 KW, and its reservoir has a capacity of approximately 410,000 $m^{3.}$ Jiulong-2 Hydropower Plant has an installed capacity of 2100 KW, and its reservoir has a capacity of approximately 156,000 m^3.
Enhancement of technologies and facilities of existing hydropower plants	The Group has commenced the extension development of Jiulong Hydropower Plant, whose feasible report has submitted to Ningde Water Resources Bureau for review. A red line map for construction land planning and the "Opinion on Site Selection Of Construction Project" (《建設項目選址意見書》) have been issued by the Zhouning Bureau of Housing and Urban. The review comments for Appraisal of Risks on Social Stabilization of the construction project have been reviewed and issued by the Zhouning government. Zhouning Land and Resources Bureau has issued the Preliminary Opinions on the Construction Land (《用地預審意見》). The Report of Geological Hazard Assessment has been filed by the Zhouning Land and Resources Bureau. The Group has applied for the Preliminary Opinions on the forest land to the Forestry Department of Fujian Province. The plans for conservation of water and soil and the reports on water resources justification have been reviewed by the Water Resources Department of Fujian Province and are under preparation and amendment for approval. While preparing the report on environmental protection, the Group has commenced the construction of incoming roads. The mainframe construction is expected to start in May 2014. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half year of 2015 and the project will start to contribute revenue to the Group in May 2015.
Enhancement of technologies and facilities of newly acquired hydropower plants	After the acquisitions of the Jinxi-1 Hydropower Plant, the Group upgraded the auxiliary equipments which can minimise the water losses and promote the power generating efficiency.
Enhancement of safety management	The Group has implemented steps and procedures to review the safety policy and upgraded the safety equipment for the four operating hydropower plants.

The net proceeds from the Placing from the date of listing (i.e. 6 July 2012) (the "Listing Date"), to 31 December 2013 had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2013 HK$'000	Actual use of proceeds from the Listing Date to 31 December 2013 HK$'000
Possible acquisition of hydropower plants (Note 3)	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants (Note 1)	14,740	3,450
Enhancement of technologies and facilities of newly acquired hydropower plants (Note 2)	210	56
Enhancement of safety management	130	92
Total	59,780	48,298

Note 1: The extension development of Jiulong Hydropower plants was commenced in September 2012 and still in progress of preliminary works as of December 2013. The mainframe construction is expected to start in May 2014.

Note 2: The Group will implement the technologies upgrade of the other hydropower plants acquired in the future, in addition to Jinxi-1 Hydropower Plant.

Note 3: The actual net proceeds from the placing of the shares of the Company were approximately HK$59.9 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 was adjusted to HK$44.7 million.

Reference is made to the updates on the use of proceeds in the Group's 2013 interim report. As at 30 June 2013, the Group has utilised HK$32.4 million of the net proceeds from the Placing.

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.

Directors and Senior Management Profiles

Biographical details of the directors of the Company and the senior management of the Group are set out as follows:

Executive Directors

Mr. Lin Yang, aged 51, is the founder of the Group. He has been appointed as an executive director of the Company since 27 August 2010 and is the chairman of the Board. Mr. Lin is also a director of Fujian Dachan Hydropower Development Co., Ltd since 3 August 2008 and a director of Fuan Liyuan Hydraulic Power Co., Ltd since 9 September 2008, these companies are the indirect wholly-owned subsidiaries of the Company, Mr. Lin is responsible for the overall strategic direction of the Group. He possesses many years of experience in corporate planning, business development and project investment. Mr. Lin was appointed as duty chairman of the Third Standing Committee of the China Commercial Association General of Canada, Fujian Commerce Association of Canada (加拿大中華總商會福建商會第三屆常務理事會常務副會長) in 2006.

Mr. Zheng Xuesong, aged 41, has been an executive director of the Company since 14 October 2010. He has over 15 years of experience in hydropower plants development and management. Mr. Zheng has been the general manager of Fujian Dachuan Hydropower Development Co., Ltd and Fuan Liyuan Hydraulic Power Co., Ltd since 2003. Mr. Zheng is the cousin-in-law of Mr. Lin Yang. In 2010, Mr. Zheng was appointed as the vice chairman of Energy Association of Ningde City of Fujian province (寧德市能源行業協會).

Mr. Chen Congwen, aged 46, has been an executive director of the Company since 14 October 2010. He has over 20 years of experience in finance and corporate management. Mr. Chen is the brother-in-law of Mr. Lin Yang. During the period from August 1988 to November 2003, Mr. Chen worked as finance manager for Fuan City Administration Bureau for Industry and Commerce (福安市工商行政管理局).

Mr. Lin Tian Hai, aged 27, was appointed as an executive director of the Company on 30 January 2013. Mr. Lin holds a Bachelor Degree of Business Administration and Management from the University of Toronto in Canada. He has worked in private equity and investment banking sectors and has substantial experiences in project management and corporate financing. Mr. Lin Tian Hai is the son of Mr. Lin Yang.

Independent Non-Executive Directors

Mr. Zhang Shijiu, aged 69, was appointed as an independent non-executive director of the Company on 18 June 2012. Mr. Zhang completed a five and a half years' course in river hub and hydropower station construction in water conservancy engineering (水利工程系河川樞紐與水電站建築專業) at Tsinghua University in 1968. Mr. Zhang was approved as a High Class Engineer (高級工程師) by the Fujian Province Human Resources Bureau (福建省人事局) on 5 June 1992. Mr. Zhang was approved as Water Dam Safety Appraisal Expert (水利大壩安全鑒定專家) by Fujian Province Water Resources Board (福建省水利水電廳) on 22 January 1998. Mr. Zhang worked for Fujian Province Ningde District Water Conservancy Power Bureau (福建省寧德地區水利電力局) for more than 30 years and retired from being a chief engineer in September 2007. Prior to joining the Group, Mr. Zhang acted as an independent non-executive director of a listed company in the PRC, namely, Fujian Mindong Electric Power Co., Ltd. (福建閩東電力股份有限公司) (Stock Code: 000993.SZ) from June 2002 and resigned in June 2003 because of his own personal working schedule.

Mr. Cheng Chuhan, aged 41, has been an independent non-executive director of the Company since 14 October 2010. Mr. Cheng graduated from Fuzhou University (福州大學) with a bachelor degree in Economics in 1994. Mr. Cheng has over 15 years of experience in accounting and auditing industry.

Mr. Chan Kam Fuk, aged 48, has been appointed as an independent non-executive director of the Company since 14 October 2010. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA, an accounting firm in Hong Kong. He is a practising certified public accountant in Hong Kong, member of CPA Australia, and certified tax adviser of the Taxation Institute of Hong Kong. Prior to joining the Group, Mr. Chan acted as an executive director of a Hong Kong listed company, namely, Ecopro Hi-Tech Holdings Limited (now known as Jun Yang Solar Power Investments Limited) (Stock Code: 397) from 15 January 2001 and retired on 31 August 2001, and acted as an independent non-executive director of two Hong Kong listed companies, namely, Info Communication Holdings Limited (now known as Sage International Group Limited) (Stock Code: 8082) and Wing Hing International (Holdings) Limited (now known as Taung Gold International Limited) (Stock Code: 621) for the periods from 30 September 2004 to 14 December 2007 and from 30 October 2009 to 20 April 2010 respectively. Mr. Chan retired as executive director of Jun Yang Solar Power Investments Limited and resigned as independent non-executive director of Info Communication Holdings Limited and Wing Hing International (Holdings) Limited because of his own personal working schedule. In addition, Mr. Chan acted as an executive director of Swing Media Technology Group Ltd., a corporation listed in the Singapore Exchange ("SGX") from 19 May 2003 and resigned as non-executive director on 11 November 2006 because of his own personal working schedule, and an independent non-executive director of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited) which shares are also listed on the SGX from 28 October 2003 and retired by rotation on 30 July 2010. There are no other matters needed to be brought to the attention of the Shareholders and the Stock Exchange for Mr. Chan's resignation in various listed companies. Mr. Chan has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995.

Senior Management

Mr. Chen Xinbin, aged 41, is currently the assistant general manager of the Company. He was issued the certificate of his qualification as a Safe Production Supervisor (安全生產管理人員) by Fujian Administration of Work Safety (福建省安全生產監督管理局) and Fujian Office of the State Electricity Regulatory Commission (國家電力監督委員會福建省電力監督專員辦公室) in August 2010 which is valid until 17 August 2013. Mr. Chen took correspondence course in Electrical Power System and its Automatization (電力系統及其自動化專業函授課程) at Fuzhou University (福州大學) from September 2000 to January 2004 and fulfilled the requirements for graduation. Mr. Chen was approved as a Middle Class Hydropower Engineer (水利水電專業中級工程師) by Ningde Human Resources Bureau (寧德市人事局) on 4 December 2006. Prior to joining the Group in January 2008, Mr. Chen worked for Huanglanxi Hydropower Co., Ltd (黃蘭溪水力發電有限公司) responsible for operation of hydropower plant from 1998 to 2008.

Mr. Zhang Qigui, aged 39, has worked as an operation supervisor (運行主任) and technical head (技術站長) with Qianyuan Hydropower since October 1999 at the Jiulong Hydropower Plant. Mr. Zhang took a three years' course in Electrical and Mechanical Engineering (機電工程三年制普通專科) at The Open University of Fujian (福建廣播電視大學) and fulfilled the requirements for graduation in 1999.

Ms. Wu Xiaoqing, aged 30, is the finance manager of the Company. Ms. Wu completed a two years' course in Accounting (會計學(財會方向)兩年制專科) at The Open University of China (中央廣播電視大學) in 2007. She joined the Company since June 2010.

Directors' Report

The Board is pleased to present their annual report together with the audited financial statements of the Group for the year ended 31 December 2013.

Group Reorganisation

The Company is a limited liability company incorporated in the Cayman Islands on 27 August 2010.

Under a group reorganisation scheme (the "Reorganisation") in June 2012 to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the History and Development section of the Prospectus.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 35 to the consolidated financial statements. The Group is principally engaged in the investment, development, and operation of hydropower plants in China.

Segmental Information

The Group's segment information and revenue for the year ended 31 December 2013 are set out in Note 8 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 36 to 41.

The Directors do not recommend the payment of final dividends for the year ended 31 December 2013.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB58,173. The amount of RMB58,173 includes the Company's share premium and special reserve, net of retained profit which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Property, Plant and Equipment and Prepaid Lease Payment

Details of the movements in property, plant and equipment and prepaid lease payment of the Group during the year are set out in Notes 16 and 17 to the consolidated financial statements respectively.

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements, is set out on page 96 of this Annual Report. This summary does not form part of the audited financial statements.

Share Capital

Details of the Company's share capital and movements during the year are set out in Note 25 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Lin Yang *(Chairman)*	
Mr. Zheng Xuesong	
Mr. Chen Congwen	
Mr. Huang Xiaodong	(Resigned on 30 January 2013)
Mr. Lin Tian Hai	(Appointed on 30 January 2013)

Independent Non-executive Directors

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

Pursuant to Article 84 of the Company's articles of association, Mr. Chen Congwen, Mr. Lin Tian Hai and Mr. Zhang Shijiu shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographies details of the Directors and the senior management of the Group are set out on pages 15 to 17 of this Annual Report.

Directors' Service Contracts

All executive Directors, except for Mr. Lin Tian Hai, have entered into service contracts with the Company for a period of three years commencing 6 July 2012 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. Mr. Lin Tian Hai, the executive director, has entered into service contract with the Company for a period of one year commencing 30 January 2013 and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Other than those disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The company considers that all of the independent non-executive Directors are independent.

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements.

Management Contracts

As at 31 December 2013, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

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 year under review and there were no outstanding share options under the Scheme as at 31 December 2013. Details of the scheme is set out in Note 31 to the consolidated financial statements.

Directors' Interests in Contract

No contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 year.

Non-Competition Undertaking

In order to eliminate any future competing business with the Group, a deed of non-competition undertaking dated 19 June 2012 (the "Deed") was given by Mr. Lin Yang and Victor River Limited ("Victor River") in favour of the Group.

In addition, in order to protect the interests of the independent Shareholders, the following arrangements will be adopted by the Company in respect of the implementation of the Deed:

(a) the independent non-executive directors will review, on an annual basis, the compliance with the Deed by Mr. Lin and Victor River;

(b) Mr. Lin and Victor River undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive directors and the enforcement of the Deed;

(c) the Company will disclose decisions with basis on matters reviewed by the independent non-executive directors relating to compliance and enforcement of the deed in the annual reports of the Company; and

(d) Mr. Lin and Victor River will make an annual declaration on compliance with the Deed in the annual report of the Company.

Confirmation on compliance with the terms of the Deed from the Listing Date to the date of this report was received from each of Mr. Lin and Victor River. The independent non-executive directors had reviewed and confirmed that Mr. Lin and Victor River have complied with the Deed and the Deed has been enforced by the Company in accordance with its terms.

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

As at 31 December 2013, the interests or short positions of the Directors and chief executive 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, Cap. 571 of the Law of Hong Kong ("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 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 recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, 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.

Saved as disclosed above, as at 31 December 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 as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Scheme" and "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests and Short Positions of Substantial Shareholders in Shares and underlying Shares of the Company

So far as the Directors are aware, as at 31 December 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 the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, the following person will have 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 and who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Long position in the Shares

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

Note: Victor River Limited 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 Limited 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 Limited.

Saved as disclosed above, as at 31 December 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 or 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 who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

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 securities of the Company during the year ended 31 December 2013.

Compliance Adviser's Interest in the Company

As at 31 December 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.

Connected Transactions

The Directors are not aware of any connected transactions of the Group that shall be disclosed in this Annual Report under the GEM Listing Rules.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 25 to 33.

Events after the Reporting Period

The Group has no significant events after the reporting period.

Sufficiency of Public Float

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

Auditor

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditor of the Company on 7 October 2013 and the consolidated financial statements for the year ended 31 December 2013 was audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the 2014 annual general meeting.

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

Fuzhou, the PRC, 21 March 2014

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2013.

Corporate Governance Practices

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company has applied and adopted the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2013, the Company has complied with the code provisions set out in the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

Board of Directors

Board Composition

The Board of the Company currently comprises seven members, of which four are executive Directors namely Mr. Lin Yang (Chairman), Mr. Zheng Xuesong (Chief Executive Officer ("CEO")), Mr. Chen Congwen and Mr. Lin Tian Hai and three are independent non-executive Directors namely Mr. Zhang Shijiu, Mr. Cheng Chuhan and Mr. Chan Kam Fuk. Each of the Directors' respective biographical details is set out in the section headed "Directors and Senior Management Profiles" of this Annual Report. The Board included at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year ended 31 December 2013. The family relationships among the board members, if any, are disclosed under "Directors and Senior Management Profiles" section in this Annual Report.

Role and Function

The Board is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

Delegation by the Board

The Board also reserves for its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

Corporate Governance Functions

For the year ended 31 December 2013, the Board and the compliance committee have performed the corporate governance duties which include the following:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings

Appropriate notices are given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation. Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Number of Meetings and Attendance Records

The Board is scheduled to meet regularly and at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. In addition, the chairman is scheduled to have a meeting with the independent non-executive Directors and without the executive Directors present at least once annually.

For the year ended 31 December 2013, four Board meetings and a meeting between the chairman and independent non-executive Directors were held and the attendance records of individual Directors at the Board meetings are set out below:

Name of Directors	Meeting attended/ Eligible to attend Board
Executive Directors	
Mr. Lin Yang *(Chairman)*	4/4
Mr. Zheng Xuesong	4/4
Mr. Chen Congwen	4/4
Mr. Lin Tian Hai (appointed on 30 January 2013)	4/4
Mr. Huang Xiaodong (resigned on 30 January 2013)	0/0
Independent non-executive Directors	
Mr. Zhang Shijiu	4/4
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4

Chairman and CEO

The roles of the Chairman and CEO are segregated and held by Mr. Lin Yang and Mr. Zheng Xuesong respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO of the Company which provides a balance of power and authority.

Appointment and Re-election of Directors

All the Directors, including independent non-executive Directors, are appointed for a term of three years and subject to retirement by rotation and eligible for re-election in accordance with the Company's Articles. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

Confirmation of Independence

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 December 2013.

Directors' Continuous Professional Development

All Directors should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2013, the Company has received training record from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the CG Code.

During the year ended 31 December 2013, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Type of continuous professional development programmes (Note)
Executive Directors	
Mr. Lin Yang	1 & 2
Mr. Zheng Xuesong	1 & 2
Mr. Chen Congwen	1 & 2
Mr. Lin Tian Hai (appointed on 30 January 2013)	1 & 2
Mr. Huang Xiaodong (resigned on 30 January 2013)	
Independent non-executive Directors	
Mr. Cheng Chuhan	1 & 2
Mr. Zhang Shijiu	1 & 2
Mr. Chan Kam Fuk	1 & 2

Notes:

1. *Attending seminars/courses for development of professional skills and knowledge.*

2. *Reading materials in relation to regular update to statutory requirements, listing rules and other relevant topics related to listed company.*

Company Secretary

The Company Secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Ng Kit Ying Zelinda of TMF Hong Kong Limited, external service provider, has been appointed as the Company Secretary of the Company following the resignation of Ms. Lam Sau Ping Melanie on 15 November 2013. Its primary contact at the Company is Mr. Huang Xiao Dong, chief administrative officer of the Company. Ms. Zelinda Ng and Ms. Melanie Lam have taken no less than 15 hours of relevant professional trainings to update their skills and knowledge during the year ended 31 December 2013.

Audit Committee

The audit committee of the Company consists of three independent non-executive Directors namely Mr. Zhang Shijiu, Mr. Cheng Chuhan and Mr. Chan Kam Fuk. Mr. Cheng Chuhan is the chairman of the audit committee. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company. The full terms of reference setting out details of duties of the audit committee is available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2013, the audit committee held four meetings and performed the above mentioned duties. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	**Meeting attended/ Eligible to attend**
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Zhang Shijiu	4/4

Compliance Committee

The compliance committee comprises all the Directors, inter alias, Mr. Lin Yang, Mr. Zheng Xuesong, Mr. Chen Congwen, Mr. Lin Tian Hai, Mr. Cheng Chuhan, Mr. Zhang Shijiu and Mr. Chan Kam Fuk. Mr. Zheng Xuesong has been appointed as the chairman of the compliance committee. The primary duties of the compliance committee are, amongst other things, to oversee the on-going compliance matters of the Company to ensure all licences, permits and approval and the renewals thereof are obtained, valid and subsisting where required and necessary under the relevant laws and regulations in a timely manner. The full terms of reference setting out details of duties of the compliance committee is available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2013, two meetings were held by the compliance committee. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Executive Directors	
Mr. Lin Yang	2/2
Mr. Zheng Xuesong	2/2
Mr. Chen Congwen	2/2
Mr. Lin Tian Hai (appointed on 30 January 2013)	2/2
Mr. Huang Xiaodong (resigned on 30 January 2013)	0/0
Independent non-executive Directors	
Mr. Cheng Chuhan	2/2
Mr. Chan Kam Fuk	2/2
Mr. Zhang Shijiu	2/2

Remuneration Committee

The remuneration committee consists of an executive Director, namely Mr. Lin Yang and two independent non-executive Directors namely Mr. Cheng Chuhan and Mr. Chan Kam Fuk. Mr. Lin Yang is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensures none of the Directors determine their own remuneration. The full terms of reference setting out details of duties of the remuneration committee is available on the websites of the Stock Exchange and the Company.

The remuneration committee has adopted the model whereby the remuneration committee determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. Details of the remuneration of Directors are set out in Note 13 to the consolidated financial statements.

During the year ended 31 December 2013, a meeting was held by the remuneration committee. The following table shows the attendance of individual members held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Executive Director	
Mr. Lin Yang	1/1
Independent non-executive Directors	
Mr. Cheng Chuhan	1/1
Mr. Chan Kam Fuk	1/1

The emoluments of the senior management whose profiles are set out in the section headed "Directors and Senior Management" of the annual report fell within the following bands:

	2013	2012
Nil to HK$1,000,000 (equivalent to approximately RMB798,000, 2012: RMB814,000)	**3**	3

Nomination Committee

The nomination committee comprises three independent non-executive Directors namely Mr. Cheng Chuhan, Mr. Zhang Shijiu and Mr. Chan Kam Fuk. Mr. Cheng Chuhan has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are, amongst other things, to recommend to the Board regarding candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the nomination committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but not limited to age, gender, professional experience, cultural and education background when comprising the Board. The nomination committee regularly monitors and reviews the implementation of the board diversity policy.

During the year ended 31 December 2013, a meeting was held by the nomination committee. The following table shows the attendance of individual members held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	1/1
Mr. Zhang Shijiu	1/1
Mr. Chan Kam Fuk	1/1

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the "**Code**") 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 Code throughout the year and up to the date of the 2013 annual report published on 21 March 2014.

Shareholders' Rights

Convene an extraordinary general meeting

According to the articles of association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such a requisition must be signed by the Shareholder(s).

Enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to investor@haitianhydropower.com for the attention of the Company Secretary.

Putting forward proposals at a general meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convene an extraordinary general meeting" above.

Directors' attendance at general meeting

For the year ended 31 December 2013, the Company held an annual general meeting. All the Directors have attended the annual general meeting.

Auditor's Remuneration

During the year ended 31 December 2013, the fees paid/payable to SHINEWING (HK) CPA Limited, the auditor of the Company, in respect of audit and non-audit services provided by them to the Group were as follows:

	2013 **RMB'000**	2012 RMB'000
Audit Service	**519**	570
Non-Audit service		
Reporting accountants for the Company's Listing exercise	**—**	732
Review of financial information of the Group	**144**	122
Total	**663**	1,434

Internal Controls

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

Directors' Responsibility Statement

The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Investor Relations and Communication

The Board recognises the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors. Extensive information about the Company's activities is provided in its Interim Report, Quarterly Report and this Annual Report, which are sent to shareholders of the Company. The annual general meeting provides a valuable forum for direct communication between the Board and the Company's shareholders. The Chairman of the Board as well as Chairmen of the Board Committees together with the external auditor will present to answer shareholders' questions. The annual general meeting circulars are distributed to all shareholders at least 21 clear days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on the Company's website. All corporate communication with shareholders will be posted on the Company's website for shareholders' information.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF HAITIAN HYDROPOWER INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Haitian Hydropower International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 95, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong
21 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	7	**30,164**	27,806
Cost of sales		**(7,758)**	(7,165)
Gross profit		**22,406**	20,641
Other income	9	**273**	1,201
Administrative expenses		**(5,258)**	(8,685)
Other operating expenses		**(1)**	(12)
Finance cost	10	**(8,352)**	(9,226)
Profit before tax		**9,068**	3,919
Income tax expense	11	**(2,979)**	(2,279)
Profit and total comprehensive income for the year	12	**6,089**	1,640
Earnings per share (RMB cents)			
Basic and diluted	15	**0.61**	0.19

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**132,039**	114,104
Prepaid lease payments	17	**15,293**	12,112
Goodwill	18	**4,898**	3,759
Intangible asset	19	**8,498**	8,701
Available-for-sale investment	20	**6,000**	—
		166,728	138,676
Current assets			
Trade and other receivables	21	**22,337**	5,005
Prepaid lease payments	17	**351**	272
Bank balances and cash	22	**42,083**	89,672
		64,771	94,949
Current liabilities			
Trade and other payables	23	**2,649**	2,574
Income tax payables		**2,144**	789
Secured bank borrowings	24	**10,800**	10,800
		15,593	14,163
Net current assets		**49,178**	80,786
Total assets less current liabilities		**215,906**	219,462

Consolidated Statement of Financial Position (continued)

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	25	**8,156**	8,156
Reserves		**114,250**	108,161
Total equity		**122,406**	116,317
Non-current liabilities			
Secured bank borrowings	24	**91,600**	102,400
Deferred tax liabilities	26	**1,900**	745
		93,500	103,145
		215,906	219,462

The consolidated financial statements on page 36 to 95 were approved and authorised for issue by the board of directors on 21 March 2014 and are signed on its behalf by:

Lin Yang
Director

Chen Congwen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Statutory reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Retained profits RMB'000	Total RMB'000
At 1 January 2012	7	—	362	29,993	1,172	24	7,559	39,117
Issue of shares upon reorganisation ("Reorganisation") (Note 25 (a))	1	—	—	18,622	—	—	—	18,623
Arising from Reorganisation (Note 25 (c))	(7)	—	—	7	—	—	—	—
Capitalisation issue (Note 25 (d))	6,116	(6,116)	—	—	—	—	—	—
Issue of shares upon placing of shares (Note 25(e))	2,039	59,131	—	—	—	—	—	61,170
Transaction costs attributable to placing of shares (Note 25 (e))	—	(4,233)	—	—	—	—	—	(4,233)
Profit and total comprehensive income for the year	—	—	—	—	—	—	1,640	1,640
Appropriation to statutory reserve	—	—	—	—	669	—	(669)	—
At 31 December 2012 and 1 January 2013	**8,156**	**48,782**	**362**	**48,622**	**1,841**	**24**	**8,530**	**116,317**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**6,089**	**6,089**
Appropriation to statutory reserve	**—**	**—**	**—**	**—**	**1,556**	**—**	**(1,556)**	**—**
At 31 December 2013	**8,156**	**48,782**	**362**	**48,622**	**3,397**	**24**	**13,063**	**122,406**

Notes:

(i) Other reserve

It represents the deemed contribution from the controlling shareholder for offering a low interest rate loan to Haitian Hydropower International Limited and its subsidiaries (the "Group").

(ii) Special reserve

The special reserve represents the aggregate amount of:

(a) the capital of the subsidiaries which were acquired by Haitian Hydropower Group Limited upon the Reorganisation less the consideration payable to the then shareholders; and

(b) the difference between the nominal value of share capital and the amount due to Mr. Lin Yang capitalised for an issue of 90,000 shares of HK$0.01 each in the Company as part of the Reorganisation.

(iii) Statutory reserve

In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies now comprising the Group established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of directors of the respective PRC companies.

(iv) Capital reserve

The capital reserve represents the exchange difference arising from capital injection in foreign currency.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**9,068**	3,919
Adjustments for:		
Depreciation for property, plant and equipment	**5,237**	4,805
Amortisation of prepaid lease payments	**314**	272
Amortisation of intangible asset	**203**	202
Gain on disposal of property, plant and equipment	**—**	(30)
Finance cost	**8,352**	9,226
Bank interest income	**(243)**	(192)
Operating cash flows before movements in working capital	**22,931**	18,202
Increase in trade and other receivables	**(1,046)**	(1,962)
Decrease in trade and other payables	**(489)**	(297)
Cash generated from operations	**21,396**	15,943
Income tax paid	**(1,678)**	(1,911)
NET CASH FROM OPERATING ACTIVITIES	**19,718**	14,032
INVESTING ACTIVITIES		
Bank interest income received	**243**	192
Proceeds on disposal of property, plant and equipment	**—**	42
Acquisition of a subsidiary (Note 29)	**(24,487)**	—
Deposit paid for acquisition of a subsidiary	**(16,000)**	—
Investment in available-for-sales financial asset	**(6,000)**	—
Purchase of property, plant and equipment	**(2,154)**	(187)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(48,398)**	47

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES		
Issue of shares upon placing of shares	—	61,170
New borrowings raised	—	21,000
Transaction costs attributable to placing	—	(4,233)
Repayment of secured bank borrowings	**(10,800)**	(10,300)
Interest paid	**(8,109)**	(8,966)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(18,909)**	58,671
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,589)**	72,750
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**89,672**	16,922
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**42,083**	89,672

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. General

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 detailed in the section headed "Corporate Information" of the annual report.

The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2012.

Pursuant to the reorganisation (the "Reorganisation"), the Company became the holding company of the companies now comprising the Company and its subsidiaries (the "Group") on 19 June 2012. Other than 周寧縣乾元水電開發有限公司 (Zhouning Qianyuan Hydropower Development Co., Ltd.)* ("Qianyuan Hydropower") which was acquired in May 2010, the Group has been under the control of management team headed by Mr. Lin Yang and is ultimately controlled by and beneficially owned by Mr. Lin Yang throughout the year or since their respective dates of incorporation or establishment up to June 2012. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group has been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group since the beginning of the earliest year presented, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as set out in Note 3 below.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012 included the results and cash flows of the companies comprising the Group in that year which had been prepared as if the group structure upon the completion of the Reorganisation had been in existence throughout the year ended 31 December 2012.

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

The 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 English name is for identification purpose only.*

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 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

* *IFRIC represents the International Financial Reporting Interpretation Committee.*

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. As the Group does not have items of other comprehensive income, there has been no modification in the presentation of items of other comprehensive income. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised Standards on consolidation and disclosures (Continued)

Impact on the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
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)-Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*

[3] *HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted.*

[4] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investment in private equity security classified as available-for-sale investment may have to be measured at fair value at the end of subsequent reporting periods, with changes in fair value being recognised in profit or loss).

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or CGU is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal; and

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Continued)

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. Significant Accounting Policies (Continued)

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

Business combinations under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less identified impairment loss.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. Significant Accounting Policies (Continued)

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for the Group's value in use of CGU and intangible asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Significant Accounting Policies (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Prepaid lease payments

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the consolidated statement of profit or loss and other comprehensive income over the period of the rights using the straight-line method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from subsidiaries, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15 to 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all other financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in equity.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified in to other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to subsidiaries and secured bank borrowings are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for electricity sold. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Electricity revenue is recognised when electricity is supplied to the provincial grid companies, net of other sales taxes.

Rental income under operating leases on a straight-line basis over the lease term is recognised in accordance with the Group's accounting policy for leasing (see the accounting policy below).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant Accounting Policies (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in Notes 16 and 17, formal titles of certain of the Group's rights to the use of the lands and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of the Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Approval of operations and construction of power plants

As of 31 December 2013, the Group had not yet received relevant government approvals from the National Development and Reform Commission ("NDRC") for its power plant project in Bapu Stream. The ultimate approval from the NDRC on this projects is a critical judgement of the directors of the Company. Such a judgement are based on initial approval documents received as well as their understanding of the nature of projects. Based on historical experience and the current estimation of the approval application status, the directors of the Company believe that the Group will receive final approval from the NDRC on the related power plant project. Deviation from this judgement could result in material adjustments to the carrying amount of intangible asset.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses of property, plant and equipment, prepaid lease payment and intangible asset

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, prepaid lease prepayments and intangible asset, recoverable amount of the asset needs to be determined if there is indication that those assets may settle on impairment loss. The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price, amount of operating costs and discount rates. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price, amount of operating costs and discount rates.

Impairment losses of deposit paid for acquisition of a subsidiary

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of deposit paid for acquisition of a subsidiary is RMB16,000,000 (2012: nil).

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use or the fair value less cost of disposal of the CGU to which goodwill has been allocated. Estimation of the value-in-use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimation of the fair value less costs of disposal requires the Group to make a selection of comparable market transactions with necessary adjustments. As at 31 December 2013, the carrying value of goodwill was approximately RMB4,898,000 (2012: RMB3,759,000). Details of the recoverable amount calculation are disclosed in Note 18.

Impairment of available-for-sale financial asset

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in the value below cost were considered significant or prolonged, impairment loss would be recognised. As at 31 December 2013, the carrying amount of available-for-sale investments was approximately RMB6,000,000 (2012: nil). No impairment was recognised as at 31 December 2013 (2012: nil).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes secured bank borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the raising of new debts or the repayment of existing debts.

6. Financial Instruments

(a) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**63,454**	93,939
Available-for-sale investment	**6,000**	—
Financial liabilities		
Amortised cost	**104,647**	115,467

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, available-for-sale investment and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) *Currency risk*

The Group operates in the PRC with transactions denominated in RMB. Other than certain other receivables, bank balances and other payables which are denominated in Hong Kong dollars ("HK$"), currency other than the functional currency of the relevant group entities, most of the Group's financial instruments are denominated in RMB.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and liabilities denominated in currencies other than the respective foreign currencies of the relevant group entities at the reporting date are as follows:

	2013 RMB'000	2012 RMB'000
HK$		
Assets	**6,987**	9,738
Liabilities	**(444)**	(671)
	6,543	9,067

Sensitivity analysis

The Group's currency risk is mainly exposed to HK$.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against HK$ for the year ended 31 December 2013. 5% (2012: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2012: 5%) against the relevant currency. For a 5% (2012: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2013 RMB'000	2012 RMB'000
Post-tax profit or loss	**(245)**	(340)

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and secured bank borrowings (see Notes 22 and 24 respectively for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB base deposit/lending rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank balances and secured bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

100 basis points have been used for variable-rate bank balances while 200 basis points have been used for variable-rate borrowings for both years.

For variable-rate bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2013 would increase/decrease by approximately RMB332,000 (2012: RMB694,000).

For variable-rate borrowings, if the interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2013 would decrease/increase by approximately RMB1,536,000 (2012: RMB1,698,000).

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2013 and 2012.

The Group has concentration of credit risk as all the trade receivables as at 31 December 2013 was due from the Group's only three (2012: two) customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international authorised credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	**2,247**	**—**	**—**	**—**	**2,247**	**2,247**
Secured bank borrowings	**18,327**	**18,695**	**52,448**	**47,260**	**136,730**	**102,400**
	20,574	**18,695**	**52,448**	**47,260**	**138,977**	**104,647**

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2012						
Non-derivative financial liabilities						
Trade and other payables	2,267	—	—	—	2,267	2,267
Secured bank borrowings	19,146	18,327	54,054	64,349	155,876	113,200
	21,413	18,327	54,054	64,349	158,143	115,467

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

6. Financial Instruments (Continued)

(c) Fair value (Continued)

The directors of the Company consider that the fair values of the other non-current financial liabilities approximate their carrying amounts as the impact of discounting is not significant.

No analysis of fair value measurements is presented as the Group does not have financial instruments that are measured subsequent to initial recognition at fair value in the consolidated financial statements.

7. Turnover

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

8. 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; and segment assets and liabilities are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively.

Information about geographical areas

As all the Group's turnover is derived from customers based in the PRC (country of domicile) and all the Group's non-current assets are located in the PRC, no geographical information is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 **RMB'000**	2012 RMB'000
Customer A	**10,105**	10,606
Customer B	**18,154**	17,200

9. Other Income

	2013 RMB'000	2012 RMB'000
Bank interest income	**243**	192
Rental income (net of outgoings: nil)	**30**	120
Net exchange gain	**—**	859
Gain on disposal of property, plant and equipment	**—**	30
	273	1,201

10. Finance Cost

	2013 RMB'000	2012 RMB'000
Interest on borrowings not wholly repayable within five years	**8,352**	9,226

11. Income Tax Expense

	2013 RMB'000	2012 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**3,019**	2,296
Underprovision in prior years	**14**	—
Deferred taxation (Note 26)	**(54)**	(17)
	2,979	2,279

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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 years.

(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 years.

11. Income Tax Expense (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	**9,068**	3,919
Tax calculated at tax rate of 25% (2012: 25%)	**2,267**	980
Tax effect of expenses not deductible for tax purpose	**698**	1,317
Tax effect of income not taxable for tax purpose	**—**	(18)
Underprovision in prior years	**14**	—
Income tax expense	**2,979**	2,279

Details of deferred taxation are set out in Note 26.

12. Profit for The Year

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments (Note 13)	**801**	502
Salaries, wages and other benefits (excluding directors and the chief executive)	**1,621**	1,806
Retirement benefits scheme contribution (excluding directors and the chief executive)	**174**	275
	2,596	2,583
Auditor's remuneration	**519**	570
Depreciation for property, plant and equipment	**5,237**	4,805
Amortisation of prepaid lease payments (included in cost of sales)	**314**	272
Amortisation of intangible asset (included in administrative expenses)	**203**	202
Listing expenses	**—**	4,141
Operating lease charges in respect of properties	**135**	87

13. Directors' and Chief Executive's and Employees' Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eight (2012: seven) directors and the chief executive were as follows:

Year ended 31 December 2013

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Lin Yang	**240**	**—**	**—**	**240**
Mr. Zheng Xuesong (Note (i))	**168**	**—**	**8**	**176**
Mr. Chen Congwen	**101**	**—**	**4**	**105**
Mr. Lin Tian Hai (Note (ii))	**88**	**—**	**—**	**88**
Mr. Huang Xiaodong (Note (ii))	**—**	**—**	**—**	**—**
Independent non-executive directors:				
Mr. Cheng Chuhan	**64**	**—**	**—**	**64**
Mr. Chan Kam Fuk	**64**	**—**	**—**	**64**
Mr. Zhang Shijiu	**64**	**—**	**—**	**64**
Total	**789**	**—**	**12**	**801**

Year ended 31 December 2012

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Lin Yang	119	—	—	119
Mr. Zheng Xuesong (Note (i))	80	42	7	129
Mr. Chen Congwen	47	30	2	79
Mr. Huang Xiaodong (Note (ii))	37	35	7	79
Independent non-executive directors:				
Mr. Cheng Chuhan	32	—	—	32
Mr. Chan Kam Fuk	32	—	—	32
Mr. Zhang Shijiu (Note (iii))	32	—	—	32
Total	379	107	16	502

13. Directors' and Chief Executive's and Employees' Emoluments (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(i) Mr. Zheng Xuesong is also the chief executive of the Company (the "Chief Executive") and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Huang Xiaodong resigned as the executive director of the Company and Mr. Lin Tian Hai was appointed as the executive director of the Company on 30 January 2013.

(iii) Mr. Zhang Shijiu was appointed as the independent non-executive director of the Company on 19 June 2012.

During the year ended 31 December 2013, one of the executive directors, waived emoluments of RMB8,000 (2012: nil) for his service to the Company. Neither the Chief Executive nor any of the directors waived any emoluments in the year ended 31 December 2012. No emoluments were paid by the Group to any directors and the Chief Executive as an incentive payment for joining the Group or as compensation for loss of office during the two years ended 31 December 2013.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: four) were directors and the Chief Executive of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining two (2012: one) individuals were as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, allowances, and other benefits	**237**	95
Retirement benefits scheme contribution	**8**	4
	245	99

Their emoluments were individually below approximately RMB798,000 (2012: RMB814,000) (equivalent to HK$1,000,000) for the year ended 31 December 2013.

(c) No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2013.

14. Dividend

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

15. Earnings Per Share

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

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company	6,089	1,640

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,000,000	872,268

The weighted average number of ordinary shares in issue during the year ended 31 December 2012 represented 750,000,000 ordinary shares in issue before the placing as if such shares were issued on 1 January 2012, and the weighted average of 250,000,000 ordinary shares issued upon placing.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the two years ended 31 December 2013.

16. Property, Plant and Equipment

	Buildings RMB'000	Dams RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	30,958	66,604	37,094	219	299	284	135,458
Additions	—	—	84	—	88	15	187
Disposals	—	—	—	—	(233)	—	(233)
At 31 December 2012	30,958	66,604	37,178	219	154	299	135,412
Acquisition of a subsidiary (Note 29)	4,259	11,880	4,716	4	—	—	20,859
Additions	309	—	45	11	205	1,743	2,313
At 31 December 2013	35,526	78,484	41,939	234	359	2,042	158,584
DEPRECIATION							
At 1 January 2012	2,150	5,650	8,560	106	258	—	16,724
Charge for the year	621	1,495	2,627	39	23	—	4,805
Eliminated on disposals	—	—	—	—	(221)	—	(221)
At 31 December 2012	2,771	7,145	11,187	145	60	—	21,308
Charge for the year	843	1,529	2,807	33	25	—	5,237
At 31 December 2013	3,614	8,674	13,994	178	85	—	26,545
CARRYING VALUES							
At 31 December 2013	31,912	69,810	27,945	56	274	2,042	132,039
At 31 December 2012	28,187	59,459	25,991	74	94	299	114,104

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	40–45 years
Dams	40–45 years
Plant and machinery	5–45 years
Office equipment	3–10 years
Motor vehicles	5–8 years

As at 31 December 2013, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB4,192,000 (2012: nil) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

17. Prepaid Lease Payments

The carrying amount of prepaid lease payments of the Group analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Current assets	**351**	272
Non-current assets	**15,293**	12,112
	15,644	12,384

The prepayments for land use rights are under medium-term lease in the PRC and is amortised over the useful lives ranging from 45 years to 50 years on a straight-line basis.

Included the prepaid lease payments are land use rights with carrying amount of approximately RMB3,090,000 (2012: nil) in which the Group is in the process of obtaining the land use right certificates.

18. Goodwill

	2013 RMB'000	2012 RMB'000
COST AND CARRYING VALUES		
At 1 January	**3,759**	3,759
Arising on acquisition of a subsidiary (Note 29)	**1,139**	—
At 31 December	**4,898**	3,759

	2013 RMB'000	2012 RMB'000
IMPAIRMENT TESTING ON GOODWILL		
Qianyuan Hydropower	**3,759**	3,759
Xingyuan Hydropower	**1,139**	—
	4,898	3,759

18. Goodwill (Continued)

Qianyuan Hydropower

The recoverable amounts of Qianyuan Hydropower has been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and discount rate of 10.2% (2012: 9.7%). Cash flows beyond 5-year period are projected using zero growth rate. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue from electricity sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. In the opinion of the directors of the Company, no impairment was provided for both years.

Xingyuan Hydropower

The recoverable amounts of 寧德市興源水電有限公司 (Ningde Xingyuan Hydropower Co., Ltd.)* ("Xingyuan Hydropower") has been determined based on the fair value less cost of disposal. The fair value was determined by market approach with reference to the market transactions of hydropower plants in similar locations with necessary discounting adjustments on location factors and comparable companies' status. The fair value less cost of disposal have been arrived at on the basis of a valuation carried out on that date by an independent professional valuer not connected with the Group. The fair value is categorised as Level 2 under the fair value hierarchy.

* *The English name is for identification purpose only.*

19. Intangible Asset

	RMB'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	9,240
AMORTISATION	
At 1 January 2012	337
Charge for the year	202
At 31 December 2012	539
Charge for the year	203
At 31 December 2013	742
CARRYING VALUES	
At 31 December 2013	8,498
At 31 December 2012	8,701

The intangible asset represents the development right granted by the relevant authority for the Group to develop an additional hydropower plant in Bapu Stream, Zhouning County, Fujian Province, the PRC for an operating period of 50 years. The right is amortised over the remaining operating period.

20. Available-For-Sale Investment

	2013 RMB'000	2012 RMB'000
Unlisted equity security, at cost (Note)	**6,000**	—

Note : The unlisted investment represents investment in unlisted equity interests in a private entity incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

21. Trade and Other Receivables

	2013 RMB'000	2012 RMB'000
Trade receivables	**5,301**	4,248
Prepayments	**380**	282
Deposit paid for acquisition of a subsidiary (Note)	**16,000**	—
Deposits and other receivables	**656**	475
	22,337	5,005

Note: On 29 November 2013, 福建省大川水電開發有限公司 (Fujian Dachuan Hydropower Development Co., Ltd.) (“Fujian Dachuan”), a subsidiary of the Company entered into a letter of intent with two vendors (“Vendors”) in relation to the proposed acquisition (“Proposed Acquisition”) of the entire issued share capital of a company (“Target Company”) which is principally engaged in hydropower generation. Pursuant to the letter of intent, the Company has provided an earnest money of RMB16,000,000 to the Vendors upon execution of the letter of intent. In the event that no formal agreement is entered into before 30 June 2014 or Fujian Dachuan decides not to proceed with the Proposed Acquisition before 30 June 2014, the earnest money shall be refunded to Fujian Dachuan, together with interest which will be calculated based on the prevailing lending rate of the PRC Bank.*

The Vendors have also provided a guarantee in favour of Fujian Dachuan in relation to the repayment of the earnest money such that Fujian Dachuan shall have the right to dispose of the Vendors' interests in the Target Company if they fail to return all or any part of the earnest money or the relevant interest. Details of which are set out in the Company's announcement dated 29 November 2013.

The Group allows a range of credit period of 15 to 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013 RMB'000	2012 RMB'000
Within 30 days	**3,388**	3,758
31 to 60 days	**1,913**	490
	5,301	4,248

The Group's neither past due nor impaired trade receivables mainly represented sales made to creditworthy customers for whom there was no recent history of default.

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately RMB1,913,000 (2012: RMB965,000) which were past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts were still considered recoverable. All the outstanding trade receivable balances which were less than 60 days overdue were collectible as all the customers of the Group are the PRC stated-owned enterprises and there was no history of default. The Group did not hold any collateral over these balances.

* *The English name is for identification purpose only.*

21. Trade and Other Receivables (Continued)

The ageing of trade receivables which were past due but not impaired is as follows:

	2013 RMB'000	2012 RMB'000
Within 30 days	**1,913**	475
31 to 60 days	**—**	490
	1,913	965

22. Bank Balances and Cash

Bank balances carry interest at market rates of 0.35% per annum during the year ended 31 December 2013 (2012: 0.35% per annum).

23. Trade and Other Payables

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Trade payables (within 180 days)	**648**	101
Construction payables	**354**	250
Other payables and accrued expenses	**1,245**	1,916
Other tax payables	**402**	307
	2,649	2,574

The average credit period granted is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. Secured Bank Borrowings

The borrowings were repayable as follows:

	2013 **RMB'000**	2012 RMB'000
On demand or within one year	**10,800**	10,800
More than one year, but not exceeding two years	**12,000**	10,800
More than two years but not more than five years	**37,900**	36,000
More than five years	**41,700**	55,600
	102,400	113,200
Less: Amount due within one year, included as current liabilities	**(10,800)**	(10,800)
	91,600	102,400

The Group's borrowings were all denominated in RMB and carried interest at variable rate, with effective interest rates ranging from 7.21% to 7.53% (2012: 7.21% to 8.11%) per annum.

During the year ended 31 December 2012, the Group obtained new borrowings of RMB21,000,000. The proceeds were used to repay the existing bank borrowings of the Group for the sake of lower interest rate. No new borrowing was obtained during the year ended 31 December 2013.

25. Share Capital

	Notes	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January 2012		38,000	380	
Increase during the year	(b)	1,962,000	19,620	
At 31 December 2012 and 31 December 2013		2,000,000	20,000	
Issued and fully paid:				
At 1 January 2012		10	—	—
Issue of shares upon Reorganisation	(a)	90	1	1
Issue of shares upon capitalisation issue	(d)	749,900	7,499	6,116
Issue of shares upon placing of shares	(e)	250,000	2,500	2,039
At 31 December 2012 and 31 December 2013		1,000,000	10,000	8,156

Notes:

(a) *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 approximately HK$23,763,000 (equivalent to approximately RMB18,623,000).*

(b) *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.*

(c) *Pursuant to the reorganisation agreement dated 19 June 2012, the Company acquired the remaining 1,000 shares (equivalent to approximately RMB7,000) of Haitian Hydropower Group Limited ("Haitian BVI") from Mr. Lin Yang and 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.*

(d) *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.*

(e) *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.*

All shares issued during the year rank pari passu in all respects with all shares then in issue.

26. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	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	200	30	532	762
Credited to consolidated statement of profit or loss (Note 11)	(4)	(1)	(12)	(17)
At 31 December 2012	196	29	520	745
Acquisition of a subsidiary (Note 29)	1,097	112	—	1,209
Credited to consolidated statement of profit or loss (Note 11)	(40)	(2)	(12)	(54)
At 31 December 2013	1,253	139	508	1,900

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. As at 31 December 2013, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB22,186,000 (2012: RMB15,656,000) 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.

27. Operating Leases

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

(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 to two years (2012: one to three years). Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

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:

	2013 RMB'000	2012 RMB'000
Within one year	**67**	81
In the second to fifth year inclusive	**43**	114
	110	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:

	2013 RMB'000	2012 RMB'000
Within one year	**—**	120
In the second to fifth year inclusive	**—**	120
	—	240

28. Capital Commitments

	2013 **RMB'000**	2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,011**	1,522

29. Acquisition of a Subsidiary

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

Consideration transferred

	RMB'000
Cash consideration (Note)	24,928

Note: Loan to Xingyuan Hydropower with principal amount of RMB17,928,000 was assigned by Vendor to the Group pursuant to the sales and purchase agreement. The loan is unsecured, non-interest bearing and repayable on demand. The loan assignment is considered as part of the consideration of the acquisition.

Acquisition-related costs amounting to RMB46,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

29. Acquisition of a Subsidiary (Continued)

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 26)	(1,209)
	5,861

The fair value of trade and other receivables at the date of acquisition amounted to RMB286,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB286,000 at the date of acquisition. There are no contractual cash flows expected not to be collected at acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	24,928
Less: assignment of Vendor's loan	(17,928)
Less: recognised amount of identifiable net assets acquired	(5,861)
Goodwill arising on acquisition (Note 18)	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 Hydropower. 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.

29. Acquisition of a Subsidiary (Continued)

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB753,000 attributable to Xingyuan Hydropower. Revenue for the year includes RMB1,905,000 is attributable to Xingyuan Hydropower.

Had the acquisition of Xingyuan Hydropower been effected at the beginning of the year, the total amount of the profit of the Group for the year ended 31 December 2013 would have been RMB6,360,000 and the amount of revenue for the year would have been RMB30,706,000. 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 year, 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.

30. Pledge of Assets

The bank borrowings of approximately RMB102 million (2012: RMB113 million) at 31 December 2013 were secured by certain prepaid lease payments, and certain property, plant and equipment. The carrying values of these pledged assets are listed as follows:

	2013	2012
	RMB'000	RMB'000
Prepaid lease payments	**12,111**	12,384
Property, plant and equipment	**106,911**	111,479
	119,022	123,863

The bank borrowings are also secured by the electricity tariff collection right. As at 31 December 2013, the carrying amount of trade receivables of the subsidiaries in which with such electricity tariff collection right pledged is approximately RMB5,116,000 (2012: RMB4,248,000).

31. Share-Based Payment Transactions

Equity-settled share option schemes of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to a written resolution of the Company passed on 19 June 2012 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18 June 2022. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during any 12-month period, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within twenty business days from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from not more than ten years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share option has been granted since the Scheme has been adopted. As at 31 December 2013 and 2012, there are no outstanding share options issued under the Scheme.

32. Retirement Benefits Scheme

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject of a cap of HK$1,000 per month before 1 June 2012 and HK$1,250 per month from 1 June 2012 onwards. During the year ended 31 December 2013, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB9,000 (2012: RMB4,000).

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2013, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB177,000 (2012: RMB287,000).

33. Related Parties Transactions

(i) The Group had balances with a related party included in trade and other receivables and trade and other payables as follows:

	2013 **RMB'000**	2012 RMB'000
Amount due from (to) a related company		
福建省海興能源集團有限公司 (Note)	**10**	(9)

Note: Mr. Chen Congwen, the director of the Company has a beneficial interest in this company. The amount is unsecured, interest-free and repayable on demand. In 2012, the Group entered into a lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB5,000. During the year ended 31 December 2013, the Group paid rental expenses of approximately RMB65,000 (2012: RMB18,000) to this related company for leasing of the office premises.

33. Related Parties Transactions (Continued)

(ii) The Group sold carbon credits known as Certified Emission Reductions, generated from the electricity generation which had been registered as Clean Development Mechanism ("CDM") projects on February 2009. On 3 August 2011, NDRC of the PRC and related PRC authorities promulgated the CDM Measures (Revised), which specified that any entity, which becomes a foreign-owned enterprise upon the change in shareholding subsequent to the approval by NDRC, will be disqualified automatically in CDM project.

Pursuant to a deed of indemnity dated 19 June 2012, the controlling shareholder and the ultimate holding company, Victor River Limited have jointly and severally undertaken to provide indemnities on any request to refund the cash received by the Group on or before the listing of the shares of the Company on the Stock Exchange to the respective PRC authorities.

(iii) Under a deed of indemnity dated 19 June 2012, the controlling shareholder and ultimate holding company, 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 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.

(iv) 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.

(v) Compensation to key management personnel

The remuneration of directors and other members of key management during both year was as follows:

	2013 **RMB'000**	2012 RMB'000
Short-term benefits	**985**	775
Post-employment benefits	**25**	24
	1,010	799

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

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

34. Statement of Financial Position of the Company

	Notes	2013 RMB'000	2012 RMB'000
Non-current asset			
Investments in subsidiaries	(a)	**19,128**	19,128
Current assets			
Other receivables		**158**	162
Amounts due from subsidiaries	(b)	**48,969**	61,586
		49,127	61,748
Current liabilities			
Other payables		**444**	671
Amounts due to subsidiaries	(b)	**1,482**	10,050
		1,926	10,721
Net current assets		**47,201**	51,027
		66,329	70,155
Capital and reserves			
Share capital		**8,156**	8,156
Reserves	(c)	**58,173**	61,999
Total equity		**66,329**	70,155

Notes:

(a) Investments in subsidiaries are carried at cost less accumulated impairment losses, if any.

(b) Amounts due from (to) subsidiaries
The amounts are unsecured, non-interest bearing and repayable on demand.

34. Statement of Financial Position of the Company (Continued)

Notes: (Continued)

(c) Reserves

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	—	—	(76)	(76)
Issue of shares upon Reorganisation	—	18,622	—	18,622
Capitalisation issue	(6,116)	—	—	(6,116)
Issue of shares upon placing of shares	59,131	—	—	59,131
Transaction costs attributable to placing of shares	(4,233)	—	—	(4,233)
Loss and total comprehensive expense for the year	—	—	(5,329)	(5,329)
At 31 December 2012	48,782	18,622	(5,405)	61,999
Loss and total comprehensive expense for the year	—	—	(3,826)	(3,826)
At 31 December 2013	48,782	18,622	(9,231)	58,173

35. Particulars of Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2013		2012		
				Directly	**Indirectly**	Directly	Indirectly	
Haitian BVI	BVI	Ordinary	United States Dollar ("USD") 40,000 (Note ii)	**100%**	**—**	100%	—	Investment holding
Haitian (HK)	Hong Kong	Ordinary	HK$100	**—**	**100%**	—	100%	Investment holding
福建省大川水電開發有限公司 (Fujian Dachuan) (Note i)	The PRC	Registered capital	RMB45,000,000	**—**	**100%**	—	100%	Hydropower generation
福安市力源水電開發有限公司 (Fujian Liyuan Hydropower Co., Ltd.)* (Note i)	The PRC	Registered capital	RMB18,000,000	**—**	**100%**	—	100%	Hydropower generation
Qianyuan Hydropower (Notes i, iv)	The PRC	Registered capital	RMB19,000,000	**—**	**100%**	—	100%	Hydropower generation
Xingyuan Hydropower (Notes i, iii)	The PRC	Registered capital	RMB 3,950,000	**—**	**100%**	—	—	Hydropower generation

* *The English name is for identification purpose only.*

Notes

i. *The above companies are limited liabilities companies and operated in the PRC.*

ii. *The issued and fully paid capital was increased from USD1,000 to USD40,000 during the year ended 31 December 2012.*

iii. *The Company was acquired by the Group on 24 April 2013.*

iv. *On 3 December 2013, Qianyuan Hydropower has entered into an investment contract with Victory World Limited ("Victory World"), an independent third party, and Qianyuan Hydropower agreed to accept the investment of approximately RMB10,778,000 in cash from Victory World as a new shareholder. The acceptance of investment from Victory World would dilute the Company's shareholding in Qianyuan Hydropower from 100% to 69.98%. As at the date of approval of this consolidated financial statements, the transaction is not yet completed. The details of the transaction has been disclosed in the Company's announcement dated 3 December 2013.*

None of the subsidiaries had issued any debt securities at the end of both years or at any time during both years.

Financial Summary

RESULTS	Year ended 31 December 2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	**30,164**	27,806	21,960
Profit before tax	**9,068**	3,919	6,106
Income tax expense	**(2,979)**	(2,279)	(1,650)
Profit for the year and total comprehensive income for the year	**6,089**	1,640	4,456

ASSETS AND LIABILITIES	As at 31 December 2013 RMB'000	2012 RMB'000	2011 RMB'000
Current assets	**64,771**	94,949	21,490
Non-current assets	**166,728**	138,676	142,888
Total assets	**231,499**	233,625	164,378
Current liabilities	**15,593**	14,163	30,499
Non-current liabilities	**93,500**	103,145	94,762
Total liabilities	**109,093**	117,308	125,261
Net assets	**122,406**	116,317	39,117
Total equity	**122,406**	116,317	39,117

The results and summary of assets and liabilities for the years ended 31 December 2010 and 2011 which were extracted from the Prospectus of the Company have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the GEM of the Stock Exchange, had been in existence throughout those years.