



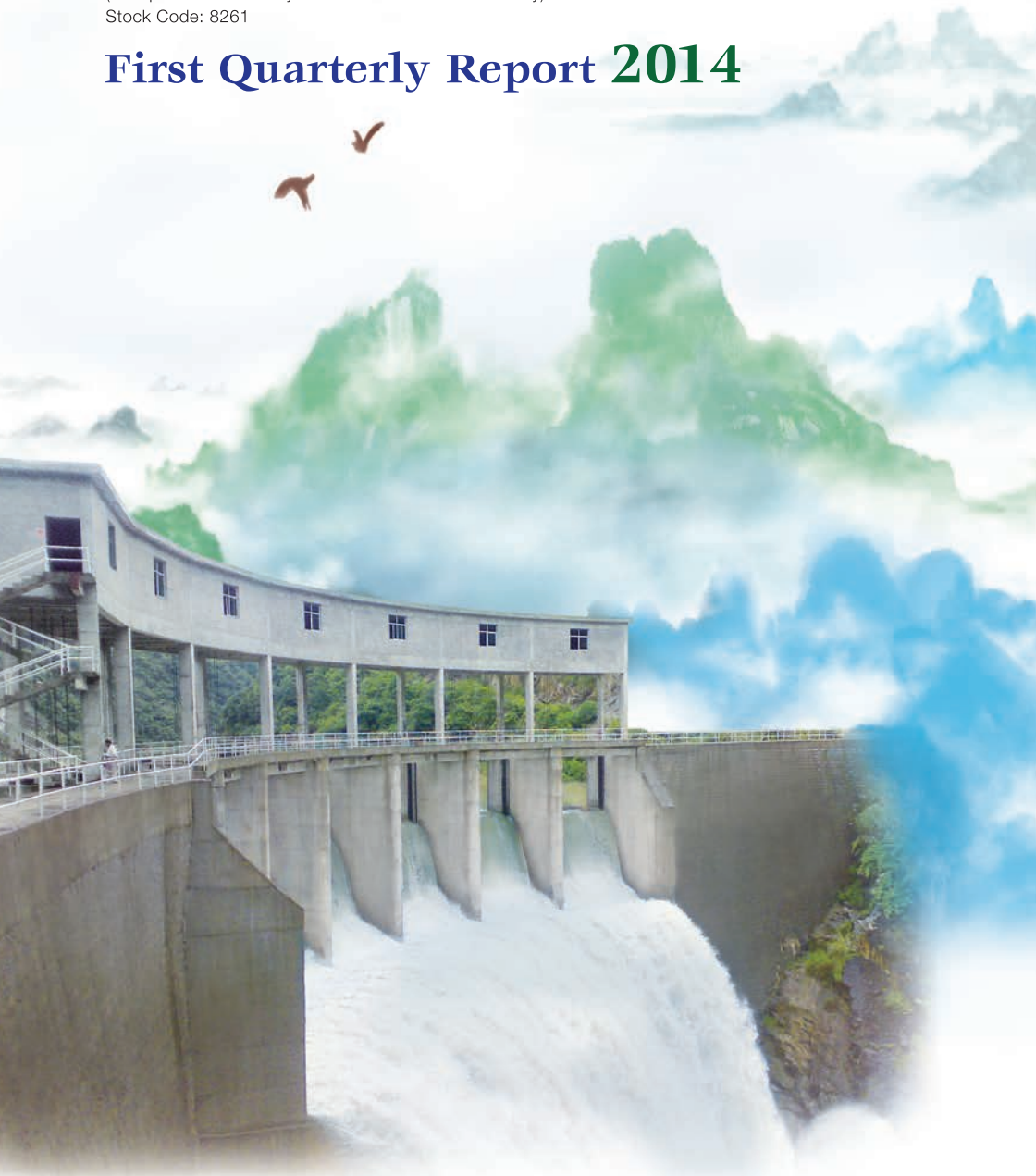
**HAITIAN HYDROPOWER INTERNATIONAL LIMITED**

**海天水电国际有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8261

# First Quarterly Report **2014**



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

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

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

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

## FINANCIAL HIGHLIGHTS

- Turnover for the three months ended 31 March 2014 amounted to approximately RMB6.7 million (2013: RMB3.7 million), representing an increase of 81.1% as compared with the corresponding period in 2013.
- Gross profit for the three months ended 31 March 2014 amounted to approximately RMB4.8 million (2013: RMB2.0 million), representing an increase of 140.0% as compared with the corresponding period in 2013.
- The Group achieved a profit for the three months ended 31 March 2014 of approximately RMB1.3 million compared to a loss of approximately RMB1.1 million for the corresponding period in 2013.
- Basic earnings/(loss) per share for the three months ended 31 March 2014 amounted to RMB0.13 cents (2013: RMB(0.11) cents).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2014.

## FIRST QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2014, together with the comparative unaudited figures in the corresponding period of last year, as follows:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2014

	Notes	Three months ended	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	<b>6,731</b>	3,652
Cost of sales		<b>(1,977)</b>	(1,644)
Gross profit		<b>4,754</b>	2,008
Other income	6	<b>83</b>	115
Administrative expenses		<b>(1,033)</b>	(983)
Finance cost	7	<b>(1,917)</b>	(2,184)
Profit (loss) before tax		<b>1,887</b>	(1,044)
Income tax expense	8	<b>(545)</b>	(27)
Profit (loss) for the period and total comprehensive income (expense) for the period	9	<b>1,342</b>	(1,071)
Earnings (loss) per share (RMB cents)			
Basic and diluted	11	<b>0.13</b>	(0.11)

## Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2014

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Capital Reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014 (audited)	8,156	48,782	362	48,622	3,397	24	13,063	122,406
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	1,342	1,342
At 31 March 2014 (unaudited)	8,156	48,782	362	48,622	3,397	24	14,405	123,748
At 1 January 2013 (audited)	8,156	48,782	362	48,622	1,841	24	8,530	116,317
Loss for the period and total comprehensive expense for the period	—	—	—	—	—	—	(1,071)	(1,071)
At 31 March 2013 (unaudited)	8,156	48,782	362	48,662	1,841	24	7,459	115,246

## Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2014

### 1. General Information

Haitian Hydropower International Limited (the "Company") was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2012. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

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

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

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

### 2. Basis of Preparation

The unaudited condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

### 3. Principal Accounting Policies

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2014 were consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

### 4. Turnover

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

## 5. Segment Information

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

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

## 6. Other Income

	Three months ended 31 March	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Bank interest income	32	85
Net exchange gain	51	—
Rental income (net of outgoings: nil)	—	30
	<b>83</b>	115

## 7. Finance Cost

	Three months ended 31 March	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Interest on borrowings not wholly repayable within five years	1,917	2,184

## 8. Income Tax Expense

	Three months ended	
	31 March	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	563	31
Deferred taxation	(18)	(4)
	545	27

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



## 9. Profit (loss) for the Period

	Three months ended	
	31 March	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation	1,249	1,181
Amortisation of prepaid lease payments (included in cost of sales)	88	68
Amortisation of intangible asset (included in administrative expenses)	71	50
Operating lease charges in respect of properties	34	17

## 10. Dividend

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2014.

## 11. Earnings (Loss) Per Share

The calculation of basic earnings (loss) per share for the three months ended 31 March 2014 is based on the consolidated profit (loss) attributable to owners of the Company of approximately RMB1.3 million (three months ended 31 March 2013: loss of RMB1.07 million) and the weighted average number of ordinary shares in issue of 1,000,000,000 (three months ended 31 March 2013: 1,000,000,000).

The dilutive earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the three months ended 31 March 2014 and 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

### Operating Hydropower Plants

As at 31 March 2014, 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 Group’s revenues have been derived from the sale of electricity generated by the operating hydropower plants to local power grids in Fujian Province.

### Extension Development of Jiulong Hydropower Plant

The Group has commenced the extension development of Jiulong Hydropower Plant. The review comments for the feasible report have been issued by the Ningde Water Resources Bureau. The “Consent on Water Project Planning” (《水工程規劃同意書》) has been approved by the Ningde Water Resources Bureau. The “Grid Access Scheme” (《電網接入方案》) has been submitted and reviewed for approval. The pre-assessment on the safety of construction project of hydropower plant is under examination and approval. The Group commenced the construction of incoming roads at the end of 2013, about 80% of which has been completed by now. 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.

### **Acquisition of Hydropower Plants**

As a core of expansion strategy, the Group continues to seek for acquiring small and medium-size hydropower plants with attractive return and appreciation potential. As at 31 March 2014, the Group has identified a few potential hydropower plants in Fujian Province and conducted preliminary reviews and feasibility studies. On 25 April 2014, the Group acquired the entire registered capital of Fu'an Jiulong Hydropower Development Co., Ltd., and its debts owing to its shareholders. For details, please refer to the paragraph headed "Events after the Reporting Period" in this report.

## **Financial Review**

### **Turnover**

Due to the increased precipitation in Fujian Province in 2014, the Group's revenue recorded substantial growth. The Group recorded a turnover of approximately RMB6.7 million for the three months ended 31 March 2014, representing a 81.1% increase as compared to approximately RMB3.7 million for the same period in 2013. The acquisition of the new hydropower plant named Ningde Jinxi-1 Hydropower Plant which accounted for approximately 7.1% of the Group's total turnover for the three months ended 31 March 2014 also contributed to the turnover growth.

### **Gross Profit and Gross Profit Margin**

The Group achieved a gross profit of approximately RMB4.8 million for the three months ended 31 March 2014 (2013: RMB2.0 million) representing an increase of 140.0% as compared to that for the corresponding period in 2013. Cost of sales increased from RMB1.6 million for the three months ended 31 March 2013 to RMB2.0 million for the three months ended 31 March 2014. Gross profit margin, calculated as gross profit divided by turnover, for the three months ended 31 March 2014 amounted to 71.6% (2013: 54.1%). The increase in gross profit margin in 2014 was mainly attributable to revenue increase by 81.1% compared to the last corresponding period. During the period under review, the cost of sales mainly included depreciation, direct salaries and water resource fees. Cost of sales of the Group was relatively stable, which had less impact on the gross profit margin. The 20.3% increase of cost of sales for the three months ended 31 March 2014 compared to the last corresponding period was mainly due to the acquisition of the new hydropower plant named Ningde Jinxi-1 Hydropower Plant on 24 April 2013.

### **Administrative Expenses**

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the three months ended 31 March 2014 and 2013, administrative expenses recorded by the Group were maintained at the level of approximately RMB1.0 million.

### **Finance Cost**

The finance cost of the Group represented interest expenses on bank borrowings. For the three months ended 31 March 2014, finance cost recorded by the Group decreased to approximately RMB1.9 million compared to approximately RMB 2.2 million for the corresponding period of last year. The decrease was mainly due to the repayment of bank borrowings.

### **Income Tax Expense**

Owing to increased profit, the income tax of the Group increased by 1,751.9% from approximately RMB27,000 for the three months ended 31 March 2013 to approximately RMB0.5 million for the three months ended 31 March 2014.

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

As a result of the above changes, the Group achieved a profit and total comprehensive income of approximately RMB1.3 million for the three months ended 31 March 2014 compared to a loss of approximately RMB1.0 million for the same period in 2013.

## **Outlook**

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

## **Events after the Reporting Period**

As disclosed in the announcement dated 25 April 2014, Fujian Dachuan Hydropower Development Co., Ltd., an indirect wholly-owned subsidiary of the Company, acquired the entire registered capital of Fu’an Jiulong Hydropower Development Co., Ltd. (“Fu’an Jiulong”) and its debts owing to its shareholders for a total consideration of RMB40,000,000 on 25 April 2014. The acquisition transaction has been completed on 28 April 2014.

Fu’an Jiulong has invested and built the Fu’an Jiulong-I Hydropower Station and Fu’an Jiulong-II Hydropower Station, with a total installed capacity of 4.5MW. The construction of Fu’an Jiulong-I Hydropower Station commenced on 18 December 2001 and was completed and put into operation in February 2004. The construction of Fu’an Jiulong-II Hydropower Station commenced on 1 August 2001 and was completed and put into operation in December 2002. They are now connected to the Fu’an National Power Grid.

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

As at 31 March 2014, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Position in the Shares

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

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

Saved as disclosed above, as at 31 March 2014, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2014, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed “Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above, the following person had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

### *Long position in the Shares*

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

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

Saved as disclosed above, as at 31 March 2014, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed “Interests and Short Positions of the Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **Directors' Interests in Competing Business**

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

## **Purchase, Sales or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the three months ended 31 March 2014.

## **Share Option Scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 March 2014.

## **Code on Corporate Governance Practice**

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

## **Code of Conduct for Securities Transactions by Directors**

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



## **Compliance Adviser’s Interest in the Company**

As at 31 March 2014, as notified by the Company’s compliance adviser, Ample Capital Limited (the “Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 28 June 2012, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **Audit Committee**

The Company has established the audit committee in accordance with the requirements of the Code on Corporate Governance Practice as set up in Appendix 15 of the GEM Listing Rules. The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited first quarterly financial results of the Group for the three months ended 31 March 2014.

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

Fujian Province, The PRC, 12 May 2014

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