



# 海天水电

HaiTian Hydropower

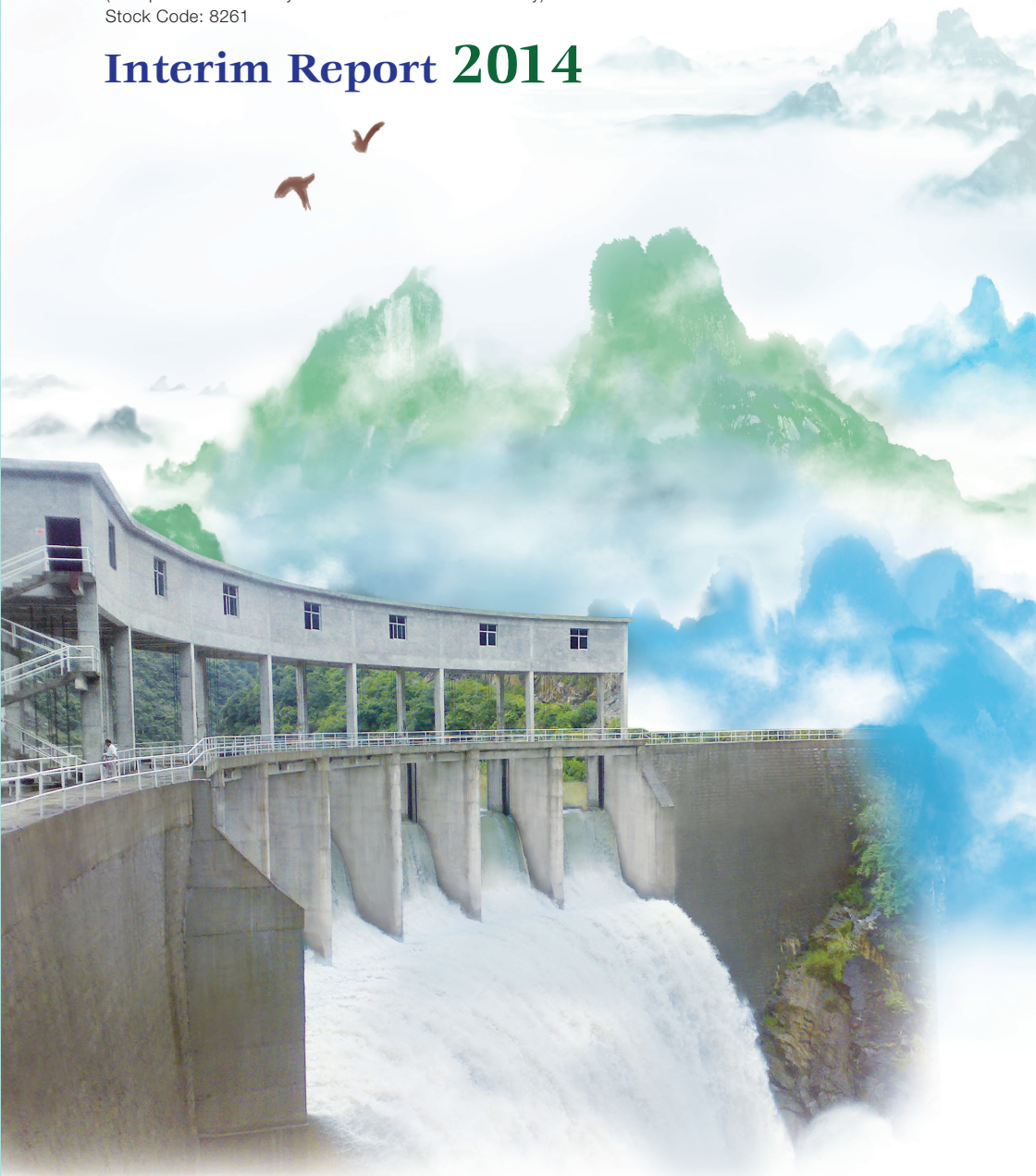
## HAITIAN HYDROPOWER INTERNATIONAL LIMITED

### 海天水电国际有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8261

# Interim Report 2014



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

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

## CORPORATE INFORMATION

### Executive Directors

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

### Independent Non-Executive Directors

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Compliance Committee

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

### Compliance Officer

Mr. Lin Yang

### Company Secretary

Ms. Ng Kit Ying Zelinda

### Authorised Representatives

Mr. Lin Tian Hai  
Ms. Ng Kit Ying Zelinda

### 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](http://www.haitianhydropower.com)

## **Stock Code**

08261

## FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB19.9 million for the six months ended 30 June 2014 (2013: RMB13.8 million), representing an increase of 44% as compared with corresponding period in 2013.
- Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB6.4 million (2013: RMB2.6 million), representing an increase of 146% as compared with corresponding period in 2013.
- Basic earnings per share for the six months ended 30 June 2014 amounted to RMB0.64 cents (2013: RMB0.26 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

### Operating Hydropower Plants

As at 30 June 2014, the Group possessed six wholly-owned operating hydropower plants namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Ningde Jinxi-I Hydropower Plant, Fu’an Jiulong-I Hydropower Station and Fu’an Jiulong-II Hydropower Station which are located in Fujian Province, the eastern part of the PRC. The Group’s revenues have been derived from the sale of electricity generated by the operating hydropower plants to local power grids in Fujian Province.

### Extension Development of Jiulong Hydropower Plant

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

The Group has commenced the extension development of Jiulong Hydropower Plant. As of June 2014, (i) the “Assessment Report on the Environmental Impact” has been reviewed and approved by the Environmental Protection Department; (ii) “Consent on the Construction of Hydraulic Projects”, “Thesis on Water Resources” and “Soil and Water Conservation Plan” have been reviewed and approved by the Ningde Water Resources Bureau; (iii) the Project Access System has been examined by the Provincial Power Company; (iv) the “Assessment report on the Energy-saving Projects” has been completed; (v) the Group commenced the construction of incoming roads at the end of 2013, the principal part of which has been completed; and (vi) all the preparatory work of the project has been completed and the relevant information has been submitted to National Development and Reform Commission for approval. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the second half year of 2015.

## Acquisition of Hydropower Plants

Acquisition is the key to the success of the Group's expansion. The Group continues to explore opportunities in small and medium-size hydropower plants acquisition with attractive return and appreciation potential. On 25 April 2014, the Group acquired Fu'an Jiulong-I Hydropower Station, and Fu'an Jiulong-II Hydropower Station, with a total installed capacity of 4.5 MW. For the year ended 31 December 2013, the annual average generating output of the above mentioned hydropower stations was 9,695,000 kWh and 7,735,000 kWh respectively, and the annual utilization hours 4,039 hours and 4,092 hours respectively. For details, please refer to the paragraph headed "Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets" in this report.

## The Enactment of New Policies

According to Caishui [2014] No.57, "Announcement on Simplifying VAT Rates" ("關於簡併增值稅徵收率政策的通知"), the value-added tax rate will be a flat 3 percent for water sector, small hydropower facilities and other appointed general taxpayers, effective 1 July 2014.

As stated in a circular (Ningjiashang [2014] No. 14) from Fuan Pricing Bureau, the applicable on-grid tariff of Fu'an Jiulong and Ma Tou Shan Hydropower Plant will increase to 0.35 RMB/KWh (including VAT), effective 16 July 2014.

These two policies are expected to improve the Group's overall revenue.

## Financial Review

### Turnover

The revenue, gross profit and gross profit margin of Group for the six months ended 30 June 2013 and six months ended 30 June 2014 are shown below:

	Turnover			Gross profit			Gross profit margin		
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June		
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	Flux %	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	Flux %	2014 %	2013 %	
Qianping	7,168	5,211	38	5,871	3,915	50	82	75	
Ma Tou Shan	6,076	4,746	28	4,892	3,592	36	81	76	
Jiulong	3,371	3,090	9	2,483	2,248	10	74	73	
Ningde Jinxi-I (Note 1)	1,543	790	95	779	578	35	50	73	
Fuan Jiulong (Note 2)	1,709	N/A	N/A	1,280	N/A	N/A	75	N/A	
<b>Total</b>	<b>19,867</b>	13,837	44	<b>15,305</b>	10,333	48	<b>77</b>	75	

Note 1 Acquired on 24 April 2013.

Note 2 Acquired on 25 April 2014.

During the period under review, the Group recorded a turnover of RMB19.9 million for the six months ended 30 June 2014, representing an increase of 44% as compared to RMB13.8 million for the six months ended 30 June 2013.

During the six months ended 30 June 2014, Qianping Hydropower Plant, Ma Tou Shan Hydropower Plant, Jiulong Hydropower Plant and Ningde Jinxi-I Hydropower Plant showed an increase in turnover of approximately 38%, 28%, 9% and 95% respectively compared with the six months ended 30 June 2013.

The volume of electricity sold for the first half of 2014 increased by approximately 43% from 45,994 Mwh to 65,623 Mwh. The increase of power sale was mainly resulted from increased precipitation. The precipitation in Fuan City, Fujian Province in the first half of 2014 was 930 mm, higher than 716 mm in the first half of 2013, and the precipitation in Zhouning County, Fujian Province was 1,384 mm in the first half of 2014, higher than 865 mm in the first half of 2013. In addition, the 95% turnover increase of Ningde Jinxi-I Hydropower Plant was also due to only around two months' turnover being recorded during the period of six months ended 30 June 2013 as Ningde Jinxi-I Hydropower Plant was acquired by the Group on 24 April 2013.

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

The Group achieved a gross profit of approximately RMB15.3 million for the six months ended 30 June 2014 (2013: RMB10.3 million) representing an increase of 49% as compared to that for the corresponding period in 2013. Gross profit margin, calculated as gross profit divided by turnover, for the six months ended 30 June 2014 amounted to 77% (2013: 75%). The increase in gross profit margin was mainly due to the relatively larger increase of turnover (44%) and smaller increase of cost of sales (30%). During the period under review, the cost of sales mainly included depreciation, direct salaries and water resource fees, of which, depreciation and direct salaries were relatively stable. The increase of cost of sales during this period was mainly due to the repairs & maintenance incurred by the Ningde Jinxi-1 Hydropower Plant.

### **Administrative Expenses**

The administrative expenses of the Group primarily comprised legal fees and staff costs. For the six months ended 30 June 2014, the Group's administrative expenses increased to approximately RMB2.6 million compared to approximately RMB2.3 million for the corresponding period of last year, representing an increase of approximately 13%. The increase was mainly attributed to the expansion of the Group's management team.



### **Finance Costs**

The finance costs of the Group represented interest expenses on bank loans. For the six months ended 30 June 2014 and 2013, finance costs recorded by the Group were approximately RMB4.2 million.

### **Income Tax Expenses**

Owing to increased profit, the income tax of the Group increased by 77% from approximately RMB1.3 million for the six months ended 30 June 2013 to approximately RMB2.3 million for the six months ended 30 June 2014.

### **Profit and Total Comprehensive Income**

Mainly due to larger precipitation, the profit and total comprehensive income of the Group increased by 146% from approximately RMB2.6 million for the six months ended 30 June 2013 to RMB6.4 million for the six months ended 30 June 2014.

### **Basic and Diluted Earnings per Share**

Basic and diluted earnings per share for the six months ended 30 June 2014 amounted to RMB0.64 cents (2013: RMB0.26 cents), representing an increase of 146% as compared with the corresponding period in 2013.

### **Liquidity and Financial Resources**

The Group generally finances its operations from internally generated cash flows and bank borrowings.

The Group had cash and cash equivalents of approximately RMB33.0 million as at 30 June 2014, representing a decrease of approximately RMB9.1 million compared to that of approximately RMB42.1 million as at 31 December 2013. Net cash generated from operating activities amounted to approximately RMB12.5 million for the six months ended 30 June 2014 as compared to net cash generated from operating activities of RMB6.7 million for the corresponding period of last year.

## Pledge of Assets

The bank borrowings of approximately RMB81.0 million and obligations under finance leases of approximately RMB110.1 million at 30 June 2014 were secured by certain prepaid lease payments and certain property, plant and equipment of the Company. The Group pledged the following assets to financial institutions for borrowings and finance leases granted to the Group:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Prepaid lease payments	<b>9,914</b>	12,111
Property, plant and equipment	<b>120,448</b>	106,911
	<b>130,362</b>	119,022

The bank borrowings and obligations under finance leases are also secured by the electricity tariff collection right. As at 30 June 2014, the carrying amount of trade receivables of the subsidiaries in which with such electricity tariff collection right pledged is approximately RMB8,921,000 (31 December 2013: approximately RMB5,116,000).

As at 30 June 2014, the entire equity interests of Zhouning County Qianyuan Hydropower Development Co., Ltd., Fu'an Jiulong Hydropower Development Co., Ltd ("Fu'an Jiulong") and Ningde Xingyuan Hydropower Co., Ltd. ("Xingyuan Hydropower"), indirect subsidiaries of the Company, have been pledged to a financial institution for securing obligations under finance leases.

As at 30 June 2014, two of the subsidiaries of the Company, Dachuan Hydropower and Liyuan Hydropower have provided corporate guarantee in relation to finance leases for a maximum amount of RMB259,200,000.

## Foreign Exchange Exposure

The Group's income and expenditure during the six months ended 30 June 2014 were principally denominated in Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2014 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the period under review.

## **Gearing Ratio**

The gearing ratio of the Group, based on total bank borrowings and finance leases to the total assets of the Group, increased to 52% as at 30 June 2014 (31 December 2013: 44%).

## **Capital Structure**

As at 30 June 2014, the Group had total assets of approximately RMB365.6 million, including property, plant and equipment of approximately RMB162.5 million, intangible asset of approximately RMB9.7 million, and cash and cash equivalents of approximately RMB33.0 million. As at 31 December 2013, the Group had total assets of approximately RMB231.5 million, comprising property, plant and equipment of approximately RMB132.0 million, intangible asset of approximately RMB8.5 million, and cash and cash equivalents of approximately RMB42.1 million.

As at 30 June 2014, the Group had total liabilities of approximately RMB236.9 million, mainly comprising bank borrowings of approximately RMB81.0 million and obligations under finance leases of approximately RMB110.1 million. As at 31 December 2013, the Group had total liabilities of approximately RMB109.1 million, mainly consisting of bank borrowings of approximately RMB102.4 million.

There has been no material change in the capital structure of the Group during the period under review. The total number of the issued shares of the Company was 1,000,000,000 as at 30 June 2014.

## **Contingent Liabilities**

As at 30 June 2014, save for disclosed in note 20, the Group did not have any significant contingent liabilities.

## **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2014 (2013: nil).

## **Bank Borrowings and obligations under finance leases**

As at 30 June 2014, the Group's bank borrowings amounted to approximately RMB81.0 million, bearing interest rates from 7.21% to 7.53% per annum, and the Group's finance leases amounted to approximately RMB110.1 million, bearing interest rates of 7.9% per annum.

### **Employees and Remuneration Policies**

As at 30 June 2014, the Group employed approximately 64 employees, as compared to 62 employees as at 31 December 2013, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB1.12 million (for the period ended 30 June 2013: approximately 1.17 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 Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investment or Capital Assets**

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 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.

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

Save for disclosed in this Interim Report, there is no plan for material investments or capital assets as at 30 June 2014.

### **Outlook**

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

## OTHER INFORMATION

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

The following is a comparison of the Group's future plan as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the first half year of 2014.

#### Business objectives for the period from 1 January 2014 to 31 December 2014

#### Actual business progress up to 30 June 2014

Possible acquisition of hydropower plants

On 25 April 2014, the Group acquired the entire interest of Fu'an Jiulong, with a total installed capacity of 4.5 MW. The Group has also identified a few other potential hydropower plants in Fujian Province and is currently conducting preliminary reviews and feasibility studies.

Enhancement of technologies and facilities of existing hydropower plants

The preliminary preparation works for Jiulong Hydropower Plant extension project have been initiated in September 2012. As of June 2014, various reports, plans and feasibility reviews for the mainframe construction have been approved by the government. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the second half year of 2015.

Enhancement of technologies and facilities of newly acquired hydropower plants

After the acquisitions of the Ningde Jinxi-I Hydropower Plant, the Group upgraded the auxiliary equipments which can promote the power generating efficiency and ensure safety in power generation process.

**Business objectives for the period from  
1 January 2014 to 31 December 2014**

**Actual business progress up to 30 June  
2014**

Enhancement of safety management

The Group has implemented steps and procedures to review the safety policy and upgraded the safety equipment for the three operating hydropower plants.

The net proceeds from the placing of the shares (“Placing”) of the Company were approximately HK\$59.9 million. The net proceeds from the Placing from the date of listing (i.e. 6 July 2012) (the “Listing Date”) to 30 June 2014 had been applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2014</b>	<b>Actual use of proceeds from the Listing Date to 30 June 2014</b>
	HK\$'000	HK\$'000
Possible acquisition of hydropower plants (Note 1)	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants (Note 2)	14,740	5,702
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	92
<b>Total</b>	<b>59,780</b>	<b>50,704</b>

Note 1: 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.

Note 2: The extension development of Jiulong Hydropower plants was commenced in September 2012 and still in progress of preliminary works as of June 2014. The mainframe construction will be completed in the first half of 2015.

Reference is made to the updates on the use of proceeds in the Group's 2013 annual report. As at 31 December 2013, the Group has utilized HK\$48.3 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 unutilized balances have been placed in licensed banks in Hong Kong and in the PRC.

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

As at 30 June 2014, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares or debenture of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO; to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Position in the Shares

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

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



Save for disclosed above, as at 30 June 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 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.

Save for disclosed above, as at 30 June 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 controlling 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 securities of the Company during the six months ended 30 June 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 30 June 2014.

### **Code on Corporate Governance Practice**

The Company has applied and adopted the principles of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules ("CG Code") 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 (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 period under review.

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

As at 30 June 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 CG Code. The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and the interim report of the Group for the six months ended 30 June 2014.

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

Fujian Province, The PRC, 11 August 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 Shijiu, Mr. Cheng Chuhan and Mr. Chan Kam Fuk.*

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

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	4	<b>13,136</b>	10,185	<b>19,867</b>	13,837
Cost of sales		<b>(2,585)</b>	(1,859)	<b>(4,562)</b>	(3,504)
Gross profit		<b>10,551</b>	8,326	<b>15,305</b>	10,333
Other income	6	<b>20</b>	61	<b>103</b>	176
Administrative expenses		<b>(1,541)</b>	(1,355)	<b>(2,574)</b>	(2,297)
Other operating expenses		<b>—</b>	—	<b>—</b>	(41)
Finance costs	7	<b>(2,248)</b>	(2,049)	<b>(4,165)</b>	(4,233)
Profit before tax		<b>6,782</b>	4,983	<b>8,669</b>	3,938
Income tax expense	8	<b>(1,765)</b>	(1,270)	<b>(2,310)</b>	(1,297)
Profit and total comprehensive income for the period	9	<b>5,017</b>	3,713	<b>6,359</b>	2,641
Earnings per share (RMB cents)					
Basic and diluted	11	<b>0.50</b>	0.37	<b>0.64</b>	0.26

## Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	162,492	132,039
Prepaid lease payments		18,813	15,293
Goodwill		14,399	4,898
Intangible asset		9,688	8,498
Available-for-sale investment		6,000	6,000
Secured deposits		11,100	—
		<b>222,492</b>	166,728
<b>Current assets</b>			
Trade and other receivables	13	9,740	22,337
Prepaid lease payments		447	351
Notes receivable		100,000	—
Bank balances and cash		32,951	42,083
		<b>143,138</b>	64,771
<b>Current liabilities</b>			
Trade and other payables	14	35,527	2,649
Income tax payables		2,365	2,144
Secured bank borrowings	15	9,000	10,800
Obligations under finance leases	16	18,698	—
		<b>65,590</b>	15,593
<b>Net current assets</b>			
		<b>77,548</b>	49,178
		<b>300,040</b>	215,906

	Notes	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Capital and reserves			
Share capital	17	<b>8,156</b>	8,156
Reserves		<b>120,609</b>	114,250
<b>Total equity</b>		<b>128,765</b>	122,406
Non-current liabilities			
Secured bank borrowings	15	<b>72,000</b>	91,600
Obligations under finance leases	16	<b>91,418</b>	—
Deferred tax liabilities	19	<b>7,857</b>	1,900
		<b>171,275</b>	93,500
		<b>300,040</b>	215,906

## Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 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 2013 (audited)	8,156	48,782	362	48,622	1,841	24	8,530	116,317
Profit and total comprehensive income for the period	—	—	—	—	—	—	2,641	2,641
At 30 June 2013 (unaudited)	8,156	48,782	362	48,622	1,841	24	11,171	118,958
At 1 January 2014 (audited)	<b>8,156</b>	<b>48,782</b>	<b>362</b>	<b>48,622</b>	<b>3,397</b>	<b>24</b>	<b>13,063</b>	<b>122,406</b>
Profit and total comprehensive income for the period	—	—	—	—	—	—	6,359	6,359
At 30 June 2014 (unaudited)	<b>8,156</b>	<b>48,782</b>	<b>362</b>	<b>48,622</b>	<b>3,397</b>	<b>24</b>	<b>19,422</b>	<b>128,765</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash from operating activities	12,491	6,663
Net cash used in investing activities	(25,846)	(24,874)
Net cash from (used in) financing activities	4,223	(8,266)
Net decrease in cash and cash equivalents	(9,132)	(26,477)
Cash and cash equivalents at 1 January	42,083	89,672
Cash and cash equivalents at 30 June, represented by bank balances and cash	32,951	63,195



## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 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 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 primary subsidiaries. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

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

The Company is engaged in investment holding while the Company and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in hydropower generation.

### 2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

### 3. Principal Accounting Policies (Continued)

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)* - Int 21	Levies

\* IFRIC represents the International Financial Reporting Interpretation Committee.

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

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as set out in Note (2) of the consolidated financial statements for the year ended 31 December 2013.

In addition, there are following amendments to HKFRSs have been issued but are not effective subsequent to the date of consolidated financial statements for the year ended 31 December 2013.

### 3. Principal Accounting Policies (Continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>1</sup>
Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup> Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

### 4. Turnover

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

## 5. Segment Information

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

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

## 6. Other Income

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	15	61	47	146
Net exchange gain	5	—	56	—
Rental income (net of outgoings: nil)	—	—	—	30
	20	61	103	176

## 7. Finance Costs

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on:				
Bank borrowings not wholly repayable within five years	2,126	2,049	4,043	4,233
Finance leases	122	—	122	—
	<b>2,248</b>	2,049	<b>4,165</b>	4,233

## 8. Income Tax Expense

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprises:				
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	1,827	1,269	2,390	1,300
Under provision in prior years	—	15	—	15
Deferred tax (Note 19)	(62)	(14)	(80)	(18)
	<b>1,765</b>	1,270	<b>2,310</b>	1,297

## 8. Income Tax Expense (Continued)

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

## 9. Profit for the Period

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:				
Depreciation	<b>1,557</b>	1,303	<b>2,946</b>	2,507
Amortisation of prepaid lease payments (included in cost of sales)	<b>103</b>	82	<b>191</b>	150
Amortisation of intangible assets	<b>55</b>	51	<b>105</b>	101
Operating lease charges in respect of properties	<b>34</b>	35	<b>68</b>	68
Net exchange loss	—	115	—	150

## 10. Dividends

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## 11. Earnings Per Share

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Earnings</b>				
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	<b>5,017</b>	3,713	<b>6,359</b>	2,641

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	'000	'000	'000	'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000

The weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2014 and 2013 represents 1,000,000,000 ordinary shares issued.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 June 2014 and 2013.

## 12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2014, the Group spent approximately RMB2,544,000 (six months ended 30 June 2013: approximately RMB533,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2014, the Group had additions of property, plant and equipment approximately RMB30,855,000 (six months ended 30 June 2013: RMB20,859,000) from acquisition of a subsidiary.

In addition, the Group did not dispose of any property, plant and equipment during the six months ended 30 June 2014 and 2013.

## 13. Trade and Other Receivables

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Trade receivables	<b>8,921</b>	5,301
Prepayments	<b>363</b>	380
Deposits and other receivables	<b>456</b>	656
Deposits paid for acquisition of a subsidiary	—	16,000
	<b>9,740</b>	22,337

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

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 30 days	<b>8,921</b>	3,388
31–60 days	—	1,913
	<b>8,921</b>	5,301



## 14. Trade and Other Payables

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

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Trade payables	<b>1,060</b>	648
Construction payables	<b>810</b>	354
Other payables and accrued expenses (Note)	<b>32,988</b>	1,245
Other tax payables	<b>669</b>	402
	<b>35,527</b>	2,649

Note: Included in the other payable is an amount of RMB30,650,000 due to Mr. Zheng Hua, an independent third party not connected with the Group. The amount is unsecured, non-interest bearing and has no fixed repayment terms.

## 15. Secured Bank Borrowings

During the six months ended 30 June 2014 and 2013, the Group did not obtain any new bank borrowings.

As at 30 June 2014, the secured bank borrowings are secured by certain assets as disclosed in note 23 and the electricity tariff collection right of the subsidiaries of the Company.

## 16. Obligations under Finance Leases

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Analysed as:		
Current	<b>18,698</b>	—
Non-current	<b>91,418</b>	—
	<b>110,116</b>	—

During the six months ended 30 June 2014, three subsidiaries of the Company entered into sales and leaseback arrangements. Pursuant to which certain of their property, plants and equipment for hydropower generation with total carrying amount of approximately RMB45,013,000 (31 December 2013: nil) are sold at RMB177,770,000 and leaseback with 5 years lease term. Up to 30 June 2014, the selling price of RMB100,000,000 have been received and RMB11,100,000 regarded as secured deposits. Interest rates underlying obligations under finance leases are fixed at contract date at variable rate with reference to The People's Bank of China Prescribed Interest Rate with 1.5% mark-up per annum. The effective interest rate for the obligation under finance leases for the six months ended 30 June 2014 is 7.9% (31 December 2013: nil) per annum. No addition of obligation under finance leases was entered into during the year ended 31 December 2013. Lease-related costs amounting to approximately RMB984,000 has been capitalised on initial recognition of obligation under finance leases.

At the end of the reporting period, the Group had undrawn proceeds from finance lease of RMB66,670,000 (31 December 2013: nil).

## 16. Obligations under Finance Leases (Continued)

	Minimum lease payment		Present value of minimum lease payment	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Amounts payable under finance leases:				
Within one year	26,968	—	18,698	—
In the second to fifth years	107,875	—	91,418	—
	134,843	—	110,116	—
Less: Future finance charges	(24,727)	—	N/A	N/A
Present value of lease obligations	110,116	—	110,116	—
Less: Amount due within one year included under current liabilities			(18,698)	—
Amount due for settlement after 12 months			91,418	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and disclosed in note 23.

## 17. Share Capital

	Number of shares		Nominal value of ordinary shares	
	30 June 2014 '000 (unaudited)	31 December 2013 '000 (audited)	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Ordinary shares of HK\$0.01 each				
<b>Authorised:</b>				
At 1 January 2013, 31 December 2013 and 30 June 2014	<b>2,000,000</b>	2,000,000	<b>20,000</b>	20,000
<b>Issued and fully paid:</b>				
At 1 January 2013, 31 December 2013 and 30 June 2014	<b>1,000,000</b>	1,000,000	<b>8,156</b>	8,156

## 18. Share Option Scheme

Pursuant to a written resolution of the Company passed on 19 June 2013, the Company has conditionally adopted the share option scheme (the "Scheme") on 19 June 2013 for the primary purpose of providing incentives to eligible participants. No share option has been granted since the Scheme has been adopted. As at 31 December 2013 and 30 June 2014, there are no outstanding share options under the Scheme.

## 19. Deferred Tax Liabilities

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

	Fair value adjustment on property, plant and equipment RMB'000	Fair value adjustment on prepaid lease payments RMB'000	Fair value adjustment on intangible asset RMB'000	Total RMB'000
At 1 January 2013 (audited)	196	29	520	745
Acquisition of a subsidiary (Note 24(b))	1,097	112	—	1,209
Credited to profit or loss	(11)	(1)	(6)	(18)
At 30 June 2013 (unaudited)	1,282	140	514	1,936
At 1 January 2014 (audited)	<b>1,253</b>	<b>139</b>	<b>508</b>	<b>1,900</b>
Acquisition of a subsidiary (Note 24(a))	<b>5,353</b>	<b>684</b>	—	<b>6,037</b>
Credited to profit or loss	<b>(69)</b>	<b>(5)</b>	<b>(6)</b>	<b>(80)</b>
At 30 June 2014 (unaudited)	<b>6,537</b>	<b>818</b>	<b>502</b>	<b>7,857</b>

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

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

## 20. Contingent Liabilities

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

## 21. Operating Leases

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

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:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within one year	<b>207</b>	67
In the second to fifth year inclusive	<b>270</b>	43
	<b>477</b>	110

## 22. Capital Commitments

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>1,841</b>	2,011

## 23. Pledge of Assets

At the end of the reporting period, the Group pledged the following assets to financial institutions for borrowings and finance leases granted to the Group.

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Prepaid lease payments	<b>9,914</b>	12,111
Property, plant and equipment	<b>120,448</b>	106,911
	<b>130,362</b>	119,022

As at 30 June 2014, the carrying amount of trade receivables of the subsidiaries in which with such electricity tariff collection right pledged is approximately RMB8,921,000 (31 December 2013: approximately RMB5,116,000).

As at 30 June 2014, the entire equity interests of Zhouning County Qianyuan Hydropower Development Co., Ltd., Fu'an Jiulong Hydropower Development Co., Ltd ("Fu'an Jiulong") and Ningde Xingyuan Hydropower Co., Ltd. ("Xingyuan Hydropower"), indirect subsidiaries of the Company, have been pledged to a financial institution for securing obligations under finance leases.

## 23. Pledge of Assets (Continued)

As at 30 June 2014, two of the subsidiaries of the Company, Fujian Dachuan Hydropower Development Co., Ltd (“Dachuan Hydropower”) and Fujian Liyuan Hydropower Co., Ltd. have provided corporate guarantee in relation to finance leases for a maximum amount of RMB259,200,000.

## 24. Acquisition of Subsidiaries

### (a) Acquisition of 100% equity interest in Fu’an Jiulong

On 25 April 2014, the Group acquired 100% interest in Fu’an Jiulong from Mr. Lin Dong and Mr. Zheng Hua (“Vendors”), independent third parties. Fu’an Jiulong 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)	40,000

Note: Loan to Fu’an Jiulong with principal amount of approximately RMB3.3 million was assigned by one of the Vendors 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.

#### Assets and liabilities recognised at the date of acquisition

	RMB’000
Property, plant and equipment	30,855
Prepaid lease payment	3,807
Intangible assets	1,295
Trade and other receivables	1,082
Bank balance and cash	548
Trade and other payables	(1,051)
Amount due to a vendor	(3,268)
Deferred tax liabilities (Note 19)	(6,037)
	27,231



## 24. Acquisition of Subsidiaries (Continued)

### (a) Acquisition of 100% equity interest in Fu'an Jiulong (Continued)

#### Assets and liabilities recognised at the date of acquisition (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,082,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB1,082,000 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	40,000
Less: assignment of vendor's loan	(3,268)
Less: recognised amount of identifiable net assets acquired	(27,231)
Goodwill arising on acquisition	9,501

Goodwill arose on the acquisition of Fu'an Jiulong 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 Fu'an Jiulong. 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.

#### Net cash outflow arising on acquisition

	RMB'000
Consideration transferred	40,000
Less: deposit paid for acquisition of a subsidiary	(16,000)
Less: cash and cash equivalent balance acquired	(548)
	23,452

## 24. Acquisition of Subsidiaries (Continued)

### (a) Acquisition of 100% equity interest in Fu'an Jiulong (Continued)

#### Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB1,012,000 attributable to Fu'an Jiulong. Revenue for the interim period includes RMB1,714,000 is attributable to Fu'an Jiulong.

Had the acquisition of Fu'an Jiulong been effected at the beginning of the interim period, the total amount of the profit of the Group for the six months ended 30 June 2014 would have been RMB7,262,000, and the amount of revenue for the interim period would have been RMB21,970,000. 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 Fu'an Jiulong been acquired at the beginning of the interim period, the directors of the Company calculated depreciation of property, plant and equipment and amortisations of prepaid lease payment and intangible assets based on the recognised amounts of property, plant and equipment, prepaid lease payment and intangible assets at the date of the acquisition.

## 24. Acquisition of Subsidiaries (Continued)

### (b) Acquisition of 100% equity interest in Xingyuan Hydropower

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.

## 24. Acquisition of Subsidiaries (Continued)

### (b) Acquisition of 100% equity interest in Xingyuan Hydropower (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 19)	(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.

## 24. Acquisition of Subsidiaries (Continued)

### (b) Acquisition of 100% equity interest in Xingyuan Hydropower (Continued)

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	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.

Net cash outflow arising on acquisition

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

## 24. Acquisition of Subsidiaries (Continued)

### (b) Acquisition of 100% equity interest in Xingyuan Hydropower (Continued)

#### Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2013 is RMB392,000 attributable to Xingyuan Hydropower. Revenue for the six months ended 30 June 2013 includes RMB790,000 is attributable to Xingyuan Hydropower.

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

In determining the 'pro-forma' revenue and profit of the Group had Xingyuan Hydropower been acquired at the beginning of the 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.

## 25. Related Parties Transactions

The Group entered into the following transactions during the period:

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

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Amount due from a related company 福建省海興能源集團有限公司 (Note)	<b>10</b>	10

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 RMB6,000. During the six months ended 30 June 2014, the Group paid rental expenses of approximately RMB32,000 (six months ended 30 June 2013: RMB30,000) to this related company for leasing of the office premises.

- (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.

## 25. Related Parties Transactions (Continued)

(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 the PRC regulatory requirements in relation to the loans advancing to a related company on or before the listing of the shares of the Company on the Stock Exchange.

### (iv) Compensation to key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short-term benefits	217	190	434	333
Post-employment benefits	12	3	23	6
	<b>229</b>	193	<b>457</b>	339

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



## 26. Events after the Reporting Period

- (a) As disclosed in the Company's announcement dated 9 July 2014, Dachuan Hydropower an indirect wholly-owned subsidiary of the Company, has entered into a loan agreement, pursuant to which Dachuan Hydropower has agreed to grant a loan in the amount of RMB29 million to Mr. Zheng Hua. The loan will be used by Mr. Zheng Hua for acquisition of Fujian Sifang Hydropower Investment Co., Ltd. ("Sifang Hydropower"). The loan is interest bearing at 5% per half year, repayable on January 2015 and secured by 90% equity interest of Huajin Huifu Energy Development Co., Ltd. ("Huajin Huifu") which held by Fujian Zhongshida Trading Co., Ltd., a limited company wholly-owned by Mr. Zheng Hua. Huajin Huifu is interested in 44% of the issued equity interest of Sifang Hydropower.
- (b) As disclosed in the Company's announcement dated 18 July 2014, Dachuan Hydropower acquired the entire registered capital of Shouning Guangyuan Hydropower Operation Management Co., Ltd. ("Guangyuan Hydropower") from five individual independent third parties, for a total consideration of RMB500,000 on 18 July 2014. Guangyuan Hydropower is principally engaged in operation management of hydropower stations and technical consultant.
- (c) As disclosed in the Company's announcement date 29 July 2014, the Company executed the instrument by the way of deed poll constituting the debentures with aggregate principal up to HK\$100 million under different tranches. The debentures bearing interest of 8% per annum and initial mature on third anniversary of the issue date of the debentures and conditional subject to extension of maturity date to seventh anniversary of the issue date of the debentures.