



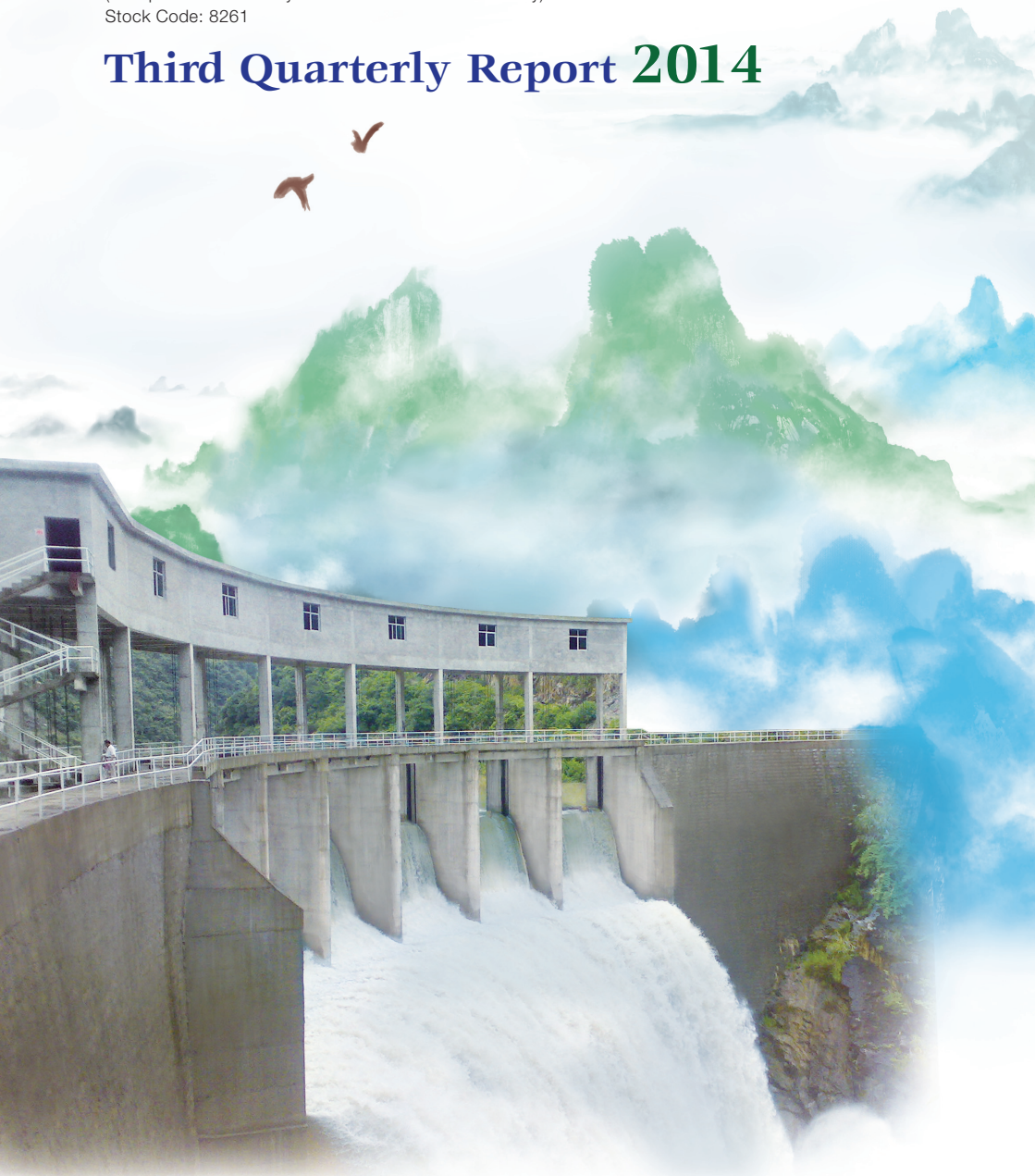
**HAITIAN HYDROPOWER INTERNATIONAL LIMITED**

**海天水电国际有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8261

# Third 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 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 purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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 nine months ended 30 September 2014 amounted to approximately RMB36.6 million (2013: RMB22.7 million), representing an increase of 61% as compared with the corresponding period in 2013.
- Gross profit for the nine months ended 30 September 2014 amounted to approximately RMB29.4 million (2013: RMB17.1 million), representing an increase of 72% as compared with the corresponding period in 2013.
- The Group achieved a profit for the nine months ended 30 September 2014 of approximately RMB12.8 million compared to a profit of approximately RMB5.3 million for the corresponding period in 2013.
- Basic earnings per share for the nine months ended 30 September 2014 amounted to RMB1.28 cents (2013: RMB0.53 cents).
- The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2014.

## THIRD 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 nine months ended 30 September 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 and nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Turnover	4	<b>16,759</b>	8,815	<b>36,626</b>	22,652
Cost of sales		<b>(2,627)</b>	(2,025)	<b>(7,189)</b>	(5,529)
Gross profit		<b>14,132</b>	6,790	<b>29,437</b>	17,123
Other income	6	<b>930</b>	67	<b>1,033</b>	243
Administrative expenses		<b>(2,171)</b>	(1,057)	<b>(4,745)</b>	(3,354)
Other operating expenses		<b>(174)</b>	—	<b>(174)</b>	(41)
Finance costs	7	<b>(3,726)</b>	(2,058)	<b>(7,891)</b>	(6,291)
Profit before tax		<b>8,991</b>	3,742	<b>17,660</b>	7,680
Income tax expense	8	<b>(2,582)</b>	(1,074)	<b>(4,892)</b>	(2,371)
Profit and total comprehensive income for the period	9	<b>6,409</b>	2,668	<b>12,768</b>	5,309
Earnings per share (RMB cents)					
Basic and diluted	11	<b>0.64</b>	0.27	<b>1.28</b>	0.53

## Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2014

	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Capital Reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	8,156	48,782	362	48,622	3,397	24	13,063	122,406
Profit and total comprehensive income for the period	—	—	—	—	—	—	12,768	12,768
At 30 September 2014 (unaudited)	8,156	48,782	362	48,622	3,397	24	25,831	135,174
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	—	—	—	—	—	—	5,309	5,309
At 30 September 2013 (unaudited)	8,156	48,782	362	48,622	1,841	24	13,839	121,626

# Notes to the Condensed Consolidated Financial Statements

*For the nine months ended 30 September 2014*

## 1. General Information

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 Group is principally engaged in hydropower generation.

## 2. Basis of Preparation

The condensed consolidated financial statements for the three months and nine months ended 30 September 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 GEM Listing Rules.

## 3. Principal Accounting Policies

The accounting policies adopted in preparing the condensed consolidated financial statements for the three months and nine months ended 30 September 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 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 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 are presented in the condensed consolidated statement of profit or loss and other comprehensive income.

## 6. Other Income

	Three months ended 30 September		Nine months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Bank interest income	645	67	692	213
Management services income	261	—	261	—
Net exchange gain	24	—	80	—
Rental income (net of outgoings: nil)	—	—	—	30
	<b>930</b>	67	<b>1,033</b>	243

## 7. Finance Costs

	Three months ended 30 September		Nine months ended 30 September	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Interest on borrowings wholly repayable over five years				
Secured bank borrowings	1,681	2,058	5,724	6,291
Finance leases	2,045	—	2,167	—
	<b>3,726</b>	2,058	<b>7,891</b>	6,291

## 8. Income Tax Expense

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprises:				
PRC Enterprise Income Tax ("EIT")	2,673	1,083	5,063	2,383
Under provision in prior years	—	—	—	15
Deferred taxation	(91)	(9)	(171)	(27)
	<b>2,582</b>	1,074	<b>4,892</b>	2,371

- (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 all 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 all periods.



## 9. Profit for the Period

	Three months ended		Nine months ended	
	30 September		30 September	
	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	1,856	1,337	4,802	3,844
Amortisation of prepaid lease payments (included in cost of sales)	95	99	275	249
Amortisation of intangible assets	53	51	162	152
Operating lease charges in respect of properties	40	39	108	107
Net exchange loss	—	35	—	185

## 10. Dividends

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: nil).

## 11. Earnings Per Share

The calculation of basic earnings per share for the nine months ended 30 September 2014 is based on the consolidated profit attributable to owners of the Company of approximately RMB12.8 million (nine months ended 30 September 2013: profit of RMB5.3 million) and the weighted average number of ordinary shares in issue of 1,000,000,000 (nine months ended 30 September 2013: 1,000,000,000).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is 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 September 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 acquired the entire registered capital of Shouning Guangyuan Hydropower Operation Management Co., Ltd. ("Guangyuan Hydropower") on 29 July 2014. The Group's revenues have been derived from the sale of electricity generated by the operating hydropower plants to local power grids and management services provided in Fujian Province.

### Extension Development of Jiulong Hydropower Plant

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

As of September 2014, the bidding process of the civil engineering for the additional hydropower plant has been completed. The construction of incoming road has been completed for the basic needs of vehicle traffic. The design of electricity output transmission lines has been completed and submitted to Ningde Power Supply Company for review.

### **Acquisition of Hydropower Operation Management Company**

On 18 July 2014, the Group acquired the entire registered capital of Guangyuan Hydropower from five individual independent third parties, for a total consideration of RMB500,000. Guangyuan Hydropower is principally engaged in operation management of hydropower stations and technical consultant.

### **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 were 4,039 hours and 4,092 hours respectively.

## **Financial Review**

### **Turnover**

The Group recorded a turnover of approximately RMB36.6 million for the nine months ended 30 September 2014, representing a 61% increase as compared to approximately RMB22.7 million for the corresponding period in 2013 due to increase of power sales resulting from increase in precipitation.

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

The Group achieved a gross profit of approximately RMB29.4 million for the nine months ended 30 September 2014 (2013: RMB17.1 million) representing an increase of 72% as compared to that for the corresponding period in 2013. Such increase was mainly due to increase of turnover. Gross margin, calculated as gross profit divided by turnover, for the nine months ended 30 September 2014 amounted to 80% (2013: 76%). The increase in gross profit margin in 2014 was mainly attributable to the relatively larger increase of turnover (61%) and smaller increase of cost of sales (30%).

### **Administrative Expenses**

The administrative expenses of the Group primarily comprised legal fees and staff costs. For the nine months ended 30 September 2014, the Group's administrative expenses increased to approximately RMB4.7 million (2013: RMB3.4 million), represented an increase of 38% mainly due to the acquisition projects of the Group.

### **Finance Costs**

The finance costs of the Group represented interest expenses on bank loans. For the nine months ended 30 September 2013 and 2014, finance costs recorded by the Group were approximately RMB6.3 million and RMB7.9 million respectively. The increase of finance costs for the nine months ended 30 September 2014 was due to the increased borrowing including the bank borrowings and the finance leases during the period.

### **Income Tax Expense**

Owing to increased profit, the income tax of the Group increased by 104% from approximately RMB2.4 million for the nine months ended 30 September 2013 to approximately RMB4.9 million for the nine months ended 30 September 2014.

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

The profit and total comprehensive income of the Group for the nine months ended 30 September 2014 amounted to approximately RMB12.8 million (2013: RMB5.3 million), representing an increase of 142%, mainly due to the increase of turnover during the nine months ended 30 September 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 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 Company’s announcement dated 6 October 2014, Top Glory International Development Limited (天豪國際發展有限公司) (“Top Glory”), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement with Fujian Zhongshida Trading Co., Ltd. (福建中士達商貿有限公司) (“Zhongshida”) on 30 September 2014, pursuant to which Top Glory has conditionally agreed to acquire and Zhongshida has conditionally agreed to sell the 90% registered capital of Fujian Haitian Huajin Huifu Energy Development Co., Ltd. (福建省海天華金匯富能源發展有限公司) (“Huajin Huifu”) for a consideration of RMB54.0 million.

Huajin Huifu, together with its subsidiaries are principally engaged in the operation of hydropower plants and electricity transmission lines. As at 30 September 2014, Huajin Huifu has indirect interests in five hydropower plants with a total installed capacity of 78 MW in Fujian Province, the PRC and two 110 KV electricity transmission lines with total length of 190 km.

Top Glory will also acquire the remaining 10% of the registered capital of Huajin Huifu, which was owned by Liyuan Hydropower, an indirectly wholly-owned subsidiary of the Company. Such acquisition is a corporate reorganisation within the Group such that all of the Group’s interests in Huajin Huifu will be held through Top Glory.

The completion of the abovementioned share transfer is subject to the fulfillment of certain conditions as set out in the agreement. Please refer to “Conditions Precedent” in the Company’s announcement dated 6 October 2014 for details.

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

As at 30 September 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 (“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 30 September 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 30 September 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 the Shares, Underlying Shares or 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 30 September 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 or Debentures of the Company and its Associated Corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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 shares of the Company during the nine months ended 30 September 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 September 2014.

## **Corporate Governance Code**

The Company has complied and adopted the principles of the Corporate Governance Code as 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 (the "Code") on terms which are the same as the required standard of dealings as 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 September 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 Rules 5.28 to 5.33 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 third quarterly financial results of the Group for the nine months ended 30 September 2014.

On behalf of the Board  
**Haitian Hydropower International Limited**  
**Lin Yang**

*Chairman and Executive Director*

Fujian Province, the PRC, 14 November 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.*