海天水电
HaiTian Hydropower

HAITIAN HYDROPOWER INTERNATIONAL LIMITED
海天水電國際有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8261

2014
Annual Report

Haitian Hydropower
International Limited

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

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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Corporate Information

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Committee

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

Compliance Officer

Mr. Lin Yang

Company Secretary

Ms. Ng Kit Ying Zelinda

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
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 Taijiang Branch

Compliance Adviser

Ample Capital Limited

Company Website

www.haitianhydropower.com

Stock Code

08261

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the full year results of the Company, together with its subsidiaries (referred to as the "Group") for the year ended 31 December 2014.

During the year 2014, the Group has achieved significant development as compared to 2013 which was mainly attributable to the Group's successful acquisition strategy.

Business Review

The Group is mainly engaged in the operation and management of small hydropower plants in the People's Republic of China (the "PRC") which were either developed by itself or acquired from other parties. As at 25 April 2014, the Group successfully acquired Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station. As at 15 December 2014, the Group successfully acquired 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"). To date, the Group possesses eleven (seven wholly-owned and four non wholly-owned) 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, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant and two 110 kV electricity transmission lines with total length of 190 km in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67 MW. In July 2014, the Group also acquired Shouning Guangyuan Hydropower Operation Management Co., Ltd. (壽寧縣廣源水電營運有限公司) ("Guangyuan Hydropower"), the business scope of which is the provision of hydropower operation services and repair and maintenance services.

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half of 2016 and the project will start to contribute revenue to the Group in June 2016.

Financial Review

For the year ended 31 December 2014, The total turnover is RMB64.5 million, including the turnover from power generation amounting to RMB 54.1 million, the turnover from provision of repair and maintenance service amounting to RMB7.5 million and the turnover from provision of operating service amounting to RMB3.0 million. Electricity sold of the Group amounted to 167,521 MWh, representing an increase of 67% as compared to that of last year. Profit attributable to the owners of the Group amounted to RMB41.8 million, representing an increase of 585.2%, which was mainly due to 1) a gain of approximately RMB21 million recognised by the Group as a result of measurement of fair value on its 10% equity interest held before the very substantial acquisition of 90% registered capital of Huajin Huifu as disclosed in the Company's circular on 25 November 2014; 2) the Group's acquisitions of various hydropower plants and Guangyuan Hydropower during the year ended 31 December 2014; and 3) the increase in precipitation in the operation locations of the Group's hydropower plants during the year ended 31 December 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 and under the policy guidance of the government work report which is significantly encouraging the development of clean energies and promoting the energy-saving emission reduction, the Board believes that small and medium-size hydropower plants have greater potential for future developments and investments, and will continue to present the Group with unprecedented development opportunities and benefits. As such, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

Acknowledgements

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

Lin Yang
Chairman
20 March 2015

Business Review

The Group is principally engaged in the hydropower generation, operation and management of hydropower plants in the PRC which were either developed by itself or acquired from other parties. As at 31 December 2014, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and eleven (seven wholly-owned and four non wholly-owned) 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, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67 MW. The operational details of the hydropower plants are listed as below:

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

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

Indicators	2014	2013
Installed capacity (MW)	**11.25**	11.25
Gross generation (MWh) attributed to the Group	**43,083**	32,778
Applicable on-grid tariff (RMB/KWh), including VAT	**0.35**	0.331


Qianping Hydropower Plant (周寧縣前坪水電站)

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

Indicators	2014	2013
Installed capacity (MW)	**10**	10
Gross generation (MWh) attributed to the Group	**53,006**	37,698
Applicable on-grid tariff (RMB/KWh), including VAT	**0.331**	0.331

Jiulong Hydropower Plant (周寧縣九龍水電站)

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

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

Indicators	**2014**	2013
Installed capacity (MW)	**5**	5
Gross generation (MWh) attributed to the Group	**27,009**	23,108
Applicable on-grid tariff (RMB/KWh), including VAT	**0.301**	0.301

Extension Development of Jiulong Hydropower Plant

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

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half of 2016 and the project will start to contribute revenue to the Group in June 2016.

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

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


Indicators	2014	2013
Installed capacity (MW)	**3.2**	3.2
Gross generation (MWh) attributed to the Group	**10,445**	6,743
Applicable on-grid tariff (RMB/KWh), including VAT	**0.301**	0.301

Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station (福安市九龍一級、二級水電站)

Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station are located in Muyun Xiang, Fu'an City in Fujian Province and were acquired by the Group in April 2014. Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station are diversion type hydropower stations (引水式水電站), which are built with a water diversion structure (dam) spanning the river and a water conveyance facility (tunnels and penstocks) which conveys water to the powerhouse. The total installed capacity of Fu'an Jiulong-I Hydropower Station is 2.4 MW. The reservoir has total capacity of 410,000 m^3 and capacity adjustment coefficient is 2.07%. The total installed capacity of Fu'an Jiulong-II Hydropower Station is 2.1 MW. The reservoir has total capacity of 156,000 m^3 and capacity adjustment coefficient is 0.56%.


Indicators	2014	2013
Installed capacity (MW)	**4.5**	4.5
Gross generation (MWh) attributed to the Group	**20,265**	NA
Applicable on-grid tariff (RMB/KWh), including VAT	**0.35**	0.325

Liuchai Hydropower Plant & Xiadong Hydropower Plant (劉柴電站及下東溪電站)

Liuchai Hydropower Plant is located at Yintan Village (印潭村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Liuchai Hydropower Plant is 20 MW. The dam controls a catchment area of approximately 270 km^2. The reservoir possesses the function of "daily adjustment (日調節)".

Indicators	**2014**	2013
Installed capacity (MW)	**20**	20
Gross generation (MWh) attributed to the Group	**3,968**	NA
Applicable on-grid tariff (RMB/KWh), including VAT	**0.35**	0.35

Xiadong Hydropower Plant is located at Dongxi Village (東溪村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Xiadong Hydropower Plant is 30 MW. The dam controls a catchment area of approximately 179 km^2. The reservoir possesses the function of "monthly adjustment (月調節)".

Indicators	**2014**	2013
Installed capacity (MW)	**30**	30
Gross generation (MWh) attributed to the Group	**4,488**	NA
Applicable on-grid tariff (RMB/KWh), including VAT	**0.35**	0.35

Huangqiling-II Hydropower Plant (黃旗嶺二級電站)

Huangqiling-II Hydropower Plant is located at Youwan Village (油灣村), Limen Town (禮門鄉), Zhouning County (周寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Huangqiling-II Hydropower Plant is 9 MW. The dam controls a catchment area of approximately 71.22 km^2. The reservoir possesses the function of "daily adjustment (日調節)".

Indicators	2014	2013
Installed capacity (MW)	**9.0**	9.0
Gross generation (MWh) attributed to the Group	**2,436**	NA
Applicable on-grid tariff (RMB/KWh), including VAT	**0.321**	0.321

Cheling-II Hydropower Plant (車嶺二級電站)

Cheling-II Hydropower Plant is located at Shantian Village (山田村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Cheling-II Hydropower Plant is 15 MW. The dam controls a catchment area of approximately 99.1 km^2. The reservoir possesses the function of "semi-hourly adjustment (半小時調節)".

Indicators	2014	2013
Installed capacity (MW)	**15.0**	15.0
Gross generation (MWh) attributed to the Group	**1,490**	NA

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Limited Company 國網福建壽寧縣供電有限公司): RMB0.287/KWh;
Electricity Charges, including VAT	To Shouning Ronghua Metal Products Company ("Ronghua Metal") (壽寧榮華金屬制品有限公司): RMB0.57/KWh of peak period, RMB0.32/KWh of low period.

Kengdou Hydropower Plant (坑兜電站)

Kengdou Hydropower Plant is located at Zhuguanlong Town (竹管壟鄉), Shouning County (壽寧縣) in Fujian Province and was acquired by the Group in December 2014. The total installed capacity of Kengdou Hydropower Plant is 3.2 MW. The dam controls a catchment area of approximately 104.6 km^2. The reservoir possesses the function of "weekly adjustment (周調節)".

Indicators	2014	2013
Installed capacity (MW)	**3.2**	3.2
Gross generation (MWh) attributed to the Group	**116**	NA
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB 0.384/KWh Electricity of low period: RMB 0.32/KWh	

Acquisition of Hydropower Plants and Hydropower Operation Management Company

As a core of expansion strategy, the Group continues to seek to acquire small and medium-size hydropower plants with attractive return and appreciation potential. The Group acquired Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station in April 2014, Guangyuan Hydropower in July 2014 and Huajin Huifu in December 2014.

Major Customers and Suppliers

For the year of 2014, most of the revenues from power generation of the Group are derived from the following four customers, namely State Grid Fujian Zhouning Electricity Limited Company (國網福建周寧縣供電有限公司), State Grid Fujian Fu'an Electricity Limited Company (國網福建福安市供電有限公司), State Grid Fujian Ningde Electricity Company (國網福建省電業有限公司寧德供電公司) and State Grid Zhejiang Wenzhou Electricity Company (國網浙江省電力公司溫州供電公司), each of which contributes approximately 46%, 38%, 6% and 8% to the total revenues from power generation, respectively. And the revenues from provision of repair and maintenance services are mainly derived from the customers named Zherong Donglian Hydropower Investment Limited Company (柘榮縣東聯水電投資有限公司) and Ronghua Metal.

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

Financial Review

Turnover

The Group recorded a turnover of RMB64.5 million for the year ended 31 December 2014, representing a 113.6% increase as compared to RMB30.2 million for the year ended 31 December 2013.

The Group's revenues to date have been derived from the sale of electricity generated by the hydropower plants to local power grids in Fujian Province and Zhejiang Province, the provision of repair and maintenance service and the provision of operating service to local hydropower plants in Fujian Province. Dachuan Hydropower Plant, Liyuan Hydropower Plant, Qianyuan Hydropower Plant, Xingyuan Hydropower Plant, Jiulong Hydropower Plant, Juyuan Hydropower Plant, Xinyuan Hydropower Plant, Sifang Hydropower Plant and Yunxiang Hydropower Plant contributed approximately 31%, 26%, 14%, 6%, 12%, 1%, 1%, 8% and 1% respectively to the Group's total revenues derived from power generation. The sale of electricity increased from 100,327 MWh for the year ended 31 December 2013 to 167,521 MWh for the year ended 31 December 2014, representing approximately 67% growth. The increase was mainly due to the acquisition of the new hydropower plants. The revenues derived from the provision of operating and repair and maintenance services for hydropower plants are from Guangyuan Hydropower.

Gross Profit and Gross Margin

The Group achieved a gross profit of approximately RMB51.2 million for the year ended 31 December 2014 (2013: RMB22.4 million), representing an increase of 128.6% as compared to that in 2013. Gross margin, calculated as gross profit divided by turnover, for the year ended 31 December 2014 amounted to 79.4% (2013: 74.2%). The gross profit margin does not have a great fluctuation due to the almost portional increase of the revenue and cost of sales.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the year ended 31 December 2014, the Group's administrative expenses increased to approximately RMB8.1 million compared to approximately RMB5.3 million for the prior year, representing an increase of approximately 52.8%. The administrative expenses increased mainly due to the expansion of the Group's management team.

Finance Costs

The finance costs of the Group mainly represented interest expenses on bank borrowings, other borrowing, debentures, convertible notes and finance charges on obligations under finance leases. For the year ended 31 December 2014, finance costs recorded by the Group was approximately RMB16.0 million (2013: RMB8.4 million). The increase in finance cost was mainly due to the increased borrowings including bank borrowings, other borrowings, debentures, convertible notes and the finance leases during the year.

Income Tax Expense

Owing to increased profit, the income tax expense of the Group increased by 183.3% from approximately RMB3.0 million for the year ended 31 December 2013 to approximately RMB8.5 million for the year ended 31 December 2014.

Profit and Total Comprehensive Income

For the year ended 31 December 2014, profit and total comprehensive income attributable to owners of the Company increased by 585.2% from RMB6.1 million in the prior year to RMB41.8 million, which was mainly due to 1) a gain of approximately RMB21 million recognised by the Group as a result of measurement of fair value on its 10% equity interest held before the very substantial acquisition of 90% registered capital of Huajin Huifu as disclosed in the Company's circular on 25 November 2014; 2) the Group's acquisitions of various hydropower plants and Guangyuan Hydropower during the year ended 31 December 2014; and 3) the increase in precipitation in the operation locations of the Group's hydropower plants in Fujian Province during the year ended 31 December 2014 .

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the year ended 31 December 2014 amounted to RMB cents 4.18 (2013: RMB cents 0.61), representing an increase of 585.2%.

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and borrowings. The Group maintained strong cash and bank balances of approximately RMB114.6 million as at 31 December 2014 (2013: RMB42.1 million). As at 31 December 2014, the Group had net current liabilities of RMB2.9 million (2013: net current asset of RMB49.2 million).

The current ratio, as at 31 December 2014, represented by a ratio between current assets over current liabilities, was 0.98 (2013: 4.2) and the gearing ratio as at 31 December 2014, represented by a ratio between total debt over total assets, was 78.9% (2013: 47.1%). The increase of gearing ratio was mainly due to the increase in the Group's long-term debt.

Although the Group had net current liabilities at the end of the reporting period, the Directors of the Company anticipate that the Group will continually generate positive cash flows from its business to meet its financial obligations. Also, an irrevocable standby loan facility of RMB 100,000,000 has been granted from substantial shareholder of the Company, Mr Lin Yang to the Group in January 2015 to support the daily operation of the Company and such facility is available up to 31 December 2015.

Bank Borrowings and obligations under finance leases

As at 31 December 2014, the Group's bank borrowings amounted to approximately RMB355.8 million, bearing interest rates from 5.55% to 7.50% per annum, and the Group's finance leases amounted to approximately RMB175.4 million, bearing interest rates from 7.50% to 7.92% per annum.

Unsecured other borrowing

During the year, the Group has obtained other borrowing of RMB36,000,000 from Victory World Investments Limited, an independent third party incorporated in Hong Kong. The purpose of borrowing is to finance the acquisition of the sub-group, Huajin Huifu. The amount is unsecured, interest bearing at 8% per annum and repayable within one year upon completion of the acquisition which is 15 December 2015. The Group has made repayment amounted to approximately RMB22,590,000 before year ended date.

Debentures

On 3 September, 2014, the Group has issued HK$30,000,000 (equivalent to RMB23,667,000) debentures carries fixed coupon rate of 8% per annum which payables in arrears every year and is matured in September 2017. The purpose of the issuance is for daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises.

Convertible notes

On 9 December 2014, the Company issued 115,000,000 5% HK dollar denominated convertible notes with the aggregate principal amount of HK$115,000,000 (equivalent to RMB90,720,000). Interest of 5% will be paid semi-annually in arrears. Each note entities the holder to convert to ordinary shares at a conversion price of HK$1.25.

Conversion may occur at any time on or after 180 days after the issue day until 10 day price to the maturity date. If the notes have not been converted, they will be redeemed on second anniversary of the issue date.

Pledge of Assets

The bank borrowings of approximately RMB355.8 million (2013: RMB102.4 million) and the finance leases of approximately RMB175.4 million (2013: nil) as at 31 December 2014 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

As at 31 December 2014, the entire equity interests of Zhouning Qianyuan Hydropower Development Co., Ltd. ("Qianyuan Hydropower") (周寧縣乾元水電開發有限公司), Fu'an Jiulong Hydropower Development Co., Ltd. (福安市九隆水電開發有限公司) and Ningde Xingyuan Hydropower Co., Ltd. (寧德市興源水電有限公司), indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2014, two of the subsidiaries of the Company, Fujian Dachuan Hydropower Development Co., Ltd. (福建省大川水電開發有限公司) and Fuan Liyuan Hydropower Co., Ltd. (福安市力源水電開發有限公司) have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2014 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 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 current year.

Capital Structure

There has been no material change in the capital structure of the Group during the year ended 31 December 2014.

The total number of the issued shares of the Company was 1,000,000,000 shares as at 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Final Dividend

The Directors do not recommend the payment of the final dividend for year ended 31 December 2014 (2013: nil).

Employees and Remuneration Policies

As at 31 December 2014, the Group employed approximately 221 employees, including directors and the chief executive (2013: 62 employees). Total staff costs for the year under review, including directors' and the chief executive's emoluments, amounted to approximately RMB4.8 million (2013: approximately RMB2.6 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

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

As disclosed in the Company's announcement dated on 25 April 2014, the Group acquired Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station for a total consideration of RMB40 million on 25 April 2014. Fu'an Jiulong-I Hydropower Station has an installed capacity of 2,400 KW and its reservoir has a capacity of approximately 410,000 m^3. Fu'an Jiulong-II Hydropower Station has an installed capacity of 2,100 KW and its reservoir has a capacity of approximately 156,000 m^3.

As disclosed in the Company's announcement dated 18 July 2014, the Group acquired the entire registered capital of Guangyuan Hydropower. Guangyuan Hydropower is principally engaged in provision of operating and repair and maintenance services for hydropower plants.

As disclosed in the Company's circular dated 25 November 2014, the Group 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 the Group has conditionally agreed to acquire and Zhongshida has conditionally agreed to sell the 90% registered capital of Huajin Huifu. This very substantial acquisition has been completed on 15 December 2014.

Save for disclosed above, there was no other significant investment held, material acquisition or disposal of subsidiary and affiliated companies during the year ended 31 December 2014 and there is no plan for material investments or capital assets as at 31 December 2014.

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 year ended 31 December 2014.

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2014
Possible acquisition of hydropower plants	As disclosed in the announcement dated on 25 April 2014, the Group acquired Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station for a total consideration of RMB40 million on 25 April 2014. Fu'an Jiulong-I Hydropower Station has an installed capacity of 2.4 MW and its reservoir has a capacity of approximately 410,000 m^3. Fu'an Jiulong-II Hydropower Station has an installed capacity of 2.1 MW and its reservoir has a capacity of approximately 156,000 m^3.
Enhancement of technologies and facilities of existing hydropower plants	The Group has commenced the extension development of Jiulong Hydropower Plant, which has received preliminary approval of Ningde Development and Reform Commission, and the Directors believe the project will receive final approval from the government in April 2015. The bidding process of the 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 reviewed by Ningde Power Supply Company and Provincial Power Company. Depending on the construction progress, the Directors of the Company believe the mainframe construction will be completed in the first half of 2016 and the project will start to contribute revenue to the Group in June 2016.
Enhancement of technologies and facilities of newly acquired hydropower plants	After the acquisitions of the Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station, the Group upgraded the auxiliary equipments which can minimise the water losses and promote the power generating efficiency.
Enhancement of safety management	The Group has implemented steps and procedures to review the safety policy and upgraded the safety equipments for the operating hydropower plants.

The net proceeds from the placing of the shares of the Company ("Placing") from the date of listing (i.e. 6 July 2012) (the "**Listing Date**"), to 31 December 2014 had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2014 HK$'000	Actual use of proceeds from the Listing Date to 31 December 2014 HK$'000
Possible acquisition of hydropower plants (Note 3)	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants (Note 1)	14,740	7,474
Enhancement of technologies and facilities of newly acquired hydropower plants (Note 2)	210	210
Enhancement of safety management	130	92
Total	59,780	52,476

Note 1: The extension development of Jiulong Hydropower Plants was commenced in September 2012 and is still in process.

Note 2: The Group will implement the technologies upgrade of the other hydropower plants acquired in the future.

Note 3: The actual net proceeds from the Placing were approximately HK$59.9 million, which was lower than the estimated net proceeds of approximately HK$62.3 million, mainly due to the Placing price of the shares fixing at HK$0.30 per share, lower than the midpoint of the indicative Placing price range of HK$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants was adjusted to HK$44.7 million.

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

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

Executive Directors

Mr. Lin Yang, aged 52, is the founder of the Group. He has been appointed as an executive Director since 27 August 2010 and is the chairman of the Board. Mr. Lin Yang is also a director of Fujian Dachan Hydropower Development Co., Ltd since 3 August 2008 and a director of Fuan Liyuan Hydraulic Power Co., Ltd since 9 September 2008, these companies are the indirect wholly-owned subsidiaries of the Company, Mr. Lin is responsible for the overall strategic direction of the Group. He possesses many years of experience in corporate planning, business development and project investment. Mr. Lin Yang was appointed as duty chairman of the Third Standing Committee of the China Commercial Association General of Canada, Fujian Commerce Association of Canada (加拿大中華總商會福建商會第三屆常務理事會常務副會長) in 2006. Mr. Lin Yang is the father and brother-in-law of the executive Directors, Mr. Lin Tian Hai and Mr. Chen Congwen respectively.

Mr. Zheng Xuesong, aged 42, has been an executive Director since 14 October 2010. He has over 16 years of experience in hydropower plants development and management. Mr. Zheng has been the general manager of Fujian Dachuan Hydropower Development Co., Ltd and Fuan Liyuan Hydraulic Power Co., Ltd since 2003. Mr. Zheng is the cousin-in-law of Mr. Lin Yang. In 2010, Mr. Zheng was appointed as the vice chairman of Energy Association of Ningde City of Fujian province (寧德市能源行業協會).

Mr. Chen Congwen, aged 47, has been an executive Director 14 October 2010. He has over 21 years of experience in finance and corporate management. Mr. Chen is the brother-in-law of Mr. Lin Yang. During the period from August 1988 to November 2003, Mr. Chen worked as finance manager for Fuan City Administration Bureau for Industry and Commerce (福安市工商行政管理局).

Mr. Lin Tian Hai, aged 28, was appointed as an executive Director on 30 January 2013. Mr. Lin holds a Bachelor Degree of Business Administration and Management from the University of Toronto in Canada. He has worked in private equity and investment banking sectors and has substantial experiences in project management and corporate financing. Mr. Lin Tian Hai is the son of Mr. Lin Yang.

Independent Non-Executive Directors

Mr. Zhang Shijiu, aged 70, was appointed as an independent non-executive Director on 18 June 2012. Mr. Zhang completed a five and a half years' course in river hub and hydropower station construction in water conservancy engineering (水利工程系河川樞紐與水電站建築專業) at Tsinghua University in 1968. Mr. Zhang was approved as a High Class Engineer (高級工程師) by the Fujian Province Human Resources Bureau (福建省人事局) on 5 June 1992. Mr. Zhang was approved as Water Dam Safety Appraisal Expert (水利大壩安全鑒定專家) by Fujian Province Water Resources Board (福建省水利水電廳) on 22 January 1998. Mr. Zhang worked for Fujian Province Ningde District Water Conservancy Power Bureau (福建省寧德地區水利電力局) for more than 30 years and retired from being a chief engineer in September 2007. Prior to joining the Group, Mr. Zhang acted as an independent non-executive director of a listed company in the PRC, namely, Fujian Mindong Electric Power Co., Ltd. (福建閩東電力股份有限公司) (Stock Code: 000993.SZ) from June 2002 and resigned in June 2003 because of his own personal working schedule.

Mr. Cheng Chuhan, aged 42, has been an independent non-executive Director since 14 October 2010. Mr. Cheng graduated from Fuzhou University (福州大學) with a bachelor degree in Economics in 1994. Mr. Cheng has over 16 years of experience in accounting and auditing industry.

Mr. Chan Kam Fuk, aged 49, has been appointed as an independent non-executive Director since 14 October 2010. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA, an accounting firm in Hong Kong. He is a practising certified public accountant in Hong Kong, member of CPA Australia, and certified tax adviser of the Taxation Institute of Hong Kong. Currently, Mr. Chan is an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited whose shares and listed on the Stock Exchange (Stock Code: 366). Mr. Chan has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995.

Senior Management

Mr. Huang Xiaodong, aged 39, has been appointed as an chief administrative officer of the Company since 2010. Currently, Mr. Huang is the chief administrative officer and assistant to the chairman of the Company. Prior to joining the Group, Mr. Huang, acted as assistant to the chairman and sales director of Wuyishan Scenery Golf Club (武夷山風景高爾夫俱樂部有限公司) from October 2005 to January 2009, and acted as assistant to the chairman of Shenzhen Guisheng Industrial Co., Ltd. (深圳市歸盛實業有限公司) from October 2000 to April 2004. Mr. Huang has extensive experience in administration and human resources management.

Mr. Li Zhong, aged 56, has been appointed as vice president of the Group since December 2013. Prior to joining the Group, Mr. Li acted as mechanical manager of Ningde Highway Bureau (寧德市公路局) from 1982 to 1984 and acted as vice manager and safety officer of Fujian Ningde Automobile Transportation Company (福建省寧德地區汽車運輸總公司) from 1984 to 1991. Mr. Li worked in Economic and Trade Commission of Ningde (寧德市經貿委) from 1991 to 2011, and acted as general manager of Fujian Haichuan Investment and Development Co., Ltd. (福建海川投資發展有限公司) from 2011 to 2013.

Mr. Chen Xinbin, aged 42, is currently the assistant general manager of the Company. He was issued the certificate of his qualification as a Safe Production Supervisor (安全生產管理人員) by Fujian Administration of Work Safety (福建省安全生產監督管理局) and Fujian Office of the State Electricity Regulatory Commission (國家電力監督委員會福建省電力監督專員辦公室) in August 2010 which was valid until 17 August 2013. Mr. Chen took correspondence course in Electrical Power System and its Automatization (電力系統及其自動化專業函授課程) at Fuzhou University (福州大學) from September 2000 to January 2004 and fulfilled the requirements for graduation. Mr. Chen was approved as a Middle Class Hydropower Engineer (水利水電專業中級工程師) by Ningde Human Resources Bureau (寧德市人事局) on 4 December 2006. Prior to joining the Group in January 2008, Mr. Chen worked for Huanglanxi Hydropower Co., Ltd (黃蘭溪水力發電有限公司) responsible for operation of hydropower plant from 1998 to 2008.

Mr. Zhang Qigui, aged 40, has worked as an operation supervisor (運行主任) and technical head (技術站長) with Qianyuan Hydropower since October 1999 at the Jiulong Hydropower Plant. Mr. Zhang took a three years' course in Electrical and Mechanical Engineering (機電工程三年制普通專科) at The Open University of Fujian (福建廣播電視大學) and fulfilled the requirements for graduation in 1999.

Ms. Wu Xiaoqing, aged 31, is the finance manager of the Company. Ms. Wu completed a two years' course in Accounting (會計學(財會方向)兩年制專科) at The Open University of China (中央廣播電視大學) in 2007. She joined the Company since June 2010.

Change of Director's Information

Mr. Chan Kam Fuk, the independent non-executive Director was appointed as an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited whose shares are listed on the Stock Exchange (Stock Code: 366) on 16 June 2014.

Save as disclosed above, no information of Directors is required to be disclosed in accordance with Rule 17.50A(1) of the GEM Listing Rules by the Company.

The Board is pleased to present the directors' report together with the audited financial statements of the Group for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 42 to the consolidated financial statements. The Group is principally engaged in hydropower generation and provision of operating and repair and maintenance services in the PRC.

Segmental Information

The Group's segment information and revenue for the year ended 31 December 2014 are set out in Note 9 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 42 to 47.

The Directors do not recommend the payment of final dividends for the year ended 31 December 2014.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB53.5 million. The amount of RMB53.5 million includes the Company's share premium and special reserve, net of retained profit which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Property, Plant and Equipment and Prepaid Lease Payment

Details of the movements in property, plant and equipment and prepaid lease payment of the Group during the year are set out in Notes 17 and 18 to the consolidated financial statements respectively.

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements, is set out on page 128 of this Annual Report. This summary does not form part of the audited financial statements.

Share Capital

Details of the Company's share capital and movements during the year are set out in Note 32 to the consolidated financial statements.

Pre-emptive Rights

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

Directors

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

Executive Directors

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

Independent Non-executive Directors

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

Pursuant to Article 84 of the Company's articles of association, Mr. Zheng Xuesong, Mr. Chan Kam Fuk and Mr. Cheng Chuhan shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographies details of the Directors and the senior management of the Group are set out on pages 19 to 22 of this Annual Report.

Directors' Service Contracts

For the year ended 31 December 2014, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

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

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 14 to the consolidated financial statements.

Management Contracts

As at 31 December 2014, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

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

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

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the year under review and there were no outstanding share options under the Scheme as at 31 December 2014. Details of the scheme is set out in Note 38 to the consolidated financial statements.

Directors' Interests in Contract

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

Directors' Interests in Competing Business

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

Non-Competition Undertaking

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

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

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

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

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

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

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

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

As at 31 December 2014, the interests or short positions of the Directors and chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Law of Hong Kong ("SFO")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang (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 Yang. Accordingly, Mr. Lin Yang is deemed to be interested in the shares held by Victor River.

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

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Scheme" and "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as the Directors are aware, as at 31 December 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 will have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage %
Victor River Limited (Note 1)	Beneficial owner	750,000,000 Shares	75.0
Ms. Chen Congling (Note 1)	Interest of spouse	750,000,000 Shares	75.0
Hanergy Option Limited (Notes 2 & 3)	Beneficial owner	56,000,000 Shares	5.6
Li He Jun (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6
Hanergy Investment Limited (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6
北京市建煌電力投資有限公司 (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6
北京華勤高科貿易有限公司 (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6
漢能控股集團有限公司 (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6
廣東東江電力開發有限公司 (Notes 2 & 3)	Interest of controlled corporation	56,000,000 Shares	5.6

Notes:

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

2. *These are the shares which may be issued upon full exercise of the conversion rights attached to the convertible notes (detailed in Note 29 to the consolidated financial statements) to be issued to Hanergy Option Limited. As at the date of this report, the Company has not been notified by the note holder of its intention to convert the convertible notes.*

3. *Hanergy Option Limited is a company incorporated in the British Virgin Islands (the "BVI") which is wholly owned by Hanergy Investment Limited, a company incorporated in the BVI. The sole shareholder of Hanergy Investment Limited is 漢能控股集團有限公司 which is owned by Li He Jun, 北京華勤高科貿易有限公司 and 廣東東江電力開發有限公司 with shareholding of 40%, 30% and 30% respectively. 北京市建煌電力投資有限公司 holds 98.03% of 廣東東江電力開發有限公司. Li He Jun holds 99% and 94.77% of 北京華勤高科貿易有限公司 and 北京市建煌電力投資有限公司 respectively. Accordingly, each of Hanergy Investment Limited, 漢能控股集團有限公司, 北京華勤高科貿易有限公司, 廣東東江電力開發有限公司, 北京市建煌電力投資有限公司 and Li He Jun is deemed to be interested in the 56,000,000 underlying Shares held by Hanergy Option Limited under the SFO.*

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

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2014.

Compliance Adviser's Interest in the Company

As at 31 December 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.

Connected Transactions

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

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 30 to 39.

Events after the Reporting Period

Pursuant to a deed of indemnity dated 1 January 2015, the substantial shareholder of the Company, Mr. Lin Yang has undertaken to provide an irrevocable standby loan facility of RMB100,000,000 upon request to fund the daily operation of the Group from 1 January 2015 to 31 December 2015.

Sufficiency of Public Float

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

Auditor

A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the 2015 annual general meeting.

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

Fuzhou, the PRC, 20 March 2015

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2014.

Corporate Governance Practices

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company has applied and adopted the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2014, the Company has complied with the code provisions set out in the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

Board of Directors

Board Composition

The Board of the Company currently comprises seven members, of which four are executive Directors namely Mr. Lin Yang (Chairman), Mr. Zheng Xuesong (Chief Executive Officer ("CEO")), Mr. Chen Congwen and Mr. Lin Tian Hai and three are independent non-executive Directors namely Mr. Zhang Shijiu, Mr. Cheng Chuhan and Mr. Chan Kam Fuk. Each of the Directors' respective biographical details is set out in the section headed "Directors and Senior Management Profiles" of this Annual Report. The Board included at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year ended 31 December 2014. The family relationships among the board members, if any, are disclosed under "Directors and Senior Management Profiles" section in this Annual Report.

Role and Function

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

Delegation by the Board

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

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

Corporate Governance Functions

For the year ended 31 December 2014, the Board and the compliance committee have performed the corporate governance duties which include the following:

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

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

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

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

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

Board Meetings

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

Number of Meetings and Attendance Records

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

For the year ended 31 December 2014, four Board meetings and four interm meetings were held and the attendance records of individual Directors at the Board meetings are set out below:

Name of Directors	Meeting attended/ Eligible to attend Board
Executive Directors	
Mr. Lin Yang *(Chairman)*	8/8
Mr. Zheng Xuesong	8/8
Mr. Chen Congwen	8/8
Mr. Lin Tian Hai	8/8
Independent non-executive Directors	
Mr. Zhang Shijiu	8/8
Mr. Cheng Chuhan	8/8
Mr. Chan Kam Fuk	8/8

Chairman and CEO

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

Appointment and Re-election of Directors

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

Confirmation of Independence

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 December 2014.

Directors' Continuous Professional Development

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

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2014, the Company has received training record from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the CG Code.

During the year ended 31 December 2014, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

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

Notes:

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

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

Company Secretary

The Company Secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Ng Kit Ying Zelinda of TMF Hong Kong Limited, external service provider, has been appointed as the Company Secretary. Its primary contact at the Company is Mr. Huang Xiao Dong, chief administrative officer of the Company. Ms. Zelinda Ng has taken no less than 15 hours of relevant professional trainings to update their skills and knowledge during the year ended 31 December 2014.

Audit Committee

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

During the year ended 31 December 2014, the audit committee held two meetings and performed the above mentioned duties. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	2/2
Mr. Chan Kam Fuk	2/2
Mr. Zhang Shijiu	2/2

Compliance Committee

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

During the year ended 31 December 2014, one meeting was held by the compliance committee. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Executive Directors	
Mr. Lin Yang	1/1
Mr. Zheng Xuesong	1/1
Mr. Chen Congwen	1/1
Mr. Lin Tian Hai	1/1
Independent non-executive Directors	
Mr. Cheng Chuhan	1/1
Mr. Chan Kam Fuk	1/1
Mr. Zhang Shijiu	1/1

Remuneration Committee

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

The remuneration committee has adopted the model whereby the remuneration committee determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. Details of the remuneration of Directors and chief executive are set out in Note 14 to the consolidated financial statements.

During the year ended 31 December 2014, a meeting was held by the remuneration committee. The following table shows the attendance of individual members held during the year:

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

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

	2014	2013
Nil to HK$1,000,000 (equivalent to approximately RMB792,000) (2013: RMB798,000)	**5**	3

Nomination Committee

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

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

During the year ended 31 December 2014, a meeting was held by the nomination committee. The following table shows the attendance of individual members held during the year:

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

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code") on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code throughout the year and up to the date of the 2014 annual report published on 20 March 2015.

Shareholders' Rights

Convene an extraordinary general meeting

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

Enquires to the Board

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

Putting forward proposals at a general meeting

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

Directors' attendance at general meeting

For the year ended 31 December 2014, the Company held an annual general meeting. All the Directors have attended the annual general meeting.

Auditor's Remuneration

During the year ended 31 December 2014, the fees paid/payable to SHINEWING (HK) CPA Limited, the auditor of the Company, in respect of audit and non-audit services provided by them to the Group were as follows:

	2014 **RMB'000**	2013 RMB'000
Audit Service	**701**	519
Non-Audit services		
Reporting accountants for the Company's acquisition	**499**	—
Review of financial information of the Group	**143**	144
Others	**32**	—
Total	**1,375**	663

Internal Controls

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

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

Directors' Responsibility Statement

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

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

Investor Relations and Communication

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

Independent Auditor's Report

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

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

We have audited the consolidated financial statements of Haitian Hydropower International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 127, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
20 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	8	**64,539**	30,164
Cost of sales		**(13,363)**	(7,758)
Gross profit		**51,176**	22,406
Other income	10	**2,479**	273
Gain on deemed disposal of available-for-sale investment	36(c)	**21,062**	—
Administrative expenses		**(8,062)**	(5,258)
Other operating expenses		**(183)**	(1)
Finance costs	11	**(15,957)**	(8,352)
Profit before tax		**50,515**	9,068
Income tax expense	12	**(8,495)**	(2,979)
Profit and total comprehensive income for the year	13	**42,020**	6,089
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**41,844**	6,089
Non-controlling interests		**176**	—
		42,020	6,089
Earnings per share (RMB cents)	16		
Basic		**4.18**	0.61
Diluted		**4.18**	0.61

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	**732,117**	132,039
Prepaid lease payments	18	**20,777**	15,293
Goodwill	19	**25,178**	4,898
Intangible assets	20	**10,256**	8,498
Deposit paid for acquisition of non-current assets	21	**3,441**	—
Other deposit and prepayment	22	**14,786**	—
Deferred tax assets	33	**92**	—
Available-for-sale investment	23	**—**	6,000
		806,647	166,728
Current assets			
Trade and other receivables	24	**49,467**	22,337
Prepaid lease payments	18	**487**	351
Pledged bank deposit	25	**10,000**	—
Bank balances and cash	25	**114,555**	42,083
		174,509	64,771
Current liabilities			
Trade and other payables	26	**52,109**	2,649
Income tax payables		**14,028**	2,144
Unsecured other borrowing	27	**13,410**	—
Secured bank borrowings	28	**63,562**	10,800
Obligations under finance leases	30	**34,321**	—
		177,430	15,593
Net current (liabilities) assets		**(2,921)**	49,178
		803,726	215,906

Consolidated Statement of Financial Position (continued)

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	32	**8,156**	8,156
Reserves		**159,571**	114,250
Equity attributable to owners of the Company		**167,727**	122,406
Non-controlling interests		**39,371**	—
		207,098	122,406
Non-current liabilities			
Secured bank borrowings	28	**292,250**	91,600
Obligations under finance leases	30	**141,080**	—
Convertible notes	29	**87,457**	—
Debentures	31	**23,666**	—
Deferred tax liabilities	33	**50,429**	1,900
Other payable	26	**1,746**	—
		596,628	93,500
		803,726	215,906

The consolidated financial statements on pages 42 to 127 were approved and authorised for issue by the board of directors on 20 March 2015 and are signed on its behalf by:

Lin Yang
Director

Chen Congwen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share Capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Convertible notes reserve RMB'000 (Note 29)	Statutory reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	8,156	48,782	362	48,622	—	1,841	24	8,530	116,317	—	116,317
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	—	6,089	6,089	—	6,089
Appropriation to statutory reserve	—	—	—	—	—	1,556	—	(1,556)	—	—	—
At 31 December 2013 and 1 January 2014	**8,156**	**48,782**	**362**	**48,622**	**—**	**3,397**	**24**	**13,063**	**122,406**	**—**	**122,406**
Profit for the year and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**41,844**	**41,844**	**176**	**42,020**
Appropriation to statutory reserve	**—**	**—**	**—**	**—**	**—**	**2,873**	**—**	**(2,873)**	**—**	**—**	**—**
Recognition of equity component of convertible notes	**—**	**—**	**—**	**—**	**3,477**	**—**	**—**	**—**	**3,477**	**—**	**3,477**
Acquisition of a subsidiary (Note 36(c))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**41,121**	**41,121**
Dividend paid to non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,926)**	**(1,926)**
At 31 December 2014	**8,156**	**48,782**	**362**	**48,622**	**3,477**	**6,270**	**24**	**52,034**	**167,727**	**39,371**	**207,098**

Notes:

(i) Other reserve

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

(ii) Special reserve

The special reserve represents the aggregate amount of:

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

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

(iii) Statutory reserve

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

(iv) Capital reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**50,515**	9,068
Adjustments for:		
Depreciation for property, plant and equipment	**7,497**	5,237
Amortisation of prepaid lease payments	**414**	314
Amortisation of intangible assets	**217**	203
Gain on deemed disposal of available-for-sale investment	**(21,062)**	—
Written off of property, plant and equipment	**13**	—
Gain on disposal of property, plant and equipment	**(7)**	—
Finance costs	**15,957**	8,352
Interest income	**(887)**	(243)
Operating cash flows before movements in working capital	**52,657**	22,931
Decrease/(increase) in trade and other receivables	**4,932**	(1,046)
Decrease in trade and other payables	**(17,603)**	(489)
Cash generated from operations	**39,986**	21,396
Income tax paid	**(3,661)**	(1,678)
NET CASH FROM OPERATING ACTIVITIES	**36,325**	19,718
INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries (Note 36)	**(65,438)**	(24,487)
Placement of pledged bank deposit	**(10,000)**	—
Purchase of property, plant and equipment	**(4,449)**	(2,154)
Repayment to former holding company of a subsidiary	**(764)**	—
Proceed from former holding company of a subsidiary	**4,000**	—
Interest income received	**313**	243
Proceeds on disposal of property, plant and equipment	**14**	—
Deposit paid for acquisition of a subsidiary	**—**	(16,000)
Investment in available-for-sales financial asset	**—**	(6,000)
NET CASH USED IN INVESTING ACTIVITIES	**(76,324)**	(48,398)

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
Proceed from obligations under finance leases	**160,000**	—
New bank borrowings raised	**147,000**	—
Proceed from convertible notes	**90,720**	—
Proceed from former beneficial owner of a subsidiary	**76,409**	—
Proceed from unsecured other borrowing	**36,000**	—
Proceed from debentures	**23,666**	—
Repayment to former beneficial owner of a subsidiary	**(253,580)**	—
Repayment to secured bank borrowings	**(109,800)**	(10,800)
Repayment to unsecured other borrowing	**(22,590)**	—
Interest paid	**(15,346)**	(8,109)
Repayment of obligations under finance leases	**(13,102)**	—
Handling charge paid for obligations under finance leases	**(4,980)**	—
Dividend paid to non-controlling interest	**(1,926)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**112,471**	(18,909)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,472**	(47,589)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**42,083**	89,672
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**114,555**	42,083

1. General

Haitian Hydropower International Limited (the "Company") was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company of the Company is Victor River Limited and the ultimate controlling party of the Company is Mr. Lin Yang. The addresses of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" of the annual report.

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

The Company is engaged in investment holding while the Company and its subsidiaries (the "Group") are principally engaged in hydropower generation and provision of operating and repair and maintenance services for hydropower plants.

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

2. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of approximately RMB2,921,000 as at 31 December 2014. In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern within the next twelve months from the end of the reporting period by taking into consideration the proposed arrangements which include, but are not limited to, the following:

(a) The directors of the Company anticipate that the Group will continually generate positive cash flows from its businesses.

(b) An irrevocable standby loan facility of RMB100,000,000 has been granted from substantial shareholder of the Company, Mr. Lin Yang, to the Group in January 2015. The use of the facility is only limited to the daily operation of the Company and such facility is available up to 31 December 2015. Separate draw down agreement will be signed to agree the interest rate and security.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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
Hong Kong (IFRS Interpretations Committee) ("HK (IFRIC)") — Interpretation 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

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

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

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The amendments have been applied retrospectively.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivative and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that is subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

HK (IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue of when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic complusion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting from Acquisitions of Interests in Joint Operations[5]
Amendment to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.*
3 *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*
4 *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
5 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
6 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts, HK(IFRIC)-Int 13 Customer Loyalty Programmes, HK(IFRIC)-Int 15 Agreements for the Construction of Real Estate, HK(IFRIC)-Int 18 Transfers of Assets from Customers and HK(SIC)-Int 31 — Barter Transactions Involving Advertising Services when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the consolidated financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the consolidated financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its consolidated financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Continued)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

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

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

(a) The property meets the definition of investment property in terms of HKAS 40; and

(b) The transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held or distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

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

Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Except as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statement.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

4. Significant Accounting Policies (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

Business combinations

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

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

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

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

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

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

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

Non-controlling interest, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interest that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4. Significant Accounting Policies (Continued)

Goodwill

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Property, plant and equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

4. Significant Accounting Policies (Continued)

Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Cash and cash equivalents

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

4. Significant Accounting Policies (Continued)

Prepaid lease payments

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Loans and receivables

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity instruments

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

The Group's financial liabilities are classified into other financial liabilities.

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, unsecured other borrowing, secured bank borrowings, obligations under finance lease and debentures are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

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

Revenue recognition

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

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

Repair and maintenance service income is provided in the form of fixed-price contracts. Revenue is recognised in the period when the services are provided.

Operating service income is recognised in the period when the services are provided, using a straight-line basis over the term of the contract for the contracted period or using a fixed rate charged on the electricity supplied by its customers.

Leasing

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

The Group as lessor

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

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

4. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Borrowing costs

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

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

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

Retirement benefit costs

The Group contributes to defined contribution schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme. The scheme cost is recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

4. Significant Accounting Policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

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

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

Fair Value Measurement

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Income from sale of Certified Emission Reductions ("CERs")

Whether an entity is eligible to participate in the Clean Development Mechanism ("CDM") project and earn income from sale of CERs therefrom, the general rules and specific requirements for the application and approval of CDM projects set forth in the Measures for Operation and Management of Clean Development Mechanism Projects (《清潔發展機制項目運行管理辦法》, the "2005 CDM Measures") promulgated by the National Development and Reform Commission of the PRC ("NDRC") jointly with the Ministry of Science and Technology, the Ministry of Foreign Affairs and the Ministry of Finance of the PRC on 12 October 2005 is considered. As stated in the 2005 CDM Measures, only companies that are wholly-owned or controlled by the Chinese parties may carry out CDM projects in the PRC. Consequently, a company controlled by foreign parties does not qualify to apply for carrying out CDM projects in the PRC.

NDRC and related PRC authorities promulgated the CDM Measures (Revised) on 3 August 2011 (the "2011 CDM Measures"). 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.

The directors of the Company are of the view, with reference to the PRC legal advisor's opinion, that the eligibility of recognising income from sales of CERs of Fuan Liyuan Hydropower Co., Ltd.* 福安市力源水電開發有限公司 ("Liyuan Hydropower") and Shouning County Fuyuan Hydropower Co., Ltd.* 壽寧縣富源水電有限公司 ("Fuyuan Hydropower") which was acquired through the completion of the acquisition of 福建省海天華金匯富能源發展有限公司* Fujian Haitian Huajin Huifu Energy Development Co., Ltd. ("Huajin Huifu") as detailed in Note 36(c), may be affected as the CDM Measures (Revised) do not have explicit regulation on the indirect change to foreign-owned enterprise. Income from CERs was earned when they were wholly owned by Chinese parties and accordingly, no material risk on the recourse of income recognised from sales of CERs before any subsequent change in their controlling parties.

* *The English names are for identification purpose only.*

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

Critical judgements in applying accounting policies (Continued)

De facto control over Juyuan Hydropower

Shouning County Juyuan Hydropower Co., Ltd ("Juyuan Hydropower") is a subsidiary of the Group although the Group has only 38% ownership interest in Juyuan Hydropower. The Group has 38% ownership interest since December 2014 from the acquisition of Huajin Huifu as detailed in Note 36(c) and the remaining 62% of shareholdings are owned by two of shareholders that are unrelated to the Group. Details of particulars of Juyuan Hydropower are set out in Note 42.

The directors of Company assessed whether or not the Group has control over Juyuan Hydropower based on whether the Group has the practical ability to direct the relevant activities of Juyuan Hydropower unilaterally. In making their judgement, the directors of Company considered the Group has dominated the board of director of Juyuan Hydropower by three out of five and all the general manager, legal representative and operation team in Juyuan Hydropower are assigned by the Group. After assessment, the directors of the Company concluded that the Group has ability to direct the relevant activities of Juyuan Hydropower and therefore the Group has control over Juyuan Hydropower.

Recall of allotted state-owned lands

Certain of property, plant and equipment were situated on the allotted state-owned lands as detailed in Note 17, the relevant PRC government authorities who have authority to recall the allotted state-owned lands at any time by their discretion. The directors of the Company considered the allotted state-owned lands would not be recalled in the foreseeable futures based on their past experience and no change on the usage of those lands from the grant date from the relevant PRC government authorities to date of the consolidated financial statements, hence the property, plant and equipment situated on the allotted state-owned lands does not impair their values to the Group.

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in Notes 17 and 18, formal titles of certain of the Group's rights to the use of the lands and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of the Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

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

Critical judgements in applying accounting policies (Continued)

Approval of operations and construction of power plants in respect of operating right in intangible assets

As of 31 December 2014, the Group paid RMB9,240,000 for a development right in Bapu Stream and had not yet received the relevant PRC government approvals from the NDRC for its power plant expansion project in Bapu Stream. The ultimate approval from the NDRC on this project is a critical judgement of the directors of the Company. Such a judgement is based on initial approval documents received as well as their understanding of the nature of projects. Based on historical experience in obtaining government approval and the current estimation of the approval application status, the directors of the Company believe that the Group will receive final approval from the NDRC on the related power plant project. Deviation from this judgement could result in material adjustments to the carrying amount of intangible asset which set out in Note 20 amounted to approximately RMB8,296,000 (2013: RMB8,498,000).

Going concern consideration

Although the Group had net current liabilities at the end of the reporting period, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. The directors of the Company consider that the Group has no significant liquidity risk. Details of which are set out in Note 2.

Key sources of estimation uncertainty

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

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

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, prepaid lease prepayments and intangible assets, recoverable amount of the asset needs to be determined if there is indication that those assets may be impaired. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price, amount of operating costs and discount rates. The Group uses all readily available information in determining the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price, operating costs and discount rates. As at 31 December 2014, the carrying amount of property, plant and equipment, prepaid lease payment and intangible assets were approximately RMB732,117,000, RMB21,264,000 and RMB10,256,000 respectively (2013: approximately RMB132,039,000, RMB15,644,000 and RMB8,498,000 respectively). No impairment was recognised as at 31 December 2014 (2013: nil).

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

Key sources of estimation uncertainty (Continued)

Impairment losses of deposit paid for acquisition of a subsidiary

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of deposit paid for acquisition of a subsidiary was RMB16,000,000 (2014: nil).

Useful lives of property, plant and equipment

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use or the fair value less cost of disposal of the CGU to which goodwill has been allocated. Estimation of the value-in-use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimation of the fair value less costs of disposal requires the Group to make a selection of comparable market transactions with necessary adjustments. As at 31 December 2014, the carrying value of goodwill was approximately RMB25,178,000 (2013: RMB4,898,000). Details of the recoverable amount calculations are disclosed in Note 19.

Impairment of available-for-sale financial asset

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

If all of the declines in the value below cost were considered significant or prolonged, impairment loss would be recognised. As at 31 December 2013, the carrying amount of available-for-sale investment was RMB6,000,000 (2014: nil). No impairment was recognised as at 31 December 2013.

6. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes unsecured other borrowings, ,obligations under finance leases, convertible notes, debentures, secured bank borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

7. Financial Instruments

(a) Categories of financial instruments

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**185,278**	63,454
Available-for-sale investment	**—**	6,000
Financial liabilities		
Amortised cost	**705,842**	104,647

(b) Financial risk management objectives and policies

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

7. Financial Instruments (Continued)

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

Market risk

(i) Currency risk

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

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

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

	2014 RMB'000	2013 RMB'000
HK$		
Assets	**9,183**	6,987
Liabilities	**(25,349)**	(444)
	(16,166)	6,543

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against HK$ for the year ended 31 December 2014. 5% (2013: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2013: 5%) against the relevant currency. For a 5% (2013: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2014 RMB'000	2013 RMB'000
Post-tax profit or loss	**884**	(327)

7. Financial Instruments (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate of amount due to a former beneficial owner of a subsidiary, unsecured other borrowing, fixed-rate secured bank borrowings, convertible notes and debentures (see Notes 26, 27, 28, 29 and 31 for details of these borrowings) for the year ended 31 December 2014. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate secured bank borrowings and obligations under finance lease (see Notes 25, 28 and 30 respectively for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

100 basis points have been used for variable-rate pledged bank deposits and bank balances while 200 basis points have been used for variable-rate borrowings and obligations under finance leases for both years.

For variable-rate pledged bank deposit and bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2014 would increase/decrease by approximately RMB952,000 (2013: RMB332,000).

For variable-rate borrowings and obligations under finance leases, if the interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2014 would decrease/increase by approximately RMB7,668,000 (2013: RMB1,536,000).

7. Financial Instruments (Continued)

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

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amount due from a former holding company of a subsidiary, the Group's exposure to credit risk arising from default of this counterparty is limited as the Group reviews the recoverable amount of such individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group does not expect to incur a significant loss for uncollected amount due from this party.

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2014 and 2013.

The Group has concentration of credit risk as all the trade receivables as at 31 December 2014 was due from the Group's only seven (2013: three) customers.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of fundings from major financial institutions to meet its liquidity requirements in the short and long term.

At the end of the reporting period, the Group had net current liabilities of approximately RMB2,921,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

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

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

7. Financial Instruments (Continued)

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

Liquidity risk (Continued)

Liquidity risk tables

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	**49,979**	**2,000**	**—**	**—**	**51,979**	**50,096**
Unsecured other borrowing	**14,436**	**—**	**—**	**—**	**14,436**	**13,410**
Secured bank borrowings	**85,557**	**61,789**	**120,480**	**204,703**	**472,529**	**355,812**
Obligations under finance leases	**49,586**	**49,586**	**116,316**	**—**	**215,488**	**175,401**
Convertible notes	**4,834**	**95,020**	**—**	**—**	**99,854**	**87,457**
Debentures	**1,898**	**1,904**	**25,565**	**—**	**29,367**	**23,666**
	206,290	**210,299**	**262,361**	**204,703**	**883,653**	**705,842**

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

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

(c) Fair value

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

7. Financial Instruments (Continued)

(c) Fair value (Continued)

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

The directors consider that the carrying amounts of the non-current financial assets and non-current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

(d) Offsetting of financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangement.

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

As at 31 December 2014, the Group had a legally enforceable right to set off the amount due from a former beneficial owner of a subsidiary and amount due to a former beneficial owner of a subsidiary and the Group intended to settle these balances on a net basis.

	Gross amount of recognised financial asset (liability) RMB'000	**Gross amounts of recognised financial (asset) liability set off in the consolidated statement of financial position** RMB'000	**Net amounts of financial asset (liability) presented in the consolidated statement of financial position** RMB'000
Amount due from a former beneficial owner of a subsidiary	24,165	(24,165)	—
Amount due to a former beneficial owner of a subsidiary	(50,502)	24,165	(26,337)

No financial assets or financial liabilities were offset as at 31 December 2013.

8. Turnover

Turnover represents the net amounts received and receivable for electricity sold, repair and maintenance, and operating services rendered by the Group to outside customers, net of sales related taxes.

Analysis of the Group's revenue for the year is as follows:

	2014 RMB'000	2013 RMB'000
Turnover		
Sales of electricity	**54,061**	30,164
Provision of repair and maintenance service	**7,460**	—
Provision of operating service	**3,018**	—
	64,539	30,164

9. Segment Information

Information reported to the chief operating decision maker (the board of directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are the same and maintain reported as follows:

Hydropower generation — The operation of hydropower plants in the PRC

Hydropower operation service — The provision of operating and repair and maintenance services for hydropower plants in the PRC

During the year ended 31 December 2014, there was a new reportable and operating segment regarding provision of hydropower operating and repair and maintenance services upon the acquisition of a subsidiary as disclosed in Note 36(b).

9. Segment Information (Continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December

	Hydropower generation		Hydropower operation service		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue:						
Sales to external customers	**54,061**	30,164	**10,478**	—	**64,539**	30,164
Inter-segment sales	**—**	—	**228**	—	**228**	—
Segment revenue	**54,061**	30,164	**10,706**	—	**64,767**	30,164
Eliminations					**(228)**	—
Group revenue					**64,539**	30,164
Segment results	**38,975**	19,712	**7,920**	—	**46,895**	19,712
Gain on deemed disposal of available-for-sale investment					**21,062**	—
Unallocated corporate income					**2,479**	243
Unallocated corporate expenses					**(3,964)**	(2,535)
Finance costs					**(15,957)**	(8,352)
Profit before tax					**50,515**	9,068

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the results of each segment without allocation of gain on deemed disposal of available-for-sales investment, certain other income, central administration costs, directors' remuneration and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged with reference to market prices.

9. Segment Information (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

At 31 December

	Hydropower generation		Hydropower operation service		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets and liabilities						
Segment assets	**840,944**	189,219	**5,480**	—	**846,424**	189,219
Unallocated corporate assets						
— Other receivables					**10,085**	197
— Pledged bank deposit					**10,000**	—
— Bank balances and cash					**114,555**	42,083
— Deferred tax assets					**92**	—
Total assets					**981,156**	231,499
Segment liabilities	**20,220**	2,205	**739**	—	**20,959**	2,205
Unallocated corporate liabilities						
— Other payables					**32,896**	444
— Income tax payables					**14,028**	2,144
— Unsecured other borrowing					**13,410**	—
— Secured bank borrowings					**355,812**	102,400
— Obligations under finance leases					**175,401**	—
— Convertible notes					**87,457**	—
— Debentures					**23,666**	—
— Deferred tax liabilities					**50,429**	1,900
Total liabilities					**774,058**	109,093

9. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

At 31 December (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than pledged bank deposit, bank balances and cash, certain other receivables and deferred tax assets; and
- all liabilities are allocated to operating segments other than certain other payables, income tax payables, unsecured other borrowing, secured bank borrowings, obligations under finance leases, convertible notes, debentures and deferred tax liabilities.

(c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Hydropower generation		Hydropower operation service		Consolidated	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Other segment information:						
Addition to non-current assets (Note)	**638,537**	27,885	**938**	—	**639,475**	27,885
Amortisation of prepaid lease payments	**414**	314	**—**	—	**414**	314
Amortisation of intangible assets	**217**	203	**—**	—	**217**	203
Depreciation of property, plant and equipment	**7,337**	5,237	**160**	—	**7,497**	5,237

Note: Non-current assets excluded financial instruments and deferred tax assets. Included in the addition to non-current assets, RMB610,434,000 (2013: RMB20,859,000) were arisen from acquisition of subsidiaries.

9. Segment Information (Continued)

(d) Information about geographical areas

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

(e) Information about major customers

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

	2014 **RMB'000**	2013 RMB'000
Customer A	**25,242**	10,105
Customer B	**20,751**	18,154

10. Other Income

	2014 RMB'000	2013 RMB'000
Bank interest income	**313**	243
Other interest income (Note (i))	**574**	—
Gain on disposal of property, plant and equipment	**7**	—
Government grant (Note (ii))	**100**	—
Net exchange gain	**1,485**	—
Rental income (net of outgoings: nil)	**—**	30
	2,479	273

Notes:

(i) *Other interest income represents the loan to a former beneficial owner of a subsidiary. The loan balance has been settled by the loan from a former beneficial owner of a subsidiary arising from the acquisition of a subsidiary as stated in Note 36(c).*

(ii) *Government grant is received from local government authority of which the Group fulfilled all conditions or contingencies relating to such subsidy.*

11. Finance Costs

	2014 RMB'000	2013 RMB'000
Interests on financial liabilities wholly repayable within five years:		
Interest expense on convertible notes (Note 29)	**373**	—
Debentures	**634**	—
Finance charges on obligations under finance leases	**6,048**	—
Former beneficial owner of a subsidiary	**75**	—
Former holding company of a subsidiary	**33**	—
Unsecured other borrowing	**99**	—
Interests on financial liabilities not wholly repayable within five years:		
Secured bank borrowings	**8,831**	8,352
Total borrowing costs	**16,093**	8,352
Less: amount capitalised (Note)	**(136)**	—
	15,957	8,352

Note: The capitalisation ratio of borrowings for the year ended 31 December 2014 is 5.97% (2013: nil) per annum.

12. Income Tax Expense

	2014 **RMB'000**	2013 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**8,565**	3,019
Underprovision in prior years	**—**	14
Deferred taxation (Note 33)	**(70)**	(54)
	8,495	2,979

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for both years.

(iii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% for both years.

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

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**50,515**	9,068
Tax calculated at tax rate of 25% (2013: 25%)	**12,629**	2,267
Tax effect of expenses not deductible for tax purpose	**1,563**	698
Tax effect of income not taxable for tax purpose	**(5,692)**	—
Utilisation of tax loss previously not recognised	**(5)**	—
Under-provision in prior years	**—**	14
Income tax expense	**8,495**	2,979

Details of deferred taxation are set out in Note 33.

13. Profit for The Year

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments (Note 14)	**794**	801
Salaries, wages and other benefits (excluding directors and the chief executive)	**3,643**	1,621
Retirement benefits scheme contribution (excluding directors and the chief executive)	**373**	174
	4,810	2,596
Auditor's remuneration	**701**	519
Depreciation for property, plant and equipment	**7,497**	5,237
Amortisation of prepaid lease payments (included in cost of sales)	**414**	314
Amortisation of intangible assets	**217**	203
Written off of property, plant and equipment	**13**	—
Operating lease charges in respect of properties	**192**	135

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2013: eight) directors and the chief executive were as follows:

Year ended 31 December 2014

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Lin Yang	**238**	—	—	**238**
Mr. Zheng Xuesong (Note (i))	**158**	—	**10**	**168**
Mr. Chen Congwen	**95**	—	**9**	**104**
Mr. Lin Tian Hai (Note (ii))	**95**	—	—	**95**
Independent non-executive directors:				
Mr. Cheng Chuhan	**63**	—	—	**63**
Mr. Chan Kam Fuk	**63**	—	—	**63**
Mr. Zhang Shijiu	**63**	—	—	**63**
Total	**775**	—	**19**	**794**

Year ended 31 December 2013

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

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

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

Notes:

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

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

During the year ended 31 December 2013, one of the executive directors, waived emoluments of RMB8,000 for his service to the Company. Neither the Chief Executive nor any of the directors waived any emoluments in the year ended 31 December 2014. No emoluments were paid by the Group to any directors and the Chief Executive as an incentive payment for joining the Group or as compensation for loss of office during the two years ended 31 December 2014.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: three) were directors and the Chief Executive of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining one (2013: two) individual was as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances, and other benefits	**78**	237
Retirement benefits scheme contribution	**—**	8
	78	245

Their emoluments were individually below approximately RMB792,000 (2013: RMB798,000) (equivalent to HK$1,000,000) for the year ended 31 December 2014.

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2014.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

16. Earnings Per Share

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

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**41,844**	6,089
Interest on convertible notes	**373**	—
Earnings for the purpose of diluted earnings per share	**42,217**	6,089

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,000,000**	1,000,000
Convertible notes (Note 29)	**5,797**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,005,797**	1,000,000

Diluted earnings per share was same as the basic earnings per share for the year ended 31 December 2014, as the effect of the conversion of the Company's outstanding convertible notes would result in an increase in earnings per share for the year ended 31 December 2014.

Diluted earnings per share was same as the basic earnings per share for the year ended 31 December 2013 as there was no potential ordinary shares outstanding during the year ended 31 December 2013.

17. Property, Plant and Equipment

	Buildings RMB'000	Dams RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	30,958	66,604	37,178	219	154	299	135,412
Acquisition of a subsidiary (Note 36)	4,259	11,880	4,716	4	—	—	20,859
Additions	309	—	45	11	205	1,743	2,313
At 31 December 2013	35,526	78,484	41,939	234	359	2,042	158,584
Acquisition of subsidiaries (Note 36)	100,511	197,301	299,577	1,188	1,888	1,960	602,425
Additions	—	—	11	4	298	4,857	5,170
Transfer	—	—	575	—	—	(575)	—
Disposals/written off	—	—	(7)	—	(31)	—	(38)
At 31 December 2014	136,037	275,785	342,095	1,426	2,514	8,284	766,141
DEPRECIATION							
At 1 January 2013	2,771	7,145	11,187	145	60	—	21,308
Charge for the year	843	1,529	2,807	33	25	—	5,237
At 31 December 2013	3,614	8,674	13,994	178	85	—	26,545
Charge for the year	1,211	2,039	3,990	77	180	—	7,497
Elimination on disposals/written off	—	—	—	—	(18)	—	(18)
At 31 December 2014	4,825	10,713	17,984	255	247	—	34,024
CARRYING VALUES							
At 31 December 2014	131,212	265,072	324,111	1,171	2,267	8,284	732,117
At 31 December 2013	31,912	69,810	27,945	56	274	2,042	132,039

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

Buildings	37–45 years
Dams	37–45 years
Plant and machinery	3–45 years
Office equipment	3–10 years
Motor vehicles	4–8 years

17. Property, Plant and Equipment (Continued)

As at 31 December 2014, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB97,822,000 (2013: RMB4,192,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

As at 31 December 2014, certain of property, plant and equipment with carrying values of approximately RMB271,375,000 (2013: nil) was situated on allotted state-owned lands which were granted from the relevant PRC government authorities who has authority to recall the allotted state-owned lands at any time by their discretion. Allotted state-owned lands represent the land located in the PRC granted by the PRC government with no consideration for the purpose of national welfare. In the opinion of the directors of Company, the allotted state-owned lands would not be recalled in the foreseeable futures based on their past experience and no change on the usage of those lands from the grant date from relevant PRC government authorities to the end of the reporting period, hence the property, plant and equipment situated on the allotted state-owned lands does not impair their values to the Group.

As at 31 December 2014 and 2013, certain property, plant and equipment were pledged for secured bank borrowings and obligations under finance leases as disclosed in Notes 28 and 30 respectively.

The carrying values of property, plant and equipment of approximately RMB167,926,000 includes an amount of RMB732,117,000 (2013: nil) in respect of assets held under finance leases.

18. Prepaid Lease Payments

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

	2014 **RMB'000**	2013 RMB'000
Current assets	**487**	351
Non-current assets	**20,777**	15,293
	21,264	15,644

The prepayments for land use rights are under medium-term lease in the PRC and is amortised over the useful lives ranging from 39 years to 50 years on a straight-line basis.

Included the prepaid lease payments are land use rights with carrying amount of approximately RMB7,197,000 (2013: RMB3,090,000) in which the Group is in the process of obtaining the land use right certificates. Details of the judgement of directors of the Company are set out in Note 5.

19. Goodwill

	2014 RMB'000	2013 RMB'000
COST AND CARRYING VALUES		
At 1 January	**4,898**	3,759
Arising on acquisition of subsidiaries (Note 36)	**20,280**	1,139
At 31 December	**25,178**	4,898

	2014 RMB'000	2013 RMB'000
IMPAIRMENT TESTING ON GOODWILL		
Hydropower generation:		
Qianyuan Hydropower (Note (i))	**3,759**	3,759
Xingyuan Hydropower (Note (ii))	**1,139**	1,139
Fu'an Jiulong (Note (i))	**9,501**	—
Huajin Huifu (Note (i))	**10,556**	—
	24,955	4,898
Hydropower operation service:		
Guangyuan Hydropower (Note (iii))	**223**	—
	25,178	4,898

19. Goodwill (Continued)

Notes:

(i) Qianyuan Hydropower, Fu'an Jiulong and Huajin Huifu

The recoverable amounts of 周寧縣乾元水電開發有限公司 Zhouning Qianyuan Hydropower Development Co., Ltd. ("Qianyuan Hydropower"), 福安市九隆水電開發有限公司* Fu'an Jiulong Hydropower Development Co., Ltd. ("Fu'an Jiulong") and Huajin Huifu have been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 12.55%, 12.40% and 12.28% respectively (2013: Qianyuan Hydropower of 10.2%). Cash flows beyond 5-year period are projected using zero growth rate for both years. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue from electricity sales and unit price, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs. In the opinion of the directors of the Company, no impairment was provided for both years.*

(ii) Xingyuan Hydropower

The recoverable amounts of 寧德市興源水電有限公司 Ningde Xingyuan Hydropower Co., Ltd. ("Xingyuan Hydropower") has been determined based on the fair value less cost of disposal. The fair value was determined by market approach with reference to the market financial ratio of similar nature and similar locations with necessary discounting adjustments on control premium and discount on lack of marketability. The fair value less cost of disposal has been arrived at on the basis of a valuation carried out on that date by an independent professional valuer not connected with the Group. The fair value is categorised as Level 2 under the fair value hierarchy.*

In the opinion of the directors of the Company, for the year ended 31 December 2014, a decrease in control premium by 10% to 1.1% would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB440,000 and discount on lack of marketability by 20% to 25% would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB520,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

In the opinion of the directors of the Company, for the year ended 31 December 2013, a decrease in average adjustment factor of comparable companies by 7.5% to 15.0% would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB409,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

(iii) Guangyuan Hydropower

The recoverable amounts of 壽寧縣廣源水電營運有限公司 Shouning Guangyuan Hydropower Operation Management Co., Ltd. ("Guangyuan Hydropower") has been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 17.86%. Cash flows beyond 5-year period are projected using zero growth rate for the year. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue mainly from operating service income, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. In the opinion of the directors of the Company, no impairment was provided for the year ended 31 December 2014.*

* *The English names are for identification purpose only.*

20. Intangible Assets

	Customer contract RMB'000	Development rights RMB'000	Total RMB'000
COST			
At 1 January 2013 and 31 December 2013	—	9,240	9,240
Acquisition of subsidiaries (Note 36)	680	1,295	1,975
At 31 December 2014	680	10,535	11,215
AMORTISATION			
At 1 January 2013	—	539	539
Charge for the year	—	203	203
At 31 December 2013	—	742	742
Charge for the year	—	217	217
At 31 December 2014	—	959	959
CARRYING VALUES			
At 31 December 2014	680	9,576	10,256
At 31 December 2013	—	8,498	8,498

The development rights represent two development rights granted by the relevant PRC government authorities for the Group to i) develop additional hydropower plants in Bapu Stream, Zhouning County, Fujian Province, the PRC for an operating period of 50 years and ii) to construct and operate Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station in Fuan City Fujian Province for remaining useful life of 57 years from the date of acquisition of Fu'an Jiulong. The right is amortised over the remaining operating period.

Customer contract represented the signed agreement with a private customer to sale electricity. The director of the Company was in the view that the customer contract has an useful life of approximately 15 months with reference to the signed agreement.

21. Deposit Paid for Acquisition of Non-Current Assets

The deposits paid for acquisition of non-current assets comprises:

	2014 RMB'000	2013 RMB'000
Deposit paid for acquisition of land use right	**2,500**	—
Deposit paid for acquisition of property, plant equipment	**941**	—
	3,441	—

22. Other Deposit and Prepayment

Included in the other deposit and prepayment of approximately RMB14,636,000 represents the amortised cost of refundable secured deposit for the obligations under finance leases as detailed in Note 30. The nominal value of refundable secured deposit is RMB17,770,000 and it will be refunded by lessor upon expiry of lease term of 5 years. Discounting impact has been accounted for based on the 5-years time deposit rate of The People's Bank of China of 4.75%. The remaining balances are the prepayment of inspection fee of dams which is required by the relevant authorities in the PRC on every five years.

23. Available-For-Sale Investment

	2014 RMB'000	2013 RMB'000
Unlisted equity security, at cost	**—**	6,000

The unlisted investment represented investment in unlisted equity interests in a private entity incorporated in the PRC. They were measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that its fair value cannot be measured reliably. The amount has been released upon acquisition of a subsidiary as detailed in Note 36(c).

24. Trade and Other Receivables

	2014 RMB'000	2013 RMB'000
Trade receivables	**27,498**	5,301
Less: allowance for trade receivables	**(60)**	—
	27,438	5,301
Deposits and other receivables	**2,873**	656
Less: allowance for deposits and other receivables	**(736)**	—
	2,137	656
Loan receivable (Note (i))	**6,546**	—
Amount due from a former holding company of a subsidiary (Note (ii))	**9,966**	—
Deposit paid for acquisition of a subsidiary (Note (iii))	**—**	16,000
Total trade and other receivables	**46,087**	21,957
Prepayments	**3,380**	380
	49,467	22,337

Notes:

(i) The amount represents a loan to an independent third party amounted RMB6,546,000 for a three-month period. As at 31 December 2014, the amount is interest–free, unsecured and repayable on demand. Subsequent to the end of reporting period, the amount has been fully recovered.

(ii) The amount due from a former holding company of a subsidiary represents amount due from 福建中士達商貿有限公司 Fujian Zhongshida Trading Co., Limited ("Zhongshida") which is unsecured, non-interest bearing and repayable on demand. Subsequent to the end of reporting period, the amount has been fully recovered.*

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

The Vendors had also provided a guarantee in favour of Fujian Dachuan in relation to the repayment of the earnest money such that Fujian Dachuan would have the right to dispose of the Vendors' interests in the Fu'an Jiulong if they failed to return all or any part of the earnest money or the relevant interest. Details of which are set out in the Company's announcement dated 29 November 2013. The Proposed Acquisition has been completed on 25 April 2014 and certain disclosures has been made in Note 36(a).

** The English names are for identification purpose only.*

24. Trade and Other Receivables (Continued)

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

	2014 RMB'000	2013 RMB'000
Within 30 days	25,901	3,388
31 to 60 days	1,537	1,913
	27,438	5,301

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2014 RMB'000	2013 RMB'000
Within 30 days	1,537	1,913

The movement in the allowance for impairment of trade and other receivables are set out below:

	2014 RMB'000	2013 RMB'000
1 January	—	—
Accumulated impairment losses on trade receivables upon acquisition of a subsidiary	60	—
Accumulated impairment losses on deposit and other receivables upon acquisition of subsidiaries	736	—
31 December	796	—

At 31 December 2014, included in the impairment loss are individually impaired trade and other receivables with an aggregate balance of approximately RMB796,000 (2013: nil) which are due to long outstanding.

25. Pledged Bank Deposit and Bank Balances and Cash

Pledged bank deposit

Pledged bank deposit represents deposit pledged to bank to secure banking facility granted to the Group. Deposit amounting to RMB10,000,000 has been pledged to secure short-term bank loan and is therefore classified as current assets. The pledged deposit carry variable interest rate of 2.55% per annum based on the six months' deposit rate of The People's Bank of China. The pledged bank deposit will be released upon the settlement of relevant bank borrowing.

Bank balances and cash

Bank balances carry interest at market rates of 0.35% per annum during the year ended 31 December 2014 (2013: 0.35% per annum).

The Group's bank balances and cash that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	HK$'000
As at 31 December 2014	11,490
As at 31 December 2013	8,638

26. Trade and Other Payables

	2014 **RMB'000**	2013 RMB'000
Trade payables	**7,398**	648
Construction payables	**5,663**	354
Other payables and accrued expenses	**5,978**	1,245
Receipt in advance	**800**	—
Other tax payables	**2,959**	402
Amount due to a non-controlling shareholder of a subsidiary (Note (i))	**3,720**	—
Amount due to a former beneficial owner of a subsidiary (Note (ii))	**26,337**	—
Amount due to a former holding company of a subsidiary (Note (iii))	**1,000**	—
	53,855	2,649
Less: Amount due to a former beneficial owner of a subsidiary , due more than one year, included as non-current liabilities (Note (ii))	**(1,746)**	—
	52,109	2,649

26. Trade and Other Payables (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Within 60 days	**3,457**	648
61 to 90 days	**2,617**	—
Over 90 days	**1,324**	—
	7,398	648

The average credit period granted is ranging from 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes:

(i) The amount due to a non-controlling shareholder of a subsidiary represent amount due to 壽寧縣國有資產投資經營有限公司 Shouning State Owned Assets Investment Management Co., Ltd. which is unsecured, non-interest bearing and repayable on demand.*

(ii) The amount due to a former beneficial owner of a subsidiary represent amount due to Mr. Zhenghua which is unsecured, with a fixed interest amounted to RMB3,549,000 and repayable within one year after the completion of acquisition of Huajin Huifu.

Included in the amount due to Mr. Zhenghua, RMB2,000,000 has to be paid within two years after the completion of acquisition for the purpose of retention money. Discounting impact has been accounted for based on valuation performed by valuer of 7.26% and the amount of RMB1,746,000 has been recorded as non-current liability.

(iii) The amount due to a former holding company of a subsidiary represent amount due to 寧德市昌達電業有限責任公司 Ningde Changda Electricity Co., Ltd. which is unsecured, interest bearing at 8% per annum and repayable on demand.*

** The English names are for identification only.*

27. Unsecured Other Borrowing

During the year ended 31 December 2014, the Group obtained other borrowing of RMB36,000,000 from Victory World Investments Limited ("Victory World"), an independent third party incorporated in Hong Kong. The purpose of the borrowing is to finance the acquisition of 90% equity interest of Huajin Huifu (the "Acquisition"). The amount is unsecured, interest bearing at 8% per annum and repayable within one year upon completion of the Acquisition.

28. Secured Bank Borrowings

The borrowings were repayable as follows:

	2014 **RMB'000**	2013 RMB'000
On demand or within one year	**63,562**	10,800
More than one year, but not exceeding two years	**44,830**	12,000
More than two years but not more than five years	**82,370**	37,900
More than five years	**165,050**	41,700
	355,812	102,400
Less: Amount due within one year, included as current liabilities	**(63,562)**	(10,800)
	292,250	91,600

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings throughout the year are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**7.80%**	Nil
Variable-rate borrowings	**5.55% to 7.50%**	7.21% to 7.53%

The Group's bank borrowings were all denominated in RMB.

During the year ended 31 December 2014, the Group obtained new borrowings of RMB147,000,000 (2013: nil). The proceeds were used to repay the existing bank borrowings and finance the Group's operation. Details of the pledged assets are disclosed in Note 37.

29. Convertible Notes

On 9 December 2014, the Company issued 5% convertible notes denominated in HK$ with the aggregate principal amount of HK$115,000,000 (equivalent to approximately RMB90,720,000). Each note entitles the holder to convert to ordinary shares at a conversion price of HK$1.25. On the same date, the Company signed a supplementary agreement with the note holders to specify that when a specific currency is converted into RMB or other lawful currency of PRC, or vice versa, the spot rate of exchange would be the rates specified by the Stated Administration of Foreign Exchange of PRC on 9 December 2014.

Conversion may occur at any time on or after 180 days after the issue day until 10 days prior to the maturity date, of which will be on 9 December 2016. If the notes have not been converted, they will be redeemed on second anniversary of the issue date. Interest will be paid semi-annually in arrears until the notes are converted or redeemed.

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component on initial recognition is 7.1% per annum.

	Liability component RMB'000	**Equity component** RMB'000	**Total** RMB'000
Proceeds of issue	87,237	3,483	90,720
Transaction cost	(153)	(6)	(159)
Interest charged (Note 11)	373	—	373
At 31 December 2014	87,457	3,477	90,934

30. Obligations under Finance Leases

	2014 **RMB'000**	2013 RMB'000
Analysed as:		
Current	**34,321**	—
Non-current	**141,080**	—
	175,401	—

30. Obligations under Finance Leases (Continued)

During the year ended 31 December 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 (2013: nil) have been sold at a consideration of RMB177,770,000 and have been leaseback with 5 years lease term. 10% of the lease proceed is regarded as secured deposit and will be refunded to the Group on the expiry of lease term. As at 31 December 2014, the security deposit has been discounted to its present value at RMB14,636,000 and included in other deposit and prepayment in Note 22. Interest rates underlying the 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 1.50% to 1.92% mark-up per annum. The effective interest rate for the obligations under finance leases for the year ended 31 December 2014 is ranged from 7.50% to 7.92% (2013: N/A) per annum. Lease-related costs amounting to approximately RMB4,980,000 has been capitalised on initial recognition of obligations under finance leases.

	Minimum lease payment		Present value of minimum lease payment	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**49,586**	—	**34,321**	—
In the second to fifth years	**165,902**	—	**141,080**	—
	215,488	—	**175,401**	—
Less: future finance charges	**(40,087)**	—	**N/A**	N/A
Present value of lease obligations	**175,401**	—	**175,401**	—
Less: amount due within one year included under current liabilities			**(34,321)**	—
Amount due for settlement after 12 months			**141,080**	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by the equity interest of certain subsidiaries as disclosed in Notes 17 and 37 respectively.

31. Debentures

	2014 RMB'000	2013 RMB'000
HK$30,000,000 debentures carry fixed coupon rate of 8% per annum, payable in arrears every year with maturity until September 2017	**23,666**	—

On 3 September 2014, the Company has issued HK$30,000,000 (equivalent to approximately RMB23,666,000) debentures at par value that carry a fixed coupon rate of 8% per annum. The purpose of the debentures is for the daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises.

The Company shall redeem the whole of the outstanding debentures at the redemption amount equivalent to 100% of their principal amount together with any accrued but unpaid interest and other amounts owing thereon on the maturity date. The debenture holders are not entitled to request the Company to, redeem the debentures in whole or in part at its option prior to the maturity date except upon the occurrence of any of the events of default hereunder.

32. Share Capital

	Number of shares	Nominal value of ordinary shares HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2013, at 31 December 2013 and 31 December 2014	2,000,000,000	20,000	
Issued and fully paid:			
At 1 January 2013, at 31 December 2013 and 31 December 2014	1,000,000,000	10,000	8,156

33. Deferred Taxation

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**92**	—
Deferred tax liabilities	**(50,429)**	(1,900)
	(50,337)	(1,900)

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

	Timing difference on impairment of other receivables RMB'000	**Accelerated tax deprecation** RMB'000	**Fair value adjustment on property, plant and equipment** RMB'000	**Fair value adjustment on prepaid lease payments** RMB'000	**Fair value adjustment on intangible assets** RMB'000	**Total** RMB'000
At 1 January 2013	—	—	196	29	520	745
Acquisition of a subsidiary (Note 36)	—	—	1,097	112	—	1,209
Credited to consolidated statement of profit or loss (Note 12)	—	—	(40)	(2)	(12)	(54)
At 31 December 2013	—	—	1,253	139	508	1,900
Acquisition of subsidiaries (Note 36)	(199)	5,910	41,560	1,066	170	48,507
Credited to consolidated statement of profit or loss (Note 12)	—	234	(277)	(15)	(12)	(70)
At 31 December 2014	(199)	6,144	42,536	1,190	666	50,337

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2014, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB149,940,000 (2013: RMB22,186,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. Operating Leases

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

The Group as lessee

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of one to three years during the year ended 31 December 2014. 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:

	2014 **RMB'000**	2013 RMB'000
Within one year	**223**	67
In the second to fifth year inclusive	**189**	43
	412	110

35. Capital Commitments

	2014 **RMB'000**	2013 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**28,167**	2,011

36. Acquisition of Subsidiaries

(a) Acquisition of the entire equity interest in Fu'an Jiulong

On 25 April 2014, the Group acquired the entire equity interest in Fu'an Jiulong from Vendors. 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

36. Acquisition of Subsidiaries (Continued)

(a) Acquisition of the entire equity interest in Fu'an Jiulong (Continued)

Note: Loan to Fu'an Jiulong with principal amount of RMB3,268,000 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.

Acquisition-related costs amounting to approximately RMB79,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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 balances and cash	548
Trade and other payables	(1,042)
Income tax payables	(9)
Amount due to Vendor	(3,268)
Deferred tax liabilities (Note 33)	(6,037)
	27,231

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 Vendors' loan	(3,268)
Less: recognised amount of identifiable net assets acquired	(27,231)
Goodwill arising on acquisition (Note 19)	9,501

36. Acquisition of Subsidiaries (Continued)

(a) Acquisition of the entire equity interest in Fu'an Jiulong (Continued)

Goodwill arising on acquisition (Continued)

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 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 purpose.

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

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB2,440,000 attributable to Fu'an Jiulong. Revenue for the year includes RMB6,670,000 generated from Fu'an Jiulong.

Had the acquisition of Fu'an Jiulong been effected at the beginning of the year, the total amount of the profit of the Group for the year ended 31 December 2014 would have been RMB42,358,000 and the amount of revenue for the year would have been approximately RMB66,571,000. 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 reporting 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 year, the directors of the Company calculated depreciation of property, plant and equipment and amortisation of prepaid lease payment and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. Acquisition of Subsidiaries (Continued)

(b) Acquisition of the entire equity interest in Guangyuan Hydropower

On 29 July 2014, the Group acquired the entire equity interest in Guangyuan Hydropower from five independent third parties. Guangyuan Hydropower is principally engaged in provision of hydropower operation services, and repair and maintenance service and was acquired with the objectives of diversifying the Group's business and improving the Group's performance.

Consideration transferred

	RMB'000
Cash consideration	500

Note: Acquisition-related costs amounting to approximately RMB6,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	711
Deferred tax assets (Note 33)	69
Trade and other receivables	428
Bank balances and cash	535
Trade and other payables	(1,337)
Income tax payable	(129)
	277

The fair value of trade and other receivables at the date of acquisition amounted to RMB428,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB984,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB556,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	500
Less: recognised amount of identifiable net assets acquired	(277)
Goodwill arising on acquisition (Note 19)	223

36. Acquisition of Subsidiaries (Continued)

(b) Acquisition of the entire equity interest in Guangyuan Hydropower (Continued)

Goodwill arising on acquisition (Continued)

Goodwill arose on the acquisition of Guangyuan 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 revenue growth and future market development of Guangyuan Hydropower. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Note of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash inflow arising on acquisition

	RMB'000
Consideration transferred	500
Less: cash and cash equivalent balance acquired	(535)
	(35)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB5,980,000 attributable to Guangyuan Hydropower. Revenue for the year includes RMB10,706,000 is attributable to Guangyuan Hydropower.

Had the acquisition of Guangyuan Hydropower been effected at the beginning of the year, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB41,277,000 and the amount of revenue for the year would have been approximately RMB68,796,000. 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 reporting period, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Guangyuan Hydropower been acquired at the beginning of the year, the directors of the Company calculated depreciation of property, plant and equipment on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. Acquisition of Subsidiaries (Continued)

(c) Acquisition of 90% equity interest in Huajin Huifu

On 15 December 2014, the Group acquired 90% equity interest in Huajin Huifu (in which the Group held 10% equity interest as at 31 December 2013 and classified such investment as available-for-sale investment) from Zhongshida, an independent third party. After the completion of this acquisition, Huajin Huifu became the wholly-owned subsidiary of the Group. Huajin Huifu is principally engaged in hydropower generation and was acquired with the objective of improving the Group's performance.

Consideration transferred

	RMB'000
Cash consideration	54,000

Note: Acquisition-related costs amounting to approximately RMB1,253,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	570,859
Prepaid lease payment	2,227
Intangible assets	680
Deferred tax assets (Note 33)	5
Trade and other receivables	53,379
Bank balances and cash	11,979
Trade and other payables	(243,356)
Income tax payables	(6,842)
Secured bank borrowings	(216,212)
Obligations under finance lease	(18,548)
Deferred tax liabilities (Note 33)	(42,544)
	111,627

The fair value of trade and other receivables at the date of acquisition amounted to RMB53,379,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB53,619,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB240,000.

36. Acquisition of Subsidiaries (Continued)

(c) Acquisition of 90% equity interest in Huajin Huifu (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	54,000
Fair value of 10% interest in Huajin Huifu	27,062
Total consideration	81,062
Add: non-controlling interest	41,121
Less: recognised amount of identifiable net assets acquired	(111,627)
Goodwill arising on acquisition (Note 19)	10,556

The non-controlling interests was measured at the proportionate share of the fair value of identifiable assets acquired and liabilities of Huajin Huifu and its subsidiaries at the acquisition date.

Goodwill arose on the acquisition of Huajin Huifu 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 revenue growth and future market development of Huajin Huifu. 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 purpose.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration transferred	54,000
Less: cash and cash equivalent balance acquired	(11,979)
	42,021

The Group recognised a gain of approximately RMB21,062,000 as a result of measurement of fair value on its 10% equity interest held before this business combination. The gain is included in the Group's profit for the year ended 31 December 2014.

36. Acquisition of Subsidiaries (Continued)

(c) Acquisition of 90% equity interest in Huajin Huifu (Continued)

The impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB3,165,000 attributable to Huajin Huifu. Revenue for the year includes approximately RMB5,837,000 generated from Huajin Huifu.

Had the acquisition of Huajin Huifu been effected at the beginning of the year, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB71,551,000 and the amount of revenue for the year would have been approximately RMB208,041,000. 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 reporting period, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Huajin Huifu been acquired at the beginning of the year, the directors of the Company calculated depreciation of property, plant and equipment, amortisation of prepaid lease payment and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition consolidated financial statements.

(d) Acquisition of the entire equity interest in Xingyuan Hydropower

On 24 April 2013, the Group acquired the entire equity interests in Xingyuan Hydropower from Mr. Lin Dong, 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 Mr. Lin Dong to the Group pursuant to the sales and purchase agreement. The loan was unsecured, non-interest bearing and repayable on demand. The loan assignment was considered as part of the consideration of the acquisition.

Acquisition-related costs amounting to approximately RMB46,000 have been excluded from the consideration transferred and have been recognised as an expense in the 2013, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

36. Acquisition of Subsidiaries (Continued)

(d) Acquisition of the entire 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 balances and cash	441
Trade and other payables	(162)
Amount due to Mr. Lin Dong	(17,928)
Deferred tax liabilities (Note 33)	(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 were no contractual cash flows expected not to be collected at acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	24,928
Less: assignment of Mr. Lin Dong's loan	(17,928)
Less: recognised amount of identifiable net assets acquired	(5,861)
Goodwill arising on acquisition (Note 19)	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 were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

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

36. Acquisition of Subsidiaries (Continued)

(d) Acquisition of the entire equity interest in Xingyuan Hydropower (Continued)

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2013 was RMB753,000 generated from Xingyuan Hydropower. Revenue for the year included RMB1,905,000 generated from Xingyuan Hydropower.

Had the acquisition of Xingyuan Hydropower been effected at the beginning of the year, the total amount of the profit of the Group for the year ended 31 December 2013 would have been RMB6,360,000 and the amount of revenue for the year would have been RMB30,706,000. The pro-forma information was 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 year ended 31 December 2013, 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 on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition consolidated financial statements.

37. Pledge of Assets

At the end of the reporting period, the Group pledged the following assets to banks and ceratin lessors for borrowings and obligations under finance leases granted to the Group.

	2014 **RMB'000**	2013 RMB'000
Prepaid lease payments	**9,803**	12,111
Property, plant and equipment	**467,224**	106,911
	477,027	119,022

37. Pledge of Assets (Continued)

The carrying amount of trade receivables of the Group in which with such electricity tariff collection right pledged is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of trade receivables pledged for finance leases	**2,691**	5,116
Carrying amount of trade receivables (included intra-group balances) pledged for bank borrowings	**28,906**	—
	31,597	5,116

As at 31 December 2014, the entire equity interests of Qianyuan Hydropower, Fu'an Jiulong and Xingyuan Hydropower, indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases (2013: nil).

As at 31 December 2014, two of the subsidiaries of the Company, Fujian Dachuan and Liyuan Hydropower have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000 (2013: nil).

38. Share-Based Payment Transactions

Equity-settled share option schemes of the Company

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

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

38. Share-Based Payment Transactions (Continued)

Equity-settled share option schemes of the Company (Continued)

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

No share option has been granted since the Scheme has been adopted. As at 31 December 2014 and 2013, there are no outstanding share options issued under the Scheme.

39. Retirement Benefits Scheme

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The Group contributions 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month to the MPF Scheme. During the year ended 31 December 2013, the total amount of RMB9,000 was made by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income (2014: nil).

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2014, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB373,000 (2013: RMB177,000).

40. Related Parties Transactions

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

	2014 **RMB'000**	2013 RMB'000
Amount due from a related company		
福建省海興能源集團有限公司 (Note)	**10**	10

40. Related Parties Transactions (Continued)

(i) (Continued)

Note: Mr. Chen Congwen, the director of the Company has a beneficial interest in this company. The amount is unsecured, interest-free and repayable on demand. In 2012, the Group entered into a lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB5,000. During the year ended 31 December 2014, the Group paid rental expenses of approximately RMB65,000 (2013: RMB65,000) 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 CDM projects in February 2009. On 3 August 2011, NDRC of the PRC and related PRC authorities promulgated the 2011 CDM Measures, 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 the CDM project.

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

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

(iv) Pursuant to a deed of indemnity dated 16 December 2014, the substantial shareholder of the Company, Mr. Lin Yang, has undertaken to provide indemnity of a maximum of approximately RMB8,649,000 which would be incurred or suffered by the Group as a result of any recourse action taken by the trade and other creditors.

(v) Compensation to key management personnel

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

	2014 **RMB'000**	2013 RMB'000
Short-term benefits	**1,130**	985
Post-employment benefits	**39**	25
	1,169	1,010

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

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 20 of the GEM Rules.

41. Statement of Financial Position of the Company

	Notes	2014 RMB'000	2013 RMB'000
Non-current asset			
Investments in subsidiaries	(a)	**19,128**	19,128
Current assets			
Other receivables		**119**	158
Amounts due from subsidiaries	(b)	**160,249**	48,969
Bank balances and cash		**27**	—
		160,395	49,127
Current liabilities			
Other payables		**1,683**	444
Amounts due to subsidiaries	(b)	**1,570**	1,482
		3,253	1,926
Net current assets		**157,142**	47,201
Total assets less current liabilities		**176,270**	66,329
Capital and reserves			
Share capital		**8,156**	8,156
Reserves	(c)	**56,991**	58,173
		65,147	66,329
Non-current liabilities			
Convertible notes		**87,457**	—
Debentures		**23,666**	—
		111,123	—
		176,270	66,329

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

Notes:

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

(b) *Amounts due from (to) subsidiaries*

The amounts are unsecured, non-interest bearing and repayable on demand.

(c) *Reserves*

	Share premium RMB'000	Special reserve RMB'000	Convertible notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	48,782	18,622	—	(5,405)	61,999
Loss and total comprehensive expense for the year	—	—	—	(3,826)	(3,826)
At 31 December 2013	48,782	18,622	—	(9,231)	58,173
Loss and total comprehensive expense for the year	—	—	—	(4,659)	(4,659)
Recognition of equity component of convertible notes	—	—	3,477	—	3,477
At 31 December 2014	48,782	18,622	3,477	(13,890)	56,991

42. Particulars of Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion ownership interest held by the Company 2014 Directly	2014 Indirectly	2013 Directly	2013 Indirectly	Principal activities
Haitian Hydropower Group Limited	BVI	Ordinary	United States Dollar ("USD") 40,000	**100%**	**—**	100%	—	Investment holding
Haitian Hydropower (HK) Limited	Hong Kong	Ordinary	HK$100	**—**	**100%**	—	100%	Investment holding
Fujian Dachuan (Note i)	The PRC	Registered capital	RMB45,000,000	**—**	**100%**	—	100%	Hydropower generation
Liyuan Hydropower (Note i)	The PRC	Registered capital	RMB18,000,000	**—**	**100%**	—	100%	Hydropower generation
Qianyuan Hydropower (Notes i, v)	The PRC	Registered capital	RMB19,000,000	**—**	**100%**	—	100%	Hydropower generation
Xingyuan Hydropower (Notes i, ii)	The PRC	Registered capital	RMB 3,950,000	**—**	**100%**	—	100%	Hydropower generation
Fu'an Jiulong (Notes i, iii)	The PRC	Registered capital	RMB 6,120,000	—	**100%**	—	—	Hydropower generation
Huajin Huifu (Notes i, iii)	The PRC	Registered capital	RMB 60,000,000	—	**100%**	—	—	Investment holding
Top Glory International Development Limited (Note iii)	Hong Kong	Ordinary	HK$100	—	**100%**	—	—	Investment holding
Reach Splendid Global Limited (Note iii)	BVI	Ordinary	USD100	**100%**	—	—	—	Investment holding
TianHai Hydropower (Shenzhen) Consultancy Co., Ltd.* 天海水電(深圳)諮詢有限公司 (Notes i, iv)	The PRC	Registered capital	RMB10,000,000	—	**100%**	—	—	Provision of business consulting service
Guangyuan Hydropower (Notes i, iii)	The PRC	Registered capital	RMB500,000	**—**	**100%**	—	—	Provision of operating service for hydropower plants
Fujian Sifang Hydropower Investment Co., Ltd.* 福建省四方水電投資有限公司 (Notes i, iii)	The PRC	Registered capital	RMB80,000,000	**—**	**100%**	—	—	Hydropower generation

* *The English names are for identification purpose only.*

42. Particulars of Subsidiaries of the Company (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion ownership interest held by the Company 2014 Directly	2014 Indirectly	2013 Directly	2013 Indirectly	Principal activities
Fuyuan Hydropower (Notes i, iii)	The PRC	Registered capital	RMB64,200,000	—	71%	—	—	Hydropower generation
Shouning County Xinyuan Hydropower Co., Ltd* ("Xinyuan Hydropower") 壽寧縣新源水電有限公司 (Notes i, iii)	The PRC	Registered capital	RMB22,000,000	—	60%	—	—	Hydropower generation
Juyuan Hydropower (Notes i, iii)	The PRC	Registered capital	RMB6,000,000	—	38%	—	—	Hydropower generation
Shouning County Shengyuan Hydropower Co., Ltd.* 壽寧縣盛源水電投資有限公司 (Notes i, iii)	The PRC	Registered capital	RMB26,800,000	—	100%	—	—	Hydropower generation

Notes

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

ii. *The company was acquired by the Group on 24 April 2013.*

iii *The companies were acquired by the Group during the year ended 31 December 2014.*

iv. *The company was established on 3 April 2014.*

v. *On 3 December 2013, Qianyuan Hydropower entered into an investment contract with Victory World, and Qianyuan Hydropower agreed to accept the investment of approximately RMB10,778,000 in cash from Victory World as a new shareholder. The acceptance of investment from Victory World would dilute the Company's shareholdings in Qianyuan Hydropower from 100% to 69.98%. As at the date of approval of this consolidated financial statements, the transaction is not yet completed. Details of which are set out in the Company's announcement dated 3 December 2013.*

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

* *The English names are for identification purpose only.*

42. Particulars of Subsidiaries of the Company (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2014	2013	**2014**	2013	**2014**	2013
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Fuyuan Hydropower	**29%**	—	**445**	—	**26,993**	—
Xinyuan Hydropower	**40%**	—	**120**	—	**13,736**	—
Juyuan Hydropower	**62%**	—	**(389)**	—	**(1,358)**	—

42. Particulars of Subsidiaries of the Company (Continued)

	2014 RMB'000	2013 RMB'000
Fuyuan Hydropower		
Current assets	**43,262**	—
Non-current assets	**233,621**	—
Current liabilities	**(39,134)**	—
Non-current liabilities	**(144,670)**	—
Equity attributable to owners of Fuyuan Hydropower	**66,086**	—
Non-controlling interests	**26,993**	—

	2014 RMB'000	2013 RMB'000
Revenue	**2,723**	—
Expenses	**(1,190)**	—
Profit for the period	**1,533**	—
Profit and total comprehensive income attributable to owners of Fuyuan Hydropower	**1,088**	—
Profit and total comprehensive income attributable to the non-controlling interests	**445**	—
Profit and total comprehensive income for the period	**1,533**	—
Dividends paid to non-controlling interests	**(1,926)**	—
Net cash inflow from operating activities	**9,144**	—
Net cash inflow from investing activities	**1**	—
Net cash outflow from financing activities	**(9,266)**	—
Net cash outflow	**(121)**	—

42. Particulars of Subsidiaries of the Company (Continued)

	2014 RMB'000	2013 RMB'000
Xinyuan Hydropower		
Current assets	**14,666**	—
Non-current assets	**37,467**	—
Current liabilities	**(9,342)**	—
Non-current liabilities	**(8,450)**	—
Equity attributable to owners of Xinyuan Hydropower	**20,605**	—
Non-controlling interests	**13,736**	—

	2014 RMB'000	2013 RMB'000
Revenue	**763**	—
Expenses	**(463)**	—
Profit for the period	**300**	—
Profit and total comprehensive income attributable to owners of Xinyuan Hydropower	**180**	—
Profit and total comprehensive income attributable to the non-controlling interests	**120**	—
Profit and total comprehensive income for the period	**300**	—
Net cash inflow from operating activities	**959**	—
Net cash inflow from investing activities	**2**	—
Net cash outflow from financing activities	**(1,147)**	—
Net cash outflow	**(186)**	—

42. Particulars of Subsidiaries of the Company (Continued)

	2014 RMB'000	2013 RMB'000
Juyuan Hydropower		
Current assets	663	—
Non-current assets	14,946	—
Current liabilities	(17,798)	—
Non-current liabilities	—	—
Equity attributable to owners of Juyuan Hydropower	(831)	—
Non-controlling interests	(1,358)	—

	2014 RMB'000	2013 RMB'000
Revenue	273	—
Expenses	(900)	—
Loss for the period	(627)	—
Loss and total comprehensive expense attributable to owners of Juyuan Hydropower	(238)	—
Loss and total comprehensive expense attributable to the non-controlling interests	(389)	—
Loss and total comprehensive expense for the period	(627)	—
Net cash outflow from operating activities	(491)	—
Net cash inflow from investing activities	1	—
Net cash inflow from financing activities	724	—
Net cash inflow	234	—

43. Major Non-Cash Transaction

During the year ended 31 December 2014, an amount of loan to a former beneficial owner of a subsidiary of approximately RMB24,165,000 was assigned and transferred to amount due to a former beneficial owner of a subsidiary.

44. Event after the Reporting Period

Pursuant to a deed of indemnity dated 1 January 2015, the substantial shareholder of the Company, Mr. Lin Yang has undertaken to provide an irrevocable standby loan facility of RMB100,000,000 upon request to fund the daily operation of the Group from 1 January 2015 to 31 December 2015.

Financial Summary

RESULTS	Year ended 31 December **2014** **RMB'000**	 2013 RMB'000	 2012 RMB'000
Turnover	**64,539**	30,164	27,806
Profit before tax	**50,515**	9,068	3,919
Income tax expense	**(8,495)**	(2,979)	(2,279)
Profit for the year and total comprehensive income for the year	**42,020**	6,089	1,640

ASSETS AND LIABILITIES	As at 31 December **2014** **RMB'000**	 2013 RMB'000	 2012 RMB'000
Current assets	**174,509**	64,771	94,949
Non-current assets	**806,647**	166,728	138,676
Total assets	**981,156**	231,499	233,625
Current liabilities	**177,430**	15,593	14,163
Non-current liabilities	**596,628**	93,500	103,145
Total liabilities	**774,058**	109,093	117,308
Net assets	**207,098**	122,406	116,317
Total equity	**207,098**	122,406	116,317