



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

2015

First Quarterly Report

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

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This report, for which the directors (the “Directors”) of Haitian Hydropower International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, (ii) there are no other matters the omission of which would make any statement herein or this report misleading and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and responsible.

FINANCIAL HIGHLIGHTS

- Turnover for the three months ended 31 March 2015 amounted to approximately RMB27.8 million (2014: RMB6.7 million), representing an increase of 314.9% as compared with the corresponding period in 2014.
- Gross profit for the three months ended 31 March 2015 amounted to approximately RMB17.3 million (2014: RMB4.8 million), representing an increase of 260.4% as compared with the corresponding period in 2014.
- The profit and total comprehensive income attributable to owners of the Company for the three months ended 31 March 2015 was approximately RMB1.0 million compared to a profit of approximately RMB1.3 million for the corresponding period in 2014.
- Basic and diluted earnings per share for the three months ended 31 March 2015 amounted to RMB0.10 cents (2014: RMB0.13 cents).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2015.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2015, together with the comparative unaudited figures in the corresponding period of last year, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2015

	Notes	Three months ended 31 March 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover	4	27,808	6,731
Cost of sales		(10,537)	(1,977)
Gross profit		17,271	4,754
Other income	6	338	83
Administrative expenses		(3,944)	(1,033)
Finance costs	7	(11,208)	(1,917)
Other operating expenses		(83)	—
Profit before tax		2,374	1,887
Income tax expense	8	(1,565)	(545)
Profit and total comprehensive income for the period	9	809	1,342
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		965	1,342
Non-controlling interests		(156)	—
		809	1,342
Earnings per share (RMB cents)	11		
Basic		0.10	0.13
Diluted		0.10	0.13

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Convertible		Capital reserve	Retained profits	Total	Total		
					notes reserve	Statutory reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2015 (audited)	8,156	48,782	362	48,622	3,477	6,270	24	52,034	167,727	39,371	207,098	
Profit (loss) and total comprehensive income (expense) for the period	—	—	—	—	—	—	—	965	965	(156)	809	
At 31 March 2015 (unaudited)	8,156	48,782	362	48,622	3,477	6,270	24	52,999	168,692	39,215	207,907	
At 1 January 2014 (audited)	8,156	48,782	362	48,622	—	3,397	24	13,063	122,406	—	122,406	
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	1,342	1,342	—	1,342	
At 31 March 2014 (unaudited)	8,156	48,782	362	48,622	—	3,397	24	14,405	123,748	—	123,748	

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2015

1. General Information

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The 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 in Hong Kong are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

The 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 Group are principally engaged in hydropower generation and provision of operating and repair and maintenance services for hydropower plants.

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

2. Basis of Preparation

The condensed consolidated financial statements for the three months ended 31 March 2015 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. Principal Accounting Policies

The accounting policies adopted in preparing the condensed consolidated financial statements for the three months ended 31 March 2015 were consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

4. Turnover

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

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

	Three months ended 31 March	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Turnover		
Sales of electricity	23,563	6,731
Provision of repair and maintenance services	4,245	—
	27,808	6,731

5. Segment Information

Information reported to the chief operating decision maker (i.e. the Board), 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 People's Republic of China (the "PRC")

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

5. 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.

Three months ended 31 March

	Hydropower generation		Hydropower operation service		Consolidated	
	2015	2014	2015	2014	2015	2014
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Segment revenue:						
Sales to external customers	23,563	6,731	4,245	—	27,808	6,731
Inter-segment sales	—	—	1,364	—	1,364	—
Segment revenue	23,563	6,731	5,609	—	29,172	6,731
Eliminations					(1,364)	—
Group revenue					27,808	6,731
Segment results	11,469	4,051	4,096	—	15,565	4,051
Unallocated corporate income					327	83
Unallocated corporate expenses					(2,310)	(330)
Finance costs					(11,208)	(1,917)
Profit before tax					2,374	1,887

Segment results represent the results of each segment without allocation of 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.

(b) 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.

6. Other Income

	Three months ended 31 March	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Bank interest income	327	32
Gain on disposal of property, plant and equipment	11	—
Net exchange gain	—	51
	338	83

7. Finance Costs

	Three months ended 31 March	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Interests on financial liabilities wholly repayable within five years:		
Interest expense on convertible notes	1,548	—
Debentures	475	—
Finance charges on obligations under finance leases	3,277	—
Former beneficial owner of a subsidiary	837	—
Unsecured other borrowing	246	—
Interests on financial liabilities not wholly repayable within five years:		
Secured bank borrowings	4,825	1,917
Total borrowing costs	11,208	1,917

8. Income Tax Expense

	Three months ended 31 March	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	1,909	563
Deferred taxation	(344)	(18)
	1,565	545

- (i) Pursuant to the rules and regulations of the Cayman Islands and 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 during both periods.
- (iii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% during both periods.

9. Profit for the Period

	Three months ended 31 March	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation	6,679	1,249
Amortisation of prepaid lease payments (included in cost of sales)	122	88
Amortisation of intangible assets	103	71
Operating lease charges in respect of properties	35	34
Net exchange loss	45	—

10. Dividend

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2015.

11. 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:

	Three months ended 31 March	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	965	1,342
Interest expense on convertible notes	1,548	—
Earnings for the purpose of diluted earnings per share	2,513	1,342

11. Earnings Per Share (Continued)

	2015 '000 (unaudited)	2014 '000 (unaudited)
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	92,000	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,092,000	1,000,000

Diluted earnings per share was same as the basic earnings per share for the three months ended 31 March 2015, as the effect of the conversion of the Company's outstanding convertible notes would result in an increase in earnings per share for the three months ended 31 March 2015.

Diluted earnings per share was same as the basic earnings per share for the three months ended 31 March 2014 as there was no potential ordinary shares outstanding during the three months ended 31 March 2014.

12. Events after the Reporting Period

As disclosed in the Company's announcement dated 21 April 2015, the Company announced that Mr. Xie Zuomin had been appointed as an independent non-executive Director with effect from 21 April 2015 to fill the casual vacancy following the resignation of Mr. Zhang Shijiu on 1 April 2015. And the Company wishes to put forward to the shareholders of the Company (the "Shareholders") a proposal of share subdivision on the basis that every one (1) issued and unissued share of par value of HK\$0.01 each in the share capital of the Company be subdivided into two (2) Subdivided shares of par value of HK\$0.005 each. The Company also proposes that subject to and upon the share subdivision becoming effective, the board lot size will be changed from 10,000 existing shares to 4,000 subdivided shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Operating Hydropower Plants

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 March 2015, 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 Huangqing-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.

Repair and Maintenance Services

As at 31 March 2015, the Group also owns a subsidiary engaging in the provision of hydropower operation services and repair and maintenance services, namely, Shouning Guangyuan Hydropower Operation Management Co., Ltd. (壽寧縣廣源水電營運有限公司) ("Guangyuan Hydropower").

Extension Development of 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 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.

Acquisition of Hydropower Plants

As a core of expansion strategy, the Group continues to seek for acquiring small and medium-size hydropower plants with attractive return and appreciation potential. During the three months ended 31 March 2015, no acquisition of hydropower plant was completed. However, the Group has identified a few potential hydropower plants in Fujian Province and conducted preliminary reviews and feasibility studies.

Financial Review

Turnover

The Group recorded a turnover of approximately RMB27.8 million (including approximately RMB23.6 million for hydropower generation and RMB4.2 million for hydropower operation service) for the three months ended 31 March 2015, representing a 314.9% increase as compared to approximately RMB6.7 million for the same period in 2014. The increase was mainly due to the acquisition of the new hydropower plants in 2014, which accounted for approximately 57.0% of the Group's total turnover for the three months ended 31 March 2015. The segment revenue derived from the provision of operating and repair and maintenance services for hydropower plants was from Guangyuan Hydropower.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB17.3 million for the three months ended 31 March 2015 (2014: RMB4.8 million) representing an increase of 260.4% as compared to that for the corresponding period in 2014. Cost of sales increased from approximately RMB2.0 million for the three months ended 31 March 2014 to approximately RMB10.5 million for the three months ended 31 March 2015. Gross profit margin, calculated as gross profit divided by turnover, for the three months ended 31 March 2015 amounted to 62.1% (2014: 71.6%). During the period under review, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and purchase of electricity. Cost of sales of the Group was relatively stable, which had less impact on the gross profit margin. The 425.0% increase of cost of sales for the three months ended 31 March 2015 compared to the last corresponding period was mainly due to the acquisition of the new hydropower plants in Decemebr 2014.

Administrative Expenses

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the three months ended 31 March 2015, the Group's administrative expenses increased to approximately RMB3.9 million compared to approximately RMB1.0 million for the corresponding period in 2014, representing an increase of approximately 290.0%. The administrative expenses increased mainly due to the increase of employees and acquisition of new hydropower plants in December 2014.

Finance Costs

The finance costs of the Group represented interest expenses on bank borrowings, other borrowing, debentures, convertible notes, finance charges on obligations under finance leases and interest from former beneficial owner. For the three months ended 31 March 2015, finance costs recorded by the Group increased to approximately RMB11.2 million compared to approximately RMB2.0 million for the corresponding period of last year. The increase in finance costs was mainly due to the increased borrowings including bank borrowings, other borrowings, debentures, convertible notes and obligation under finance leases during the period ended 31 March 2015.

Income Tax Expense

Owing to increased profit in certain subsidiaries, the income tax of the Group increased by 220.0% from approximately RMB0.5 million for the three months ended 31 March 2014 to approximately RMB1.6 million for the three months ended 31 March 2015.

Profit and Total Comprehensive Income

As a result of the above changes, profit and total comprehensive income attributable to owners of the Company decreased by 23.1% from approximately RMB1.3 million for the three months ended 31 March 2014 to approximately RMB1.0 million for the three months ended 31 March 2015, which was mainly due to finance costs incurred during the three months ended 31 March 2015.

Outlook

The Group has got rapid development in recent years, the enterprise strategy and management principles have made qualitative leap, it has grown into an excellent hydropower energy company integrating with investment, construction, power generation operation and management. Looking ahead, the Group will continue to seek and acquire small and medium-size hydropower plants with promising outlooks and appreciation potential. Since the “One Belt and One Road” (“壹帶壹路”) strategy encourages the development of the key landmark projects along the route, such as traffic, electric power communication etc., the implementation of the national strategy “One Belt

and One Road”, is not only a milestone to realise the Chinese dream of national rejuvenation but also a huge opportunity for the Group to realise international development. As an outstanding enterprise, the Group is committed to international development. The Chairman of the Board, Mr. Lin Yang, explicitly indicates that with the opportunity of national development strategy “One Belt and One Road”, the Group must implement the strategy of “Going Out”, integrate global resources, actively carry out cross-border mergers and acquisitions, and extensively cooperate with foreign excellent electric power enterprises along the “One Belt and One Road” as well as the enterprises in America and Europe. The investment scope will include: mergers and acquisitions of the power stations and the electric power enterprises, new power station investment and construction, grid project investment, advanced electricity generation and transmission technology, and clean energy technology research and development etc. Focusing on hydropower, and actively developing clean sustainable and renewable energy sources such as wind, solar, etc., the Group will gradually form the integration of energy and resources industry chain. At the same time, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

Events after the Reporting Period

As disclosed in the Company's announcement dated 21 April 2015, the Company announced that Mr. Xie Zuomin had been appointed as an independent non-executive Director with effect from 21 April 2015 to fill the casual vacancy following the resignation of Mr. Zhang Shijiu on 1 April 2015. And the Company wishes to put forward to the Shareholders a proposal of share subdivision on the basis that every one (1) issued and unissued share of par value of HK\$0.01 each in the share capital of the Company be subdivided into two (2) Subdivided shares of par value of HK\$0.005 each. The Company also proposes that subject to and upon the share subdivision becoming effective, the board lot size will be changed from 10,000 existing shares to 4,000 subdivided shares.

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

As at 31 March 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in the Shares

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

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

Saved as disclosed above, as at 31 March 2015, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2015, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Nature of interest	Number of shares held	Approximate shareholding percentage %
Victor River 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 issued to Hanergy Option Limited.
3. Hanergy Option Limited is a company incorporated in 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 March 2015, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Interests and Short Positions of the Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

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

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the three months ended 31 March 2015.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 March 2015.

Code on Corporate Governance Practice

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

Code of Conduct for Securities Transactions by Directors

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

Audit Committee

The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited first quarterly financial results of the Group for the three months ended 31 March 2015.

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

Fujian Province, the PRC, 8 May 2015

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