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
Interim 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

Mr. Chan Kam Fuk
Mr. Cheng Chuhan
Mr. Xie Zuomin

Audit Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Remuneration Committee

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

Nomination Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Compliance Committee

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

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
Wanchai
Hong Kong

Principal Bankers

Bank of China, Fujian Branch
Huaxia Bank, Fuzhou Jinan Branch
Bank of Communications, Fuzhou Taijian Branch

Company Website

www.haitianhydropower.com

Stock Code

08261

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB73.0 million for the six months ended 30 June 2015 (2014: RMB19.9 million), representing an increase of 266.8% as compared with corresponding period in 2014.

- Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB7.0 million (2014: RMB6.4 million), representing an increase of 9.4% as compared with corresponding period in 2014.

- Basic earnings per share for the six months ended 30 June 2015 amounted to RMB0.35 cents (2014: RMB0.32 cents).

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the operation and management of small hydropower plants in the PRC which were either developed by itself or acquired from other parties.

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 30 June 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 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 88.67MW.

Repair and Maintenance Services

As at 30 June 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 year 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 six months ended 30 June 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 RMB73.0 million (including approximately RMB68.8 million, or 93.2% of the total turnover for hydropower generation and RMB4.2 million or 5.8% of the total turnover for provision of hydropower operation service) for the six months ended 30 June 2015, representing a 266.8% increase as compared to approximately RMB19.9 million for the same period in 2014. Such significant increase was mainly due to the completion of the acquisition of Fujian Haitian Huajin Huifu Energy Development Co., Ltd. ("Huajin Huifu") on 15 December 2014. Huajin Huifu and its subsidiaries contributed approximately 63.8% of the Group's total turnover for the six months ended 30 June 2015.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB43.9 million for the six months ended 30 June 2015 (2014: RMB15.3 million) representing an increase of 186.9% as compared to that for the corresponding period in 2014. Cost of sales increased from approximately RMB4.6 million for the six months ended 30 June 2014 to approximately RMB29.2 million for the six months ended 30 June 2015. Gross profit margin, calculated as gross profit divided by turnover, for the six months ended 30 June 2015 amounted to 60.1% (2014: 76.9%). Such decrease was mainly due to the fact that on top of selling its own generated electricity, Huajin Huifu and its subsidiaries also sold electricity purchased from third parties and the gross profit margin of such trading activity was relatively lower than that of selling own generated electricity. During the period under review,the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and purchase of electricity. The 534.8% increase of cost of sales for the six months ended 30 June 2015 compared to the last corresponding period was mainly due to the acquisition of the new hydropower plants in December 2014.

Administrative Expenses

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the six months ended 30 June 2015, the Group's administrative expenses increased to approximately RMB8.0 million compared to approximately RMB2.6 million for the corresponding period of last year, representing an increase of approximately 207.7%. The administrative expenses increased mainly due to the 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 amount due to former beneficial owner of a subsidiary. For the six months ended 30 June 2015, finance costs recorded by the Group increased to approximately RMB23.0 million compared to approximately RMB4.2 million for the corresponding period of last year. The increase in finance costs was mainly due to the increased borrowings including bank borrowings, other borrowing, debentures, convertible notes and obligation under finance leases during the second half year of 2014 for financing the acquisition of Huajin Huifu.

Income Tax Expense

Owing to increased profit in certain subsidiaries, the income tax expense of the Group increased by 91.3% from approximately RMB2.3 million for the six months ended 30 June 2014 to approximately RMB4.4 million for the six months ended 30 June 2015.

Profit and Total Comprehensive Income

Owing to increased profit in certain subsidiaries, the profit and total comprehensive income of the Group increased by 42.2% from approximately RMB6.4 million for the six months ended 30 June 2014 to approximately RMB9.1 million for the six months ended 30 June 2015.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the six months ended 30 June 2015 amounted to RMB0.35 cents (2014: RMB0.32 cents).

Liquidity and Financial Resources

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

The Group had cash and cash equivalents of approximately RMB132.4 million as at 30 June 2015, representing an increase of approximately RMB17.8 million compared to that of approximately RMB114.6 million as at 31 December 2014. Net cash generated from operating activities amounted to approximately RMB53.0 million for the six months ended 30 June 2015 as compared to that of RMB12.5 million for the corresponding period of last year.

Pledge of Assets

The bank borrowings of approximately RMB347.3 million and obligations under finance leases of approximately RMB164.4 million at 30 June 2015 were secured by certain prepaid lease payments and certain property, plant and equipment of the Company. The Group pledged the following assets to bank and certain lessors for borrowings and obligations under finance leases granted to the Group:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Prepaid lease payments	**9,692**	9,803
Property, plant and equipment	**422,700**	467,224
	432,392	477,027

The bank borrowings and obligations under finance leases are also secured by the electricity tariff collection right. As at 30 June 2015, the carrying amount of trade receivables of the subsidiaries in which with such electricity tariff collection right pledged is approximately RMB33,311,000 (31 December 2014: approximately RMB31,597,000).

As at 30 June 2015 and 31 December 2014, the entire equity interests of Zhouning County Qianyuan Hydropower Development Co., Ltd., Fu'an Jiulong Hydropower Development Co., Ltd and Ningde Xingyuan Hydropower Co., Ltd., indirect subsidiaries of the Company, have been pledged to a financial institution for securing obligations under finance leases.

As at 30 June 2015 and 31 December 2014, two of the subsidiaries of the Company, Dachuan Hydropower and Liyuan Hydropower have provided corporate guarantee in relation to finance leases for a maximum amount of RMB259,200,000.

Foreign Exchange Exposure

The Group's income and expenditure during the six months ended 30 June 2015 were principally denominated in Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2015 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the period under review.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities of the Group to the total assets of the Group, decreased to 75.5% as at 30 June 2015 (31 December 2014: 78.9%). The decrease was mainly due to repayment of loans during the six months ended 30 June 2015.

Capital Structure

As at 30 June 2015, the Group had total assets of approximately RMB960.3 million, including property, plant and equipment of approximately RMB718.8 million, prepaid lease payments of approximately RMB21.0 million, intangible assets of approximately RMB10.1 million, and cash and cash equivalents of approximately RMB132.4 million. As at 31 December 2014, the Group had total assets of approximately RMB981.2 million, comprising property, plant and equipment of approximately RMB732.1 million, prepaid lease payments of approximately RMB21.0 million, intangible assets of approximately RMB10.3 million, and cash and cash equivalents of approximately RMB114.6 million.

As at 30 June 2015, the Group had total liabilities of approximately RMB725.1 million, mainly comprising bank borrowings of approximately RMB347.3 million and obligations under finance leases of approximately RMB164.4 million. As at 31 December 2014, the Group had total liabilities of approximately RMB774.1 million, mainly comprising bank borrowings of approximately RMB355.8 million and obligations under finance leases of approximately RMB175.4 million.

Except for the subdivision of share and conversion of convertible notes in May 2015 and June 2015 respectively, there has been no material changes in the capital structure of the Group during the period under review. The total number of the issued shares of the Company was 2,040,000,000 as at 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2015 (2014: nil).

Bank Borrowings and obligations under finance leases

As at 30 June 2015, the Group's bank borrowings amounted to approximately RMB347.3 million, bearing interest rates ranged from 5.90% to 7.10% (31 December 2014: 5.55% to 7.50%) per annum, and the Group's finance leases amounted to approximately RMB164.4 million, bearing interest rates ranged from 7.00% to 7.92% (31 December 2014: 7.50% to 7.92%) per annum.

Employees and Remuneration Policies

As at 30 June 2015, the Group employed approximately 216 employees, as compared to 221 employees as at 31 December 2014, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB4.8 million (for the period ended 30 June 2014: approximately RMB1.1 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investment or Capital Assets

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the period under review. Save for the extension development of Jiulong Hydropower Plant as disclosed under Business Review of this Interim Report, there is no plan for material investments or capital assets as at 30 June 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.

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 during 2015, which was included in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the first half year of 2015.

Business objectives for the period from 1 January 2015 to 31 December 2015	Actual business progress up to 30 June 2015
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 September 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, the Directors believe the mainframe construction will be completed in the first half year of 2016 and the project will start to contribute to the Group in June 2016.
Enhancement of safety management	The Group has implemented steps and procedures to review the safety policy and upgraded the safety equipment for the three operating hydropower plants.

The net proceeds from the placing of the shares ("Placing") of the Company were approximately HK$59.9 million. The net proceeds from the Placing from the date of listing (i.e. 6 July 2012) (the "Listing Date") to 30 June 2015 had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 31 December 2014 HK$'000	**Actual use of proceeds from the Listing Date to 30 June 2015** HK$'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	130
Total	59,780	52,514

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

Note 2: The net proceeds from the Placing for enhancement of technologies and facilities of newly acquired hydropower plants was fully utilized as at 31 December 2014.

Note 3: The actual net proceeds from the Placing of the Company were approximately HK$59.9 million, which was lower than the estimated net proceeds of approximately HK$62.3 million, mainly due to the Placing price of the shares fixing at HK$0.30 per share, lower than the midpoint of the indicative Placing price range of HK$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants was adjusted to HK$44.7 million, which was fully utilized as at 31 December 2014.

Reference is made to the updates on the use of proceeds in the Group's 2014 annual report. As at 31 December 2014, the Group has utilized HK$52.5 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 any material change to the planned use of the proceeds from the plan as stated in the Prospectus.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilized balances have been placed in licensed banks in Hong Kong and in the PRC.

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

As at 30 June 2015, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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, were as follows:

Long Position in the shares of the Company ("Shares")

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang ("Mr. Lin") (Note)	Interest of controlled corporation	1,500,000,000 Shares	73.53

Note: 1,500,000,000 Shares are held by Victor River Limited ("Victor River"), which is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the Shares held by Victor River under the SFO.

Save for disclosed above, as at 30 June 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 30 June 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 person had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Victor River (Note 1)	Beneficial owner	1,500,000,000 Shares	73.53
Ms. Chen Congling (Note 1)	Interest of spouse	1,500,000,000 Shares	73.53
Haitong Securities Co., Ltd.	Interest of controlled corporation	152,000,000 Shares (Notes 2 and 3)	7.45
Haitong International Holdings Limited	Interest of controlled corporation	152,000,000 Shares (Notes 2 and 3)	7.45
Haitong International Securities Group Limited	Interest of controlled corporation	152,000,000 Shares (Notes 2 and 3)	7.45

Notes:

1 Victor River is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 1,500,000,000 Shares held by Victor River under the SFO. Ms. Chen Congling is the spouse of Mr. Lin. Under the SFO, Ms. Chen Congling is deemed to be interested in the 1,500,000,000 Shares owned by Mr. Lin through Victor River.

2. These Shares/underlying Shares comprise (i) 112,000,000 Shares which may be issued upon full conversion of the conversion rights attached to the convertible notes issued to Haitong International Financial Products Limited; and (ii) 40,000,000 Shares issued to Haitong International Financial Solutions Limited upon the conversion of the convertible notes on 24 June 2015.

3. Each of Haitong International Financial Solutions Limited and Haitong International Financial Products Limited is wholly-owned by Haitong International Finance Company Limited, which is in turn a wholly-owned subsidiary of Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is owned as to 57.05% by Haitong International Holdings Limited, a wholly-owned subsidiary of Haitong Securities Co., Ltd.. Accordingly, each of Haitong International Finance Company Limited, Haitong International (BVI) Limited, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed to be interested in the total number of 152,000,000 Shares/underlying Shares held by Haitong International Financial Solutions Limited and Haitong International Financial Products Limited under the SFO.

Save for disclosed above, as at 30 June 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 controlling shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the period under review.

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 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, lapsed or cancelled under the Scheme during the period under review and there were no outstanding share options under the Scheme at the beginning and at the end of the six months ended 30 June 2015.

Code on Corporate Governance Practice

The Company has applied and adopted the principles of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules ("CG Code") throughout the period under review. During the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the CG Code.

Code of Conduct for Securities Transactions by Directors

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

Audit Committee

The Company has established the audit committee ("Audit Committee") in accordance with the requirements of the CG Code. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and the interim report of the Group for the six months ended 30 June 2015. The Audit Committee is of opinion that the consolidated financial statements of the Group for the six months ended 30 June 2015 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Fujian Province, the PRC, 7 August 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. Xie Zuomin, Mr. Cheng Chuhan and Mr. Chan Kam Fuk.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Three months ended 30 June **2015** RMB'000 (unaudited)	Three months ended 30 June 2014 RMB'000 (unaudited)	Six months ended 30 June **2015** RMB'000 (unaudited)	Six months ended 30 June 2014 RMB'000 (unaudited)
Turnover	4	**45,238**	13,136	**73,046**	19,867
Cost of sales		**(18,631)**	(2,585)	**(29,168)**	(4,562)
Gross profit		**26,607**	10,551	**43,878**	15,305
Other income	6	**467**	20	**805**	103
Administrative expenses		**(4,073)**	(1,541)	**(8,017)**	(2,574)
Other operating expenses		**(41)**	—	**(124)**	—
Finance costs	7	**(11,821)**	(2,248)	**(23,029)**	(4,165)
Profit before tax		**11,139**	6,782	**13,513**	8,669
Income tax expense	8	**(2,856)**	(1,765)	**(4,421)**	(2,310)
Profit and total comprehensive income for the period	9	**8,283**	5,017	**9,092**	6,359
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**6,054**	5,017	**7,019**	6,359
Non-controlling interests		**2,229**	—	**2,073**	—
		8,283	5,017	**9,092**	6,359
Earnings per share (RMB cents)	11				
Basic		**0.30**	0.25	**0.35**	0.32
Diluted		**0.30**	0.25	**0.35**	0.32

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	**30 June 2015 RMB'000 (unaudited)**	31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**718,824**	732,117
Prepaid lease payments		**20,533**	20,777
Goodwill		**25,178**	25,178
Intangible assets		**10,050**	10,256
Deposit paid for acquisition of non-current assets		**3,274**	3,441
Other deposit and prepayment		**15,319**	14,786
Deferred tax assets		**144**	92
		793,322	806,647
Current assets			
Trade and other receivables	13	**34,093**	49,467
Prepaid lease payments		**487**	487
Pledged bank deposits		**—**	10,000
Bank balances and cash		**132,376**	114,555
		166,956	174,509
Current liabilities			
Trade and other payables	14	**50,398**	52,109
Income tax payables		**9,322**	14,028
Unsecured other borrowing	15	**6,577**	13,410
Secured bank borrowings	15	**64,062**	63,562
Obligations under finance leases	16	**39,589**	34,321
		169,948	177,430
Net current liabilities		**(2,992)**	(2,921)
		790,330	803,726

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Capital and reserves			
Share capital	18	**8,314**	8,156
Reserves		**185,464**	159,571
Equity attributable to owners of the Company		**193,778**	167,727
Non-controlling interests		**41,444**	39,371
		235,222	207,098
Non-current liabilities			
Secured bank borrowings	15	**283,250**	292,250
Debentures	15	**23,658**	23,666
Obligations under finance leases	16	**124,775**	141,080
Convertible notes	17	**71,885**	87,457
Deferred tax liabilities		**49,794**	50,429
Other payable		**1,746**	1,746
		555,108	596,628
		790,330	803,726

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Special reserve RMB'000	Convertible notes reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total 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 and total comprehensive income for the period	—	—	—	—	—	—	—	7,019	7,019	2,073	9,092
Issue of shares upon conversion of convertible notes	158	19,630	—	—	(756)	—	—	—	19,032	—	19,032
At 30 June 2015 (unaudited)	8,314	68,412	362	48,622	2,721	6,270	24	59,053	193,778	41,444	235,222
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	—	—	—	—	—	—	—	6,359	6,359	—	6,359
At 30 June 2014 (unaudited)	8,156	48,782	362	48,622	—	3,397	24	19,422	128,765	—	128,765

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**52,978**	12,491
Net cash from (used in) investing activities	**10,434**	(25,846)
Net cash (used in) from financing activities	**(45,591)**	4,223
Net increase (decrease) in cash and cash equivalents	**17,821**	(9,132)
Cash and cash equivalents at 1 January	**114,555**	42,083
Cash and cash equivalents at 30 June, represented by bank balances and cash	**132,376**	32,951

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 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 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 GEM of the Stock Exchange.

The Company is engaged in investment holding while the Group is 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 primary subsidiaries. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. Basis of Preparation

The condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of approximately RMB2,992,000 as at 30 June 2015. 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.

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

3. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

3. Principal Accounting Policies (Continued)

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

Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle

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

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as set out in Note (2) of the consolidated financial statements for the year ended 31 December 2014.

In addition, there are following amendments to HKFRSs have been issued but are not effective subsequent to the date of consolidated financial statements for the year ended 31 December 2014.

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

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

3. Principal Accounting Policies (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

4. Turnover

Turnover represents the amounts received and receivable for electricity sold, 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 30 June		**Six months ended 30 June**	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	**2015 RMB'000 (unaudited)**	2014 RMB'000 (unaudited)
Turnover				
Sales of electricity	**45,238**	13,136	**68,801**	19,867
Provision of repair and maintenance services	**—**	—	**4,245**	—
	45,238	13,136	**73,046**	19,867

5. 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 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

(a) Segment revenue and results

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

Six months ended 30 June

	Hydropower generation		Hydropower operation service		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:						
Sales to external customers	**68,801**	19,867	**4,245**	—	**73,046**	19,867
Inter-segment sales	**—**	—	**3,050**	—	**3,050**	—
Segment revenue	**68,801**	19,867	**7,295**	—	**76,096**	19,867
Eliminations					**(3,050)**	—
Group revenue					**73,046**	19,867
Segment results	**33,584**	13,827	**4,364**	—	**37,948**	13,827
Unallocated corporate income					**794**	103
Unallocated expenses					**(2,200)**	(1,096)
Finance costs					**(23,029)**	(4,165)
Profit before tax					**13,513**	8,669

5. Segment Information (Continued)

(a) Segment revenue and results (Continued)

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) Segment assets and liabilities

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

Assets and liabilities	**30 June 2015 RMB'000 (unaudited)**	31 December 2014 RMB'000 (audited)
Segment assets		
Hydropower generation	**822,146**	840,944
Hydropower operation service	**5,533**	5,480
Total segment assets	**827,679**	846,424
Unallocated corporate assets		
— Other receivables	**79**	10,085
— Pledged bank deposits	**—**	10,000
— Bank balances and cash	**132,376**	114,555
— Deferred tax assets	**144**	92
Total assets	**960,278**	981,156
Segment liabilities		
Hydropower generation	**25,829**	20,220
Hydropower operation service	**874**	739
Total segment liabilities	**26,703**	20,959
Unallocated corporate liabilities		
— Other payables	**25,441**	32,896
— Income tax payables	**9,322**	14,028
— Unsecured other borrowing	**6,577**	13,410
— Secured bank borrowings	**347,312**	355,812
— Obligations under finance leases	**164,364**	175,401
— Convertible notes	**71,885**	87,457
— Debentures	**23,658**	23,666
— Deferred tax liabilities	**49,794**	50,429
Total liabilities	**725,056**	774,058

5. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

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

- All assets are allocated to operating segments other than pledged bank deposits, 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 borrowings, secured bank borrowings, obligations under finance leases, convertible notes, debentures and deferred tax liabilities.

(c) 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 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**124**	15	**451**	47
Gain on disposal of property, plant and equipment	**—**	—	**11**	—
Net exchange gain	**—**	5	**—**	56
Government grant (Note)	**343**	—	**343**	—
	467	20	**805**	103

Note: Government grant is received from local government authority of which the Group fulfilled all conditions or contingencies relating to such subsidy.

7. Finance Costs

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interests on financial liabilities wholly repayable within five years:				
Convertible notes	**1,943**	—	**3,491**	—
Debentures	**474**	—	**949**	—
Obligations under finance leases	**3,861**	122	**7,138**	122
Amount due to former beneficial owner of a subsidiary	**13**	—	**850**	—
Unsecured other borrowing	**31**	—	**277**	—
Interests on financial liabilities not wholly repayable within five years:				
Secured bank borrowings	**5,499**	2,126	**10,324**	4,043
	11,821	2,248	**23,029**	4,165

8. Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The charge comprises:				
PRC Enterprise Income Tax ("EIT")	**3,199**	1,827	**5,108**	2,390
Deferred taxation	**(343)**	(62)	**(687)**	(80)
	2,856	1,765	**4,421**	2,310

(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.

8. Income Tax Expense (Continued)

(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 30 June		**Six months ended 30 June**	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	**2015 RMB'000 (unaudited)**	2014 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	**6,719**	1,557	**13,488**	2,946
Amortisation of prepaid lease payments (included in cost of sales)	**122**	103	**244**	191
Amortisation of intangible assets	**103**	55	**206**	105
Operating lease charges in respect of properties	**28**	34	**63**	68
Net exchange loss	**536**	—	**581**	—

10. Dividend

No dividend was paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

11. Earnings Per Share

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	**6,054**	5,017	**7,019**	6,359
Interest expense on convertible notes	**1,943**	—	**3,491**	—
Earnings for the purpose of diluted earnings per share	**7,997**	5,017	**10,510**	6,359

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	'000	'000	**'000**	'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,003,043**	2,000,000	**2,001,538**	2,000,000
Convertible notes	**180,957**	—	**182,462**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,184,000**	2,000,000	**2,184,000**	2,000,000

11. Earnings Per Share (Continued)

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share subdivision on 26 May 2015.

The dilutive earnings per share is equal to the basic earnings per share 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 and six months ended 30 June 2015.

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

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2015, the Group spent approximately RMB221,000 (six months ended 30 June 2014: approximately RMB2,544,000) on acquisition of property, plant and equipment.

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

In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB26,000 for cash proceeds of approximately RMB37,000, resulting in a gain on disposal of approximately RMB11,000 during the six months ended 30 June 2015.

13. Trade Receivables

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables	**28,011**	27,498
Less: allowance for trade receivables	**—**	(60)
	28,011	27,438

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

13. Trade Receivables (Continued)

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within 30 days	**23,511**	25,901
31 to 60 days	**—**	1,537
61 to 90 days	**4,500**	—
	28,011	27,438

14. Trade Payables

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	**11,464**	7,398

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:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within 60 days	**7,194**	3,457
61 to 90 days	**412**	2,617
Over 90 days	**3,858**	1,324
	11,464	7,398

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.

15. Unsecured Other Borrowing, Secured Bank Borrowings and Debentures

During the six months ended 30 June 2015 and 2014, the Group did not obtain any new bank borrowings, debentures or other borrowing.

As at 30 June 2015, the secured bank borrowings are secured by certain assets as disclosed in note 22 and the electricity tariff collection right of the subsidiaries of the Company.

16. Obligations under Finance Leases

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Analysed as:		
Current	**39,589**	34,321
Non-current	**124,775**	141,080
	164,364	175,401

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, plant and equipment for hydropower generation with total carrying amount of approximately RMB45,013,000 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. 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 six months ended 30 June 2015 is raged from 7.00% to 7.92% per annum (31 December 2014: from 7.50% to 7.92%) per annum. Lease-related costs amounting to approximately RMB4,980,000 has been capitalised on initial recognition of obligations under finance leases.

16. Obligations under Finance Leases (Continued)

	Minimum lease payment		Present value of minimum lease payment	
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)	**30 June 2015 RMB'000 (unaudited)**	31 December 2014 RMB'000 (audited)
Amounts payable under finance leases:				
Within one year	**51,843**	49,586	**39,589**	34,321
In the second to fifth year	**143,390**	165,902	**124,775**	141,080
	195,233	215,488	**164,364**	175,401
Less: future finance charges	**(30,869)**	(40,087)	**N/A**	N/A
Present value of lease obligations	**164,364**	175,401	**164,364**	175,401
Less: amount due within one year included under current liabilities			**(39,589)**	(34,321)
Amount due for settlement after 12 months			**124,775**	141,080

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and disclosed in note 22.

17. 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).

During the six months ended 30 June 2015, one of the convertible notes holders ("CN Holder A") had exercised the conversion right and 40,000,000 new shares was issued and allotted to the CN Holder A at HK$0.625 by adjusting the conversion price of HK$1.25 upon the share subdivision.

On 26 June 2015, the Company received conversion notice from another one of the convertible notes holders ("CN Holder B") to exercise the conversion right and 32,000,000 new shares were issued and allotted to the CN Holder B at HK$0.625 by adjusting the conversion price of HK$1.25 upon the share subdivision subsequent to 30 June 2015.

18. Share Capital

	Number of shares		Nominal value of ordinary shares	
	30 June 2015 '000 (unaudited)	31 December 2014 '000 (audited)	**30 June 2015 RMB'000 (unaudited)**	31 December 2014 RMB'000 (audited)
Authorised:				
At beginning of period/year (Ordinary shares of HK$0.01 each)	**2,000,000**	2,000,000	**20,000**	20,000
Share subdivision	**2,000,000**	—	**—**	—
At the end of the period/year (Ordinary shares of HK$0.005 each)	**4,000,000**	2,000,000	**20,000**	20,000
Issued and fully paid:				
At beginning of period/year (Ordinary shares of HK$0.01 each)	**1,000,000**	1,000,000	**8,156**	8,156
Share subdivision	**1,000,000**	—	**—**	—
Issue of shares upon conversion of convertible notes	**40,000**	—	**158**	—
At the end of the period/year (Ordinary shares of HK$0.005 each)	**2,040,000**	1,000,000	**8,314**	8,156

During the six months ended 30 June 2015, the authorised share capital of the Company had been subdivided from 2,000,000,000 shares to 4,000,000,000 shares and the issued and fully paid share capital of the Company had been subdivided from 1,000,000,000 shares to 2,000,000,000 shares ("Share Subdivision"). Upon completion of the Share Subdivision, the nominal or par value of each share capital had been changed from HK$0.01 to HK$0.005. The new shares rank pari passu with the existing shares in all respects.

During the six months ended 30 June 2015, CN Holder A had exercised the conversion right and 40,000,000 new shares was issued and allotted to the CN Holder A at HK$0.625. The new shares rank pari passu with the existing shares in all respects.

19. Share Option Scheme

Pursuant to a written resolution of the Company passed on 19 June 2013, the Company has conditionally adopted the share option scheme (the "Scheme") on 19 June 2013 for the primary purpose of providing incentives to eligible participants. No share option has been granted since the Scheme has been adopted. As at 31 December 2014 and 30 June 2015, there are no outstanding share options under the Scheme.

20. Operating Leases

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of one to three years. 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:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within one year	**275**	223
In the second to fifth year inclusive	**—**	189
	275	412

21. Capital Commitments

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**28,167**	28,167

22. Pledge of Assets

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Prepaid lease payments	**9,692**	9,803
Property, plant and equipment	**422,700**	467,224
	432,392	477,027

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Carrying amount of trade receivables pledged for finance leases	**3,899**	2,691
Carrying amount of trade receivables (included intra-group balances) pledged for bank borrowings	**29,412**	28,906
	33,311	31,597

22. Pledge of Assets (Continued)

As at 30 June 2015, the entire equity interests of Zhouning County Qianyuan Hydropower Development Co., Ltd., Fu'an Jiulong Hydropower Development Co., Ltd ("Fu'an Jiulong") and Ningde Xingyuan Hydropower Co., Ltd. ("Xingyuan Hydropower"), indirect subsidiaries of the Company, have been pledged to a lessor for securing obligations under finance leases.

As at 30 June 2015, 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 (2014: RMB259,200,000).

23. Acquisition of A Subsidiary

Acquisition of 100% equity interest in Fu'an Jiulong

On 25 April 2014, the Group acquired 100% interest in Fu'an Jiulong from Mr. Lin Dong and Mr. Zheng Hua ("Vendors"), independent third parties. Fu'an Jiulong is principally engaged in hydropower generation and was acquired with the objective of improving the Group's performance.

Consideration transferred

	RMB'000 (audited)
Cash consideration (Note)	40,000

Note: Loan to Fu'an Jiulong with principal amount of approximately RMB3.3 million was assigned by one of the Vendors to the Group pursuant to the sales and purchase agreement. The loan is unsecured, non-interest bearing and repayable on demand. The loan assignment is considered as part of the consideration of the acquisition.

23. Acquisition of A Subsidiary (Continued)

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

Assets and liabilities recognised at the date of acquisition

	RMB'000 (audited)
Property, plant and equipment	30,855
Prepaid lease payment	3,807
Intangible assets	1,295
Trade and other receivables	1,082
Bank balance and cash	548
Trade and other payables	(1,051)
Amount due to a vendor	(3,268)
Deferred tax liabilities	(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 (audited)
Consideration transferred	40,000
Less: assignment of vendor's loan	(3,268)
Less: recognised amount of identifiable net assets acquired	(27,231)
Goodwill arising on acquisition	9,501

Goodwill arose on the acquisition of Fu'an Jiulong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Fu'an Jiulong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

23. Acquisition of A Subsidiary (Continued)

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

Net cash outflow arising on acquisition

	RMB'000 (audited)
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 interim period is RMB1,012,000 attributable to Fu'an Jiulong. Revenue for the interim period includes RMB1,714,000 is attributable to Fu'an Jiulong.

Had the acquisition of Fu'an Jiulong been effected at the beginning of the interim period, the total amount of the profit of the Group for the six months ended 30 June 2014 would have been RMB7,262,000, and the amount of revenue for the interim period would have been RMB21,970,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Fu'an Jiulong been acquired at the beginning of the interim period, the directors of the Company calculated depreciation of property, plant and equipment and amortisations of prepaid lease payment and intangible assets based on the recognised amounts of property, plant and equipment, prepaid lease payment and intangible assets at the date of the acquisition.

24. Related Parties Transactions

The Group entered into the following transactions during the period:

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Amount due from a related company 福建省海興能源集團有限公司 (Note)	**10**	10

Note: Mr. Chen Congwen, the director of the Company has a beneficial interest in this company. The amount is unsecured, interest-free and repayable on demand. In 2012, the Group entered into a lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB5,000. During the six months ended 30 June 2015, the Group paid rental expenses of approximately RMB32,000 (six months ended 30 June 2014: RMB32,000) to this related company for leasing of the office premises.

(ii) The Group sold carbon credits known as Certified Emission Reductions, generated from the electricity generation which had been registered as Clean Development Mechanism ("CDM") projects on February 2009. On 3 August 2011, NDRC of the PRC and related PRC authorities promulgated the CDM Measures (Revised), which specified that any entity, which becomes a foreign-owned enterprise upon the change in shareholding subsequent to the approval by NDRC, will be disqualified automatically in CDM project.

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

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

24. Related Parties Transactions (Continued)

(iv) Compensation to key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Short-term benefits	**299**	217	**591**	434
Post-employments benefits	**11**	12	**25**	23
	310	229	**616**	457

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

25. Fair Value Disclosures

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the condensed 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 condensed 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 condensed consolidated financial statements.