

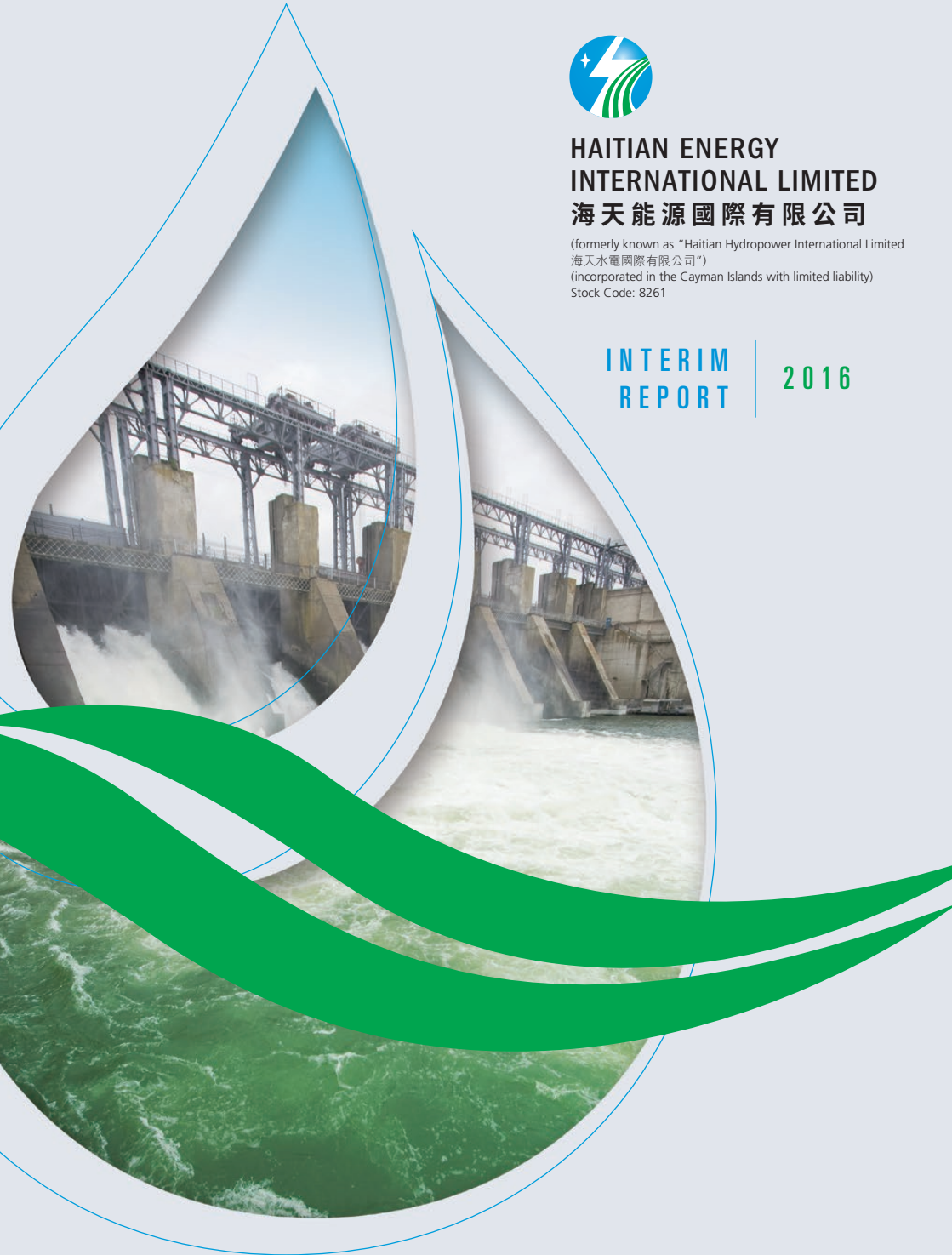


HAITIAN ENERGY INTERNATIONAL LIMITED 海天能源國際有限公司

(formerly known as "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

INTERIM
REPORT

2016



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This report, for which the directors (the “Directors”) of Haitian Energy 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. Zheng Xuesong (*Chief Executive Officer*)
Mr. Chen Congwen
Mr. Lin Tian Hai

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. Lin Yang
Mr. Chan Kam Fuk
Mr. Chen Congwen
Mr. Cheng Chuhan
Mr. Lin Tian Hai
Mr. Xie Zuomin

Compliance Officer

Mr. Lin Yang

Company Secretary

Ms. Mok Ming Wai

Authorised Representatives

Mr. Lin Tian Hai
Ms. Mok Ming Wai

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

36/F., Tower Two
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

Head Office in the People's Republic of China

Room 10, 21st Floor
B1 Building
Wanda Square Second Stages
Finance Street, Aojiang Road
Aofeng Avenue, Taijiang District
Fuzhou City, Fujian Province
PRC

Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Industrial Bank Co., Ltd, Fuan Branch
Bank of China, Fujian Branch
Huaxia Bank, Fuzhou Jinan Branch
Bank of Communications, Fuzhou Taijiang Branch

Company Website

www.haitian-energy.com

Stock Code

08261

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately RMB128.3 million for the six months ended 30 June 2016 (2015: RMB73.0 million), representing an increase of 75.8% as compared with corresponding period in 2015.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB27.4 million (2015: RMB7.0 million), representing an increase of 291.4% as compared with corresponding period in 2015.
- Basic earnings per share for the six months ended 30 June 2016 amounted to RMB0.30 cents (2015: RMB0.09 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the operation and management of small hydropower plants in the People's Republic of China (the "PRC") which were either developed by itself or acquired from other parties.

Operating Hydropower Plants

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 2016, 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 2016, 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 protectively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. As at 30 June 2016, the preliminary approval work for the extension project of Zhouning County Jiulong Hydropower Plant was basically completed. Currently, so long as the approval documents for such project are obtained from Fujian Development and Reform Commission, the mainframe construction of such project can commence immediately.

The Directors estimated that the total construction period is 20 months according to the design proposal in the feasibility study report on the project, and the construction unit, together with other project participants, such as the main construction unit, will assure that total construction work is completed within the period of 20 months, and strive to achieve the completion ahead of schedule and integrate the project into the power grid as soon as possible, so that the project can realize an income from electricity generation of the new power station in the same month.

Financial Review

Revenue

The Group recorded a revenue of approximately RMB128.3 million for the six months ended 30 June 2016, representing a 75.8% increase as compared to approximately RMB73.0 million for the same period in 2015. Such increase was mainly due to the increase in precipitation in Shouning County and Zhouning County in Fujian Province during the six months ended 30 June 2016 and the on-grid tariff for certain hydropower plants was increased in the second half of 2015.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB83.7 million for the six months ended 30 June 2016 (2015: RMB43.9 million), representing an increase of 90.7% as compared to that for the corresponding period in 2015. Cost of sales increased from approximately RMB29.2 million for the six months ended 30 June 2015 to approximately RMB44.6 million for the six months ended 30 June 2016. Gross profit margin, calculated as gross profit divided by revenue, for the six months ended 30 June 2016 amounted to 65.2% (2015: 60.1%), which was increased as compared to the same period in 2015. Such increase was mainly due to the increase of revenue while the fixed cost of sales had no significant change. During the period under review, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and purchase of electricity.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the six months ended 30 June 2016, the Group's administrative expenses slightly decreased to approximately RMB7.2 million compared to approximately RMB8.0 million for the corresponding period in 2015.

Finance Costs

The finance costs of the Group represented interest expenses on convertible notes, amount due to former beneficial owner of a subsidiary, unsecured other borrowing, secured bank borrowings, debentures and finance charges on obligations under finance leases. For the six months ended 30 June 2016, finance costs recorded by the Group increased to approximately RMB26.4 million compared to approximately RMB23.0 million for the corresponding period of last year. The increase in finance costs was mainly due to the increased borrowings, including bank borrowings, during the six months ended 30 June 2016.

Income Tax Expense

Owing to increased profit in certain subsidiaries, the income tax expense of the Group increased by 256.8% from approximately RMB4.4 million for the six months ended 30 June 2015 to approximately RMB15.7 million for the six months ended 30 June 2016.

Profit and Total Comprehensive Income

In line with the significant increase in the Group's revenue and gross profit, the profit and total comprehensive income of the Group increased by 290.1% from approximately RMB9.1 million for the six months ended 30 June 2015 to approximately RMB35.5 million for the six months ended 30 June 2016.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the six months ended 30 June 2016 amounted to RMB0.30 cents (30 June 2015: RMB0.09 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 RMB646.2 million as at 30 June 2016, representing an increase of approximately RMB374.6 million compared to that of approximately RMB271.6 million as at 31 December 2015. Net cash generated from operating activities amounted to approximately RMB63.0 million for the six months ended 30 June 2016 as compared to that of RMB53.0 million for the corresponding period of last year.

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 2016, 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.

Pledge of Assets

The bank borrowings of approximately RMB718.0 million and obligations under finance leases of approximately RMB125.9 million as at 30 June 2016 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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Prepaid lease payments	13,083	13,561
Property, plant and equipment	417,180	424,308
	430,263	437,869

The bank borrowings and obligations under finance leases are also secured by the electricity tariff collection right. As at 30 June 2016, the carrying amount of trade receivables of the subsidiaries in which with such electricity tariff collection right pledged is approximately RMB39,584,000 (31 December 2015: RMB37,955,000).

As at 30 June 2016 and 31 December 2015, the entire equity interests of Zhouning Qianyuan Hydropower Development Co., Ltd. (周寧縣乾元水電開發有限公司) (“Qianyuan Hydropower”), Fu’an Jiulong Hydropower Development Co., Ltd. (福安市九隆水電開發有限公司) (“Fu’an Jiulong”) and Ningde Xingyuan Hydropower Co., Ltd. (寧德市興源水電有限公司) (“Xingyuan Hydropower”), indirect subsidiaries of the Company, have been pledged to a financial institution for securing obligations under finance leases.

As at 30 June 2016 and 31 December 2015, two of the subsidiaries of the Company, Fujian Dachuan Hydropower Development Co., Ltd. (福建省大川水電開發有限公司) (“Dachuan Hydropower”) and Fuan Liyuan Hydropower Development Co., Ltd. (福安市力源水電開發有限公司) (“Liyuan Hydropower”) have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000.

As at 30 June 2016 and 31 December 2015, the entire equity interest of Fujian Sifang Hydropower Investment Co., Ltd. (福建省四方水電投資有限公司) (“Sifang Hydropower”) and 71% equity interest of Shouning County Fuyuan Hydropower Co., Ltd. (壽寧縣富源水電有限公司) (“Fuyuan Hydropower”) have been pledged to a bank for securing a new bank borrowing of RMB300,000,000 (2015: nil) of which the loan agreement is effective.

Foreign Exchange Exposure

The Group’s income and expenditure during the six months ended 30 June 2016 were principally denominated in Renminbi (“RMB”), and most of the assets and liabilities as at 30 June 2016 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, increased to 67.8% as at 30 June 2016 (31 December 2015: 67.5%).

Capital Structure

As at 30 June 2016, the Group had total assets of approximately RMB1,449.2 million, including property, plant and equipment of approximately RMB698.3 million, prepaid lease payments of approximately RMB20.5 million, intangible assets of approximately RMB9.2 million, and cash and cash equivalents of approximately RMB646.2 million. As at 31 December 2015, the Group had total assets of approximately RMB1,071.3 million, comprising property, plant and equipment of approximately RMB709.1 million, prepaid lease payments of approximately RMB20.8 million, intangible assets of approximately RMB9.5 million, and cash and cash equivalents of approximately RMB271.6 million.

As at 30 June 2016, the Group had total liabilities of approximately RMB982.7 million, mainly comprising bank borrowings of approximately RMB718.0 million and obligations under finance leases of approximately RMB125.9 million. As at 31 December 2015, the Group had total liabilities of approximately RMB722.9 million, mainly comprising bank borrowings of approximately RMB442.2 million and obligations under finance leases of approximately RMB145.4 million.

Except for the placing of shares in February 2016 and the subdivision of shares in May 2016, 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 9,136,000,000 shares as at 30 June 2016.

Contingent Liabilities

As at 30 June 2016, 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 2016 (2015: nil).

Bank Borrowings and obligations under finance leases

As at 30 June 2016, the Group's bank borrowings amounted to approximately RMB718.0 million (31 December 2015: RMB442.0 million), bearing interest rates ranged from 4.85% to 5.85% (31 December 2015: 4.83% to 7.92%) per annum, and the Group's finance leases amounted to approximately RMB125.9 million (31 December 2015: RMB145.4 million), bearing interest rates ranged from 6.25% to 6.67% (31 December 2015: 6.25% to 7.50%) per annum.

Employees and Remuneration Policies

As at 30 June 2016, the Group employed approximately 220 employees, as compared to 222 employees as at 31 December 2015, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB6.2 million (for the period ended 30 June 2015: approximately RMB4.8 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 Extension Development of Jiulong Hydropower Plant of this Interim Report, there is no plan for material investments or capital assets as at 30 June 2016.

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 as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the first half year of 2016.

Business objectives as stated in the Prospectus

Actual business progress up to 30 June 2016

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 2016. The bidding process of the engineering for the additional hydropower plant has been completed. The construction of incoming road has been completed for the basic needs of vehicle traffic. The design of electricity output transmission lines has been completed and reviewed by Ningde Power Supply Company and Provincial Power Company. Depending on the construction progress, the Directors believe the mainframe construction will be completed in the third quarter of 2018 and the project will start to contribute revenue to the Group in 2018.

The net proceeds from the placing of the shares of the Company (“Placing”) from the date of listing (i.e. 6 July 2012) (the “Listing Date”) to 30 June 2016 had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2016 HK\$'000	Actual use of proceeds from the Listing Date to 30 June 2016 HK\$'000
Possible acquisition of hydropower plants (Note 2)	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants (Note 1)	14,740	9,723
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
Total	59,780	54,763

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

Note 2: 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.

Reference is made to the updates on the use of proceeds in the Group’s 2015 annual report. As at 31 December 2015, the Group has utilised HK\$54.1 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 unutilised 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 2016, 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	6,000,000,000 Shares	65.67

Note: 6,000,000,000 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 2016, 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 2016, 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:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Victor River (Note 1)	Beneficial owner	6,000,000,000 Shares (L)	65.67
Ms. Chen Congling (Note 1)	Interest of spouse	6,000,000,000 Shares (L)	65.67

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Bright Century Resources Ltd. (Notes 2 and 3)	Beneficial owner, person having a security interest in Shares	880,040,000 Shares (L)	9.63
	Other	400,000,000 Shares (S)	4.38
China Orient Asset Management Corporation (Note 2)	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Dong Yin Development (Holdings) Limited (Note 2)	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Haitong International Investment Fund SPC – Fund I SP	Interest of controlled corporation	606,144,000 Shares (L)	6.63

Notes:

- Victor River is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 6,000,000,000 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 6,000,000,000 Shares owned by Mr. Lin through Victor River.
- Bright Century Resources Ltd. is wholly owned by Dong Yin Development (Holdings) Limited and Dong Yin Development (Holdings) Limited is wholly owned by China Orient Asset Management Corporation.
- The Shares held by Bright Century Resources Ltd. are held in the capacities of beneficial owner (relating to 400,000,000 Shares), person having a security interest in Shares (relating to 480,040,000 Shares) and other (relating to 400,000,000 Shares).
- (L) – Long position, (S) – short position

Save for disclosed above, as at 30 June 2016, 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 during the six months ended 30 June 2016.

Share Option Scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 30 June 2016.

Code on Corporate Governance Practice

The Company has applied and adopted the principles of Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”) throughout the period under review. During the six months ended 30 June 2016, 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 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 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 2016. The Audit Committee is of opinion that the condensed consolidated financial statements of the Group for the six months ended 30 June 2016 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Fujian Province, the PRC, 11 August 2016

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 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	4	76,418	45,238	128,294	73,046
Cost of sales		(24,281)	(18,631)	(44,600)	(29,168)
Gross profit		52,137	26,607	83,694	43,878
Other income	6	1,044	467	1,398	805
Administrative expenses		(3,799)	(4,073)	(7,178)	(8,017)
Other operating expenses		(22)	(41)	(291)	(124)
Finance costs	7	(13,459)	(11,821)	(26,395)	(23,029)
Profit before tax		35,901	11,139	51,228	13,513
Income tax expense	8	(10,500)	(2,856)	(15,680)	(4,421)
Profit for the period and total comprehensive income for the period	9	25,401	8,283	35,548	9,092
Profit for the period and total comprehensive income for the period attributable to:					
Owners of the Company		20,056	6,054	27,358	7,019
Non-controlling interests		5,345	2,229	8,190	2,073
		25,401	8,283	35,548	9,092
Earnings per share (RMB cents)	11				
Basic		0.22	0.08	0.30	0.09
Diluted		0.22	0.08	0.30	0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	698,256	709,088
Prepaid lease payments		20,045	20,289
Goodwill		25,178	25,178
Intangible assets		9,238	9,483
Deposits paid for acquisition of non-current assets		2,500	2,500
Other deposit and prepayment		16,615	16,030
Deferred tax assets		101	101
		771,933	782,669
Current assets			
Trade and other receivables	13	30,546	16,602
Prepaid lease payments		487	487
Bank balances and cash		646,198	271,557
		677,231	288,646
Current liabilities			
Trade and other payables	14	43,551	36,221
Amount due to a related company		–	859
Amount due to a director		137	548
Income tax payables		15,768	19,945
Secured bank borrowings	15	74,215	79,075
Obligations under finance leases	16	40,863	40,268
		174,534	176,916
Net current assets		502,697	111,730
Total assets less current liabilities		1,274,630	894,399

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Capital and reserves			
Share capital	17	9,303	8,883
Reserves		403,376	292,489
Equity attributable to owners of the Company		412,679	301,372
Non-controlling interests		53,827	47,087
Total equity		466,506	348,459
Non-current liabilities			
Secured bank borrowings	15	643,755	363,090
Obligations under finance leases	16	85,011	105,107
Debentures	15	25,640	25,133
Deferred tax liabilities		53,718	52,610
		808,124	545,940
		1,274,630	894,399

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-	
	Share capital	Share premium	Other reserve	Special reserve	Equity	Convertible	Statutory reserve	Capital reserve	Retained profits	Total	controlling interests	Total
					transaction reserve	notes 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	RMB'000
At 1 January 2016 (audited)	8,883	139,325	362	48,622	(1,127)	-	16,851	24	88,432	301,372	47,087	348,459
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	27,358	27,358	8,190	35,548
Issue of shares upon placing of shares (Note 17)	420	83,586	-	-	-	-	-	-	-	84,006	-	84,006
Transaction costs attributable to issue of shares upon placing of shares	-	(57)	-	-	-	-	-	-	-	(57)	-	(57)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,450)	(1,450)
At 30 June 2016 (unaudited)	9,303	222,854	362	48,622	(1,127)	-	16,851	24	115,790	412,679	53,827	466,506
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 for the period 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	63,004	52,978
Net cash (used in) from investing activities	(521)	10,434
Net cash from (used in) financing activities	312,158	(45,591)
Net increase in cash and cash equivalents	374,641	17,821
Cash and cash equivalents at 1 January	271,557	114,555
Cash and cash equivalents at 30 June, represented by bank balances and cash	646,198	132,376

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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.

Pursuant to a special resolution passed by the shareholders of the Company at the adjourned extraordinary general meeting held on 16 May 2016, the English name of the Company has been changed from "Haitian Hydropower International Limited" to "Haitian Energy International Limited" and the Chinese name of the Company has been changed from "海天水電國際有限公司" to "海天能源國際有限公司".

The shares of the Company are listed on the GEM of the Stock Exchange.

The Company is engaged in investment holding while the Group is principally engaged in hydropower generation, provision of operating and repair and maintenance services for hydropower plants and trading of electricity.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also 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 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. Revenue

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

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

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Sales of electricity	76,418	45,238	128,294	68,801
Provision of repair and maintenance services	–	–	–	4,245
	76,418	45,238	128,294	73,046

5. Segment Information

Information reported to the executive directors, being the chief operating decision maker, 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	–	Operation of hydropower plants in the PRC
Hydropower operation services	–	Provision of operating and repair and maintenance services for hydropower plants in the PRC
Hydropower trading	–	Trading of electricity

During the year ended 31 December 2015, the executive directors of the Company, after considering the change of composition of revenue, decided that it is more appropriate to include hydropower trading in assessing the performance and resource allocation. The trading of hydropower was then reclassified from hydropower generation and the relevant segment information for the six months ended 30 June 2015 was restated.

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:

Six months ended 30 June

	Hydropower generation		Hydropower operation services		Hydropower trading		Total	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited and restated)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited and restated)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue								
External sales	99,389	54,121	-	4,245	28,905	14,680	128,294	73,046
Inter-segment sales	-	-	3,845	3,050	-	-	3,845	3,050
Segment revenue	99,389	54,121	3,845	7,295	28,905	14,680	132,139	76,096
Eliminations							(3,845)	(3,050)
Group revenue							128,294	73,046
Segment profit	71,607	29,197	440	4,364	7,574	4,387	79,621	37,948
Unallocated corporate income							1,398	794
Unallocated corporate expenses							(3,396)	(2,200)
Finance costs							(26,395)	(23,029)
Profit before tax							51,228	13,513

Segment profit represents the profit earned by each segment without allocation of certain other income, central administration costs, directors' emoluments 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.

5. Segment Information (Continued)

(b) Segment assets and liabilities

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

	Jointly shared by hydropower generation and hydropower trading		Hydropower operation services		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2016	2015	2016	2015	2016	2015
	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (audited)
Segment assets	802,003	798,835	328	696	802,331	799,531
Unallocated corporate assets						
– Other receivables					534	126
– Bank balances and cash					646,198	271,557
– Deferred tax assets					101	101
Total assets					1,449,164	1,071,315
Segment liabilities	40,656	36,255	617	1,373	41,273	37,628
Unallocated corporate liabilities						
– Other payables					2,415	–
– Income tax payables					15,768	19,945
– Secured bank borrowings					717,970	442,165
– Obligations under finance leases					125,874	145,375
– Debentures					25,640	25,133
– Deferred tax liabilities					53,718	52,610
Total liabilities					982,658	722,856

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

(c) Geographical information

As all the Group's revenue 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		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	466	124	811	451
Gain on disposal of property, plant and equipment	–	–	–	11
Net exchange gain	212	–	212	–
Government grant (Note)	357	343	357	343
Rental income (net of outgoings: nil)	9	–	18	–
	1,044	467	1,398	805

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

7. Finance Costs

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on secured bank borrowings	10,486	5,499	20,289	10,324
Interest expense on convertible notes	–	1,943	–	3,491
Interest on debentures	505	474	1,009	949
Interest on finance leases	2,468	3,861	5,097	7,138
Interest on former beneficial owner of a subsidiary	–	13	–	850
Interest on unsecured other borrowing	–	31	–	277
	13,459	11,821	26,395	23,029

8. Income Tax Expense

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprises:				
PRC Enterprise Income Tax ("EIT")	9,015	3,199	14,572	5,108
Deferred taxation	1,485	(343)	1,108	(687)
	10,500	2,856	15,680	4,421

8. Income Tax Expense (Continued)

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

9. Profit for the Period

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:				
Depreciation for property, plant and equipment	6,041	6,809	12,164	13,488
Amortisation of prepaid lease payments (included in cost of sales)	122	122	244	244
Amortisation of intangible assets	56	103	245	206
Net exchange (gain) loss	(212)	536	(212)	581
Operating lease charges in respect of properties	335	28	671	63

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 2016 (six months ended 30 June 2015: nil).

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 30 June		Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Earnings				
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	20,056	6,054	27,358	7,019
Interest expense on convertible notes	–	1,943	–	3,491
Earnings for the purpose of diluted earnings per share	20,056	7,997	27,358	10,510

	Three months ended 30 June		Six months ended 30 June	
	2016 '000 (unaudited)	2015 '000 (unaudited and restated)	2016 '000 (unaudited)	2015 '000 (unaudited and restated)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	9,136,000	8,012,172	9,063,473	8,006,152
Convertible notes	–	723,828	–	729,848
Weighted average number of ordinary shares for the purpose of diluted earnings per share	9,136,000	8,736,000	9,063,473	8,736,000

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 subdivisions on 26 May 2015 and 17 May 2016.

The dilutive earnings per share was the same as the basic earnings per share for the three months and six months ended 30 June 2016, as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 June 2016.

The dilutive earnings per share was the same as the basic earnings per share for the three months and six months ended 30 June 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 and six months ended 30 June 2015.

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2016, the Group spent approximately RMB1,332,000 (six months ended 30 June 2015: RMB221,000) on acquisition of property, plant and equipment.

In addition, during the six months ended 30 June 2015, 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. The Group did not dispose of any property, plant and equipment during the six months ended 30 June 2016.

13. Trade Receivables

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade receivables	28,347	12,573
Less: allowance for trade receivables	(67)	(67)
	28,280	12,506

13. Trade Receivables (Continued)

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 dates.

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 30 days	26,725	12,152
31 to 60 days	1,300	354
61 to 90 days	255	–
	28,280	12,506

14. Trade Payables

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade payables	23,845	13,607

14. Trade Payables (Continued)

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 30 days	10,391	6,949
31 to 60 days	1,287	2,895
61 to 90 days	6,593	2,031
91 to 180 days	4,024	754
Over 180 days	1,550	978
	23,845	13,607

The average credit period granted is ranging from 15 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. Secured Bank Borrowings and Debentures

During the six months ended 30 June 2016, the Group obtained new borrowings of approximately RMB300,000,000 (30 June 2015: nil). The proceeds will be used for acquisition of project by the Group.

As at 30 June 2016, the secured bank borrowings are secured by certain assets and the electricity tariff collection right of the subsidiaries of the Company as disclosed in note 21.

16. Obligations under Finance Leases

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	40,863	40,268
Non-current liabilities	85,011	105,107
	125,874	145,375

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 an aggregate carrying values of approximately RMB45,013,000 have been sold at a consideration of RMB177,770,000 and have been leaseback with a lease term of 5 years. 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 30 June 2016, the security deposit has been discounted to its present value at approximately RMB16,531,000 (31 December 2015: RMB15,924,000) 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% (31 December 2015: 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 2016 is ranged from 6.25% to 6.67% (31 December 2015: from 6.25% to 7.50%) 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 payments		Present value of minimum lease payments	
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Obligations under finance leases payable:				
Within one year	49,942	51,436	40,863	40,268
Within a period of more than one year but not more than two years	46,939	50,704	41,273	43,002
Within a period of more than two years but not more than five years	45,970	66,425	43,738	62,105
Less: future finance charges	142,851 (16,977)	168,565 (23,190)	125,874 N/A	145,375 N/A
Present value of lease obligations	125,874	145,375	125,874	145,375
Less: amount due for settlement within 12 months shown under current liabilities			(40,863)	(40,268)
Amount due for settlement after 12 months shown under non-current liabilities			85,011	105,107

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by the equity interest of certain subsidiaries as disclosed in note 21.

17. Share Capital

	Number of shares	Nominal value of ordinary shares	
		HK\$'000	RMB'000
Authorised:			
At 1 January 2015, ordinary shares of HK\$0.01 each	2,000,000,000	20,000	
1st Share subdivision (Note (i))	2,000,000,000	-	
<hr/>			
At 31 December 2015,			
ordinary shares of HK\$0.005 each	4,000,000,000	20,000	
2nd Share subdivision (Note (iv))	12,000,000,000	-	
<hr/>			
At 30 June 2016, ordinary shares of HK\$0.00125 each	16,000,000,000	20,000	
<hr/>			
Issued and fully paid:			
At 1 January 2015, ordinary shares of HK\$0.01 each	1,000,000,000	10,000	8,156
1st Share subdivision (Note (i))	1,000,000,000	-	-
Issue of shares upon conversion of convertible notes (Note (ii))	184,000,000	920	727
<hr/>			
At 31 December 2015, ordinary shares of HK\$0.005 each	2,184,000,000	10,920	8,883
Issue of shares upon placing of shares (Note (iii))	100,000,000	500	420
2nd Share subdivision (Note (iv))	6,852,000,000	-	-
<hr/>			
At 30 June 2016, ordinary shares of HK\$0.00125 each	9,136,000,000	11,420	9,303
<hr/>			

17. Share Capital (Continued)

Notes:

- (i) 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 (“1st Share Subdivision”) with effect from 26 May 2015. Upon completion of the 1st 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.
- (ii) During the year ended 31 December 2015, all convertible notes holders exercised their conversion rights and 184,000,000 new shares of HK\$0.005 each were issued and allotted at a conversion price of HK\$0.652 per share.
- (iii) On 31 December 2015, the Company entered into a subscription agreement with Bright Century Resources Ltd., pursuant to which 100,000,000 new ordinary shares of the Company were issued at a price of HK\$1.00 per share on 3 February 2016. The net proceeds raised from the subscription are approximately HK\$99,932,000 (equivalent to approximately RMB83,949,000). The new shares rank pari passu with the existing shares in all aspects.
- (iv) During the six months ended 30 June 2016, the authorised share capital of the Company had been subdivided from 4,000,000,000 shares to 16,000,000,000 shares and the issued and fully paid share capital of the Company had been subdivided from 2,284,000,000 shares to 9,136,000,000 shares (“2nd Share Subdivision”) with effect from 17 May 2016. Upon completion of the 2nd Share Subdivision, the nominal or par value of each share capital had been changed from HK\$0.005 to HK\$0.00125. The new shares rank pari passu with the existing shares in all respects.

18. Share Option Scheme

Pursuant to a written resolution of the Company passed on 19 June 2012, the Company has conditionally adopted the share option scheme (the “Scheme”) on 19 June 2012 for the primary purpose of providing incentives to eligible participants. No share option has been granted since the Scheme has been adopted. As at 30 June 2016 and 31 December 2015, there are no outstanding share options under the Scheme.

19. 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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within one year	1,041	201
In the second to fifth year inclusive	551	161
	1,592	362

20. Capital Commitments

	30 June 2016 RMB'000 (unaudited)	31 December 2015 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	28,070	28,120

21. 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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Prepaid lease payments	13,083	13,561
Property, plant and equipment	417,180	424,308
	430,263	437,869

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Carrying amount of trade receivables pledged for finance leases	2,666	1,166
Carrying amount of trade receivables (included intra-group balances) pledged for bank borrowings	36,918	36,789
	39,584	37,955

21. Pledge of Assets (Continued)

As at 30 June 2016 and 31 December 2015, the entire equity interests of Qianyuan Hydropower, Fu'an Jiulong and Xingyuan Hydropower, indirect subsidiaries of the Company, have been pledged to a lessor for securing obligations under finance leases.

As at 30 June 2016 and 31 December 2015, two of the subsidiaries of the Company, Dachuan Hydropower and Liyuan Hydropower have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000 (2015: RMB259,200,000).

As at 30 June 2016 and 31 December 2015, the entire equity interest of Sifang Hydropower and 71% equity interest of Fuyuan Hydropower have been pledged to a bank for securing a new bank borrowing of RMB300,000,000. Dachuan Hydropower has provided an unlimited corporate guarantees in relation to the secured bank borrowing.

22. Related Parties Transactions

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 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, non-interest bearing and repayable on demand. In 2015, the Group entered into a lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB6,000. During the six months ended 30 June 2016, the Group paid rental expenses of approximately RMB37,000 (six months ended 30 June 2015: RMB32,000) to this related company for leasing of the office premises.

22. Related Parties Transactions (Continued)

- (ii) As at 31 December 2015, the amount due to a related company as disclosed in condensed consolidated statement of financial position represented amount due to Haitian Mining Resources (HK) Limited in which Mr. Lin Tian Hai, a director of the Company has beneficial interest. The amount was fully settled during the six months ended 30 June 2016.
- (iii) The amount due to a director as disclosed in condensed consolidated statement of financial position represented amount due to Mr. Lin Tian Hai. During the six months ended 30 June 2016, the Group bore the rental expenses of Mr. Lin Tian Hai's director's quarter of approximately RMB282,000 (equivalent to approximately HK\$330,000) (30 June 2015: nil).
- (iv) 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 in February 2009. On 3 August 2011, National Development and Reform Commission ("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.

- (v) 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.

22. Related Parties Transactions (Continued)

- (vi) Pursuant to a deed of indemnity dated 16 December 2014, the substantial shareholder of the Company, Mr. Lin Yang, has undertaken to provide indemnity of a maximum of approximately RMB8,649,000 which would be incurred or suffered by the Group as a result of any recourse action taken by the trade and other creditors.
- (vii) **Compensation to key management personnel**
The remuneration of directors and other members of key management during the periods was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Short-term benefits	517	299	1,028	591
Post-employments benefits	56	11	109	25
	573	310	1,137	616

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

23. 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.