



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

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1659

**INTERIM
REPORT
2018**



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

Audit Committee

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

Remuneration Committee

Mr. Xie Zuomin (*Chairman*)
(appointed on 31 January 2018)
Mr. Lin Yang (*Chairman*)
(ceased to be the chairman of Remuneration
Committee on 31 January 2018)
Mr. Cheng Chuhan
Mr. Chan Kam Fuk

Nomination Committee

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

Compliance Committee

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

Compliance Officer

Mr. Lin Yang

Company Secretary

Mr. Cheong Lok

Authorised Representatives

Mr. Lin Tian Hai
Mr. Cheong Lok

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

Unit 902, 9/F.,
Beautiful Group Tower,
74-77 Connaught Road Central,
Central, 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, Xian Branch
Industrial Bank Co., Ltd, Hong Kong Branch
Bank of Communications, Fuzhou Taijiang Branch

Company Website

www.haitian-energy.com

Stock Code

01659

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2018 amounted to approximately RMB67.3 million (2017: RMB85.0 million), representing a decrease of 20.8% as compared with the corresponding period in 2017.
- Gross profit for the six months ended 30 June 2018 amounted to approximately RMB33.0 million (2017: RMB51.1 million), representing a decrease of 35.4% as compared with the corresponding period in 2017.
- The profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2018 was approximately RMB0.9 million compared to a profit of approximately RMB10.9 million for the corresponding period in 2017.
- Basic and diluted earnings per share for the six months ended 30 June 2018 amounted to RMB0.001 cents (2017: RMB0.12 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hydropower Plants Operation

The Group is principally engaged in the hydropower generation by self-owned and leased plants and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the Peoples' Republic of China (the "PRC"). As at 30 June 2018, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and ten (six wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong 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 85.47 MW.

Electricity Supplies Operation and Installation Services

As at 30 June 2018, the Group also owns a subsidiary engaging in the provision of operating, repair and maintenance and installation services in relation to electricity supplies in the PRC, namely, Shouning Guangyuan Hydropower Operation Management Co., Ltd. (壽寧縣廣源水電營運有限公司).

Extension Development of Jiulong Hydropower Plant

As at 30 June 2018, the approval documents from Fujian Development and Reform Commission had been obtained and the mainframe construction work was started. Based on the current construction progress, the Directors estimate the overall construction will be completed in 2019.

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 2018, no acquisition of hydropower plant was completed.



Financial Review

Revenue

The Group recorded a revenue of approximately RMB67.3 million for the six months ended 30 June 2018, representing a 20.8% decrease as compared to approximately RMB85.0 million for the corresponding period in 2017. Such decrease in revenue was mainly due to the fact that the decrease in precipitation in Shouning County, Zhouning County and Fu'an City in Fujian Province during the six months ended 30 June 2018 as compared with the corresponding period in 2017.

The sale of electricity decreased from 215,189 MWh for the six months ended 30 June 2017 to 124,304 MWh for the six months ended 30 June 2018, representing approximately 42.2% decrease. Such decrease was mainly due to the decrease in precipitation in Shouning County, Zhouning County and Fuan City in Fujian Province in the first half of 2018. In the first half of 2018, the leased hydropower plants generated 36,818 MWh electricity which decreased by 14.3% compared with the corresponding period of 2017.

The services income from provision of operating, repair and maintenance and installation services in relation to electricity supplies in Fujian Province increased from nil for the six months ended 30 June 2017 to RMB11.6 million for the six months ended 30 June 2018. Such increase represents the Group has successfully developed its services, save as the operating services to hydropower plant, for providing installation and repair and maintenance services in relation to other electricity supply devices.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB33.0 million for the six months ended 30 June 2018 (2017: RMB51.1 millions), representing a decrease of 35.4% as compared to that of the corresponding period in 2017. Cost of sales slightly increased from approximately RMB33.8 million for the six months ended 30 June 2017 to approximately RMB34.3 million for the six months ended 30 June 2018. Gross profit margin, calculated as gross profit divided by revenue, for the six months ended 30 June 2018 amounted to 49.0% (2017: 60.1%). The decrease in gross profit margin in 2018 was mainly attributable to decrease of revenue while certain cost of sales are fixed costs. During the period under review, the cost of sales mainly included depreciation, direct salaries, water resource fees and leased payment for hydropower plants.

Administrative Expenses

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the six months ended 30 June 2018, the Group's administrative expenses slightly decreased to approximately RMB8.9 million compared to approximately RMB9.5 million for the corresponding period in 2017.

Finance Costs

The finance costs of the Group represented interest expenses on bank borrowings, debentures, and finance charges on obligations under finance leases. For the six months ended 30 June 2018 and 2017, finance costs recorded by the Group were approximately RMB17.0 million and RMB19.8 million respectively. The decrease of finance costs for the six months ended 30 June 2018 was due to repayment of certain bank borrowings and obligation under finance lease during the period from 30 June 2018 to 30 June 2017.

Income Tax Expense

Owing to decrease of profit in certain subsidiaries, the income tax expense of the Group decreased by 38.8% from approximately RMB9.8 million for the six months ended 30 June 2017 to approximately RMB6.0 million for the six months ended 30 June 2018.

Profit and Total Comprehensive Income

As a result of the above changes, profit and total comprehensive income attributable to owners of the Company decreased by 91.7% from approximately RMB10.9 million for the six months ended 30 June 2017 to approximately RMB0.9 million for the six months ended 30 June 2018.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the six months ended 30 June 2018 amounted to RMB0.001 cents (30 June 2017: RMB0.12 cents).

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and bank borrowings. The Group maintained strong cash and bank balances of approximately RMB469.1 million as at 30 June 2018, representing a decrease of approximately RMB7.6 million compared to that of approximately RMB476.7 million as at 31 December 2017. Net cash generated from operating activities amounted to approximately RMB12.8 million for the six months ended 30 June 2018 as compared to that of RMB8.3 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 2018, no acquisition of hydropower plant was completed.

Pledge of Assets

The bank borrowings of approximately RMB558.3 million (31 December 2017: RMB562.0 million) and the finance leases of approximately RMB29.3 million (31 December 2017: RMB29.6 million) as at 30 June 2018 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

As at 30 June 2018 and 31 December 2017, the entire equity interests of Fu'an Jiulong Hydropower Development Co., Ltd. (福安市九隆水電開發有限公司) ("Fu'an Jiulong"), an indirect subsidiary of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 30 June 2018 and 31 December 2017, 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 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 RMB259.2 million (31 December 2017: RMB259.2 million).

As at 30 June 2018 and 31 December 2017, 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 Country 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 bank borrowing of RMB272.0 million (31 December 2017: RMB277.0 million).

Foreign Exchange Exposure

The Group's income and expenditure during the six months ended 30 June 2018 were principally denominated in Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2018 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 59.1% as at 30 June 2018 (31 December 2017: 58.9%).

Capital Structure

As at 30 June 2018, the Group had total assets of approximately RMB1,241.0 million, including property, plant and equipment of approximately RMB661.6 million, prepaid lease payments of approximately RMB16.4 million, intangible assets of approximately RMB8.8 million, and cash and cash equivalents of approximately RMB469.1 million. As at 31 December 2017, the Group had total assets of approximately RMB1,231.5 million, comprising property, plant and equipment of approximately RMB662.8 million, prepaid lease payments of approximately RMB16.6 million, intangible assets of approximately RMB8.9 million, and cash and cash equivalents of approximately RMB476.7 million.

As at 30 June 2018, the Group had total liabilities of approximately RMB732.9 million, mainly comprising bank borrowings of approximately RMB558.3 million and obligations under finance leases of approximately RMB29.3 million. As at 31 December 2017, the Group had total liabilities of approximately RMB725.2 million, mainly comprising bank borrowings of approximately RMB562.0 million and obligations under finance leases of approximately RMB29.6 million.

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 2018.

Contingent Liabilities

As at 30 June 2018, 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 2018 (2017: nil).

Bank Borrowings and obligations under finance leases

As at 30 June 2018, the Group's bank borrowings amounted to approximately RMB558.3 million (31 December 2017: RMB562.0 million), bearing interest rates ranged from 4.41% to 6.37% (31 December 2017: 4.41% to 6.37%) per annum, and the Group's finance leases amounted to approximately RMB29.3 million (31 December 2017: RMB29.6 million), bearing interest rate of 8.15% (31 December 2017: 8.15%) per annum.

Employees and Remuneration Policies

As at 30 June 2018, the Group employed approximately 222 employees, as compared to 222 employees as at 31 December 2017, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB8.0 million (for the period ended 30 June 2017: approximately RMB7.4 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 2018.

Outlook

Hydropower is a renewable clean energy whose development has been encouraged by Chinese government for a long period of time, and also constitutes the most important component of the "Green Electricity" advocated by the International Energy Agency. It boasts sound value for long-term investment. The Group will continue to seek and acquire small and medium-size hydropower plants with promising outlooks and appreciation potential. Since the "Thirteen Five-Year" plan has encouraged the development of hydropower and under the policy guidance of the government work report which is significantly encouraging the development of clean energies and promoting the energy-saving emission reduction, the Board believes that small and medium-size hydropower plants have greater potential for future developments and investments, and will continue to present the Group with unprecedented development opportunities and benefits. As such, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

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 2018, 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang (Note)	Interest of controlled corporation	5,284,808,000 Shares	57.85

Note: 5,284,808,000 Shares are held by Victor River Limited (“Victor River”), which is wholly and beneficially owned by Mr. Lin Yang. Accordingly, Mr. Lin Yang is deemed to be interested in the Shares held by Victor River under the SFO.

Save for disclosed above, as at 30 June 2018, 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 Model Code.

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

So far as the Directors are aware, as at 30 June 2018, 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	5,284,808,000 Shares (L)	57.85
Ms. Chen Congling (Note 1)	Interest of spouse	5,284,808,000 Shares (L)	57.85
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

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
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 ISP	Beneficial owner	606,144,000 Shares (L)	6.64

Notes:

- Victor River is wholly and beneficially owned by Mr. Lin Yang. Accordingly, Mr. Lin Yang is deemed to be interested in the 5,284,808,000 Shares held by Victor River under the SFO. Ms. Chen Congling is the spouse of Mr. Lin Yang. Under the SFO, Ms. Chen Congling is deemed to be interested in the 5,284,808,000 Shares owned by Mr. Lin Yang 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 2018, 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 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 2018.

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 and during the period under review, no share options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 30 June 2018.

Code on Corporate Governance Practice

The Company has applied and adopted the principles of Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the period under review. During the six months ended 30 June 2018, the Company has complied with the code provisions as set out in the CG Code.

Directors' Securities Transactions

The Company has adopted a model code for securities transactions by Directors (the "Model Code") on terms which are the same as the required standard of dealings set out in Appendix 10 to the 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 as set out in the Model 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 2018. The Audit Committee is of opinion that the condensed consolidated financial statements of the Group for the six months ended 30 June 2018 comply with the applicable accounting standards, 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, 17 August 2018

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	4	67,295	84,971
Cost of sales		(34,296)	(33,833)
Gross profit		32,999	51,138
Other income	6	1,305	3,080
Administrative expenses		(8,945)	(9,485)
Other operating expenses		(956)	(213)
Finance costs	7	(16,998)	(19,774)
Profit before tax		7,405	24,746
Income tax expense	8	(6,013)	(9,827)
Profit for the period and total comprehensive income for the period	9	1,392	14,919
Profit for the period and total comprehensive income for the period attributable to:			
Owners of the Company		88	10,872
Non-controlling interests		1,304	4,047
		1,392	14,919
Earnings per share (RMB cents)	11		
Basic		0.001	0.12
Diluted		0.001	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	661,616	662,775
Prepaid lease payments		15,973	16,177
Goodwill		24,039	24,039
Intangible assets		8,788	8,899
Deposits paid for acquisition of land use right		2,500	2,500
Other deposits and prepayments		6,544	6,488
Deferred tax assets		107	106
		719,567	720,984
Current assets			
Trade and other receivables	13	51,489	33,436
Prepaid lease payments		408	408
Bank balances and cash		469,144	476,670
		521,041	510,514
Current liabilities			
Trade and other payables	14	41,855	39,235
Amount due to a related company		37	–
Amount due to a director		273	–
Income tax payables		13,003	13,523
Secured bank borrowings	15	67,690	67,690
Obligations under finance leases	16	27,129	14,647
		149,987	135,095
Net current assets		371,054	375,419
Total assets less current liabilities		1,090,621	1,096,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Capital and reserves			
Share capital	17	9,303	9,303
Reserves		443,228	443,140
Equity attributable to owners of the Company		452,531	452,443
Non-controlling interests		55,199	53,895
Total equity		507,730	506,338
Non-current liabilities			
Secured bank borrowings	15	490,635	494,290
Obligations under finance leases	16	2,181	14,906
Debentures		33,724	25,077
Deferred tax liabilities		56,351	55,792
		582,891	590,065
		1,090,621	1,096,403

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Equity			Capital reserve	Retained profits	Total		
					transaction reserve	Statutory reserve	Reserve					
	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 2017 (audited)	9,303	222,854	362	48,622	(1,127)	25,495	24	120,494	426,027	60,497	486,524	
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	10,872	10,872	4,047	14,919	
At 30 June 2017 (unaudited)	9,303	222,854	362	48,622	(1,127)	25,495	24	131,366	436,899	64,544	501,443	
At 1 January 2018 (audited)	9,303	222,854	362	48,622	(1,127)	34,388	24	138,017	452,443	53,895	506,338	
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	88	88	1,304	1,392	
At 30 June 2018 (unaudited)	9,303	222,854	362	48,622	(1,127)	34,388	24	138,105	452,531	55,199	507,730	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net cash from operating activities	12,775	8,264
Net cash used in investing activities	(8,470)	(3,360)
Net cash used in financing activities	(11,831)	(56,933)
Net decrease in cash and cash equivalents	(7,526)	(52,029)
Cash and cash equivalents at 1 January	476,670	528,060
Cash and cash equivalents at 30 June, represented by bank balances and cash	469,144	476,031

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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 Unit 902, 9/F., Beautiful Group Tower, 74-77 Connaught Road Central, Central, Hong Kong respectively.

The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2012. On 5 February 2018, the listing of shares were transferred from GEM to the main board of the Stock Exchange.

The Company is engaged in investment holding while the Group is principally engaged in hydropower generation by self-owned and leased hydropower plants and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the People's Republic of China (the "PRC").

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 16 of the Rules Governing the Listing of Securities on 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 2017.

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 and operating and installation 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:

	Six months ended	
	30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of electricity	55,681	81,926
Provision of operating and installation services	11,614	3,045
	67,295	84,971

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 by self-owned plants	–	Operation of self-owned hydropower plants in the PRC and sales of electricity
Hydropower generation by leased plants	–	Operation of leased hydropower plants in the PRC and sales of electricity
Electricity supplies operation and installation services	–	Provision of operating, repair and maintenance and installation services in relation to electricity supplies in the PRC

5. Segment Information (Continued)

(a) Segment revenue and results

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

For the six months ended 30 June

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Electricity supplies operation and installation services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Segment revenue								
Sales to external customers	41,013	66,020	14,668	15,906	11,614	3,045	67,295	84,971
Inter-segment sales	-	-	-	-	3,624	3,563	3,624	3,563
Segment revenue	41,013	66,020	14,668	15,906	15,238	6,608	70,919	88,534
Eliminations							(3,624)	(3,563)
Group revenue							67,295	84,971
Segment results	14,446	41,216	2,230	1,203	10,851	3,659	27,527	46,078
Unallocated corporate income							1,305	3,080
Unallocated expenses							(4,429)	(4,638)
Finance costs							(16,998)	(19,774)
Profit before tax							7,405	24,746

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 by self-owned and leased plants		Electricity supplies operation and installation services		Total	
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Segment assets	756,267	742,397	12,042	12,100	768,309	754,497
Unallocated corporate assets						
– Other receivables					3,048	225
– Bank balances and cash					469,144	476,670
– Deferred tax assets					107	106
Total assets					1,240,608	1,231,498
Segment liabilities	88,582	77,633	3,697	3,396	92,279	81,029
Unallocated corporate liabilities						
– Other payables					2,576	2,656
– Income tax payables					13,003	13,523
– Secured bank borrowings					505,635	517,530
– Obligations under finance leases					29,310	29,553
– Debentures					33,724	25,077
– Deferred tax liabilities					56,351	55,792
Total liabilities					732,878	725,160

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, certain 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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Bank interest income	654	805
Net exchange gain	–	696
Government grant (Note)	571	1,019
Rental income (net of outgoings: nil)	28	560
Sundry income	52	–
	1,305	3,080

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on debentures	1,082	1,060
Interest on finance leases	1,260	2,517
Interest on secured bank borrowings	14,656	16,197
	16,998	19,774

8. Income Tax Expense

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	5,456	9,227
Deferred taxation	557	600
	6,013	9,827

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

	Six months ended	
	30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	11,510	11,754
Amortisation of prepaid lease payments (included in cost of sales)	203	203
Amortisation of intangible assets	112	112
Net exchange loss (gain)	280	(696)
Operating lease charges in respect of properties (included in administrative expenses)	528	566
Operating lease charges in respect of leased hydropower plants (included in cost of sales)	10,966	13,249

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 2018 (six months ended 30 June 2017: 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:

	Six months ended	
	30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	88	10,872

	Six months ended	
	30 June	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	9,136,000	9,136,000

The dilutive earnings per share was the same as the basic earnings per share for the six months ended 30 June 2017 and 2018, as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2017 and 2018.

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2018, the Group spent approximately RMB2,028,000 (six months ended 30 June 2017: RMB2,947,000) on acquisition of property, plant and equipment and RMB8,347,000 on additions of construction in progress (six months ended 30 June 2017: RMB1,262,000).

13. Trade Receivables

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	42,521	27,419
Less: allowance for trade receivables	(67)	(67)
	42,454	27,352

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 30 days	42,233	26,331
Over 180 days	221	1,021
	42,454	27,352

14. Trade Payables

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	24,976	19,609

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 30 days	9,303	4,150
31 to 60 days	2,543	1,934
61 to 90 days	1,566	2,756
91 to 180 days	4,009	7,377
Over 180 days	7,555	3,392
	24,976	19,609

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

As at 30 June 2018, 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	27,129	14,647
Non-current liabilities	2,181	14,906
	29,310	29,553

In prior years, the Group entered into sales and leaseback arrangements. Pursuant to which certain of their property, plant and equipment for hydropower generation have been sold and leaseback with a lease term of 5 years. As at 30 June 2018, the security deposit has been discounted to its present value at approximately RMB6,080,000 (31 December 2017: RMB6,143,000) and included in other deposits and prepayments. The effective interest rate for the obligations under finance leases for the six months ended 30 June 2018 is 8.15% (31 December 2017: 8.15%) per annum.

16. Obligations under Finance Leases (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Obligations under finance leases payable:				
Within one year	28,421	16,745	27,129	14,647
Within a period of more than one year but not more than two years	2,187	15,304	2,181	14,906
	30,608	32,049	29,310	29,553
Less: future finance charges	(1,298)	(2,496)	N/A	N/A
Present value of lease obligations	29,310	29,553	29,310	29,553
Less: amount due for settlement within 12 months shown under current liabilities			(27,129)	(14,647)
Amount due for settlement after 12 months shown under non-current liabilities			2,181	14,906

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 2017 and 31 December 2017, 1 January 2018 and 30 June 2018 ordinary shares of HK\$0.00125 each	16,000,000,000	20,000	
Issued and fully paid:			
At 1 January 2017 and 31 December 2017, 1 January 2018 and 30 June 2018 ordinary shares of HK\$0.00125 each	9,136,000,000	11,420	9,303

18. Share Option Scheme

Pursuant to a written resolution of the Company passed on 19 June 2012, the Company has conditionally adopted a 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 2018 and 31 December 2017, 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	1,469	573
In the second to fifth year inclusive	1,199	–
	2,668	573

20. Capital Commitments

	30 June 2018 RMB'000 (unaudited)	31 December 2017 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	33,044	38,220

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Prepaid lease payments	9,024	9,135
Property, plant and equipment	116,701	142,252
	125,725	151,387

21. Pledge of Assets (Continued)

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Carrying amount of trade receivables pledged for finance leases	1,351	1,928
Carrying amount of trade receivables (intra-group balances before elimination) pledged for bank borrowings	27,647	30,313
	28,998	32,241

As at 30 June 2018 and 31 December 2017, the entire equity interests Fu'an Jiulong, an indirect subsidiary of the Company, have been pledged to a lessor for securing obligations under finance leases.

As at 30 June 2018 and 31 December 2017, 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 (31 December 2017: RMB259,200,000).

As at 30 June 2018 and 31 December 2017, the entire equity interest of Sifang Hydropower and 71% equity interest of Fuyuan Hydropower have been pledged to a bank for securing a bank borrowing of RMB272,000,000 (31 December 2017: RMB277,000,000).

22. Related Parties Transactions

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Amount due from a related company 福建省海興能源集團有限公司 (“海興能源”) (note)	9	9

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 2017, 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 2018, the Group paid rental expenses of approximately RMB37,000 (six months ended 30 June 2017: RMB37,000) to this related company for leasing of the office premises.

- (ii) As at 30 June 2018 and 31 December 2017, 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 Yang, a director of the Company has beneficial interest.
- (iii) The amount due to a director represented amount due to Mr. Lin Tian Hai. In 2016, the Group entered into a lease agreement with Mr. Lin Tian Hai, with a lease term of 3 years and a monthly rental of approximately RMB23,000 upon the expiry of the existing agreement. During the six months ended 30 June 2018, the Group paid rental expenses of approximately RMB137,000 (31 December 2017: RMB273,000) to this related party for leasing of the office premises. On the other hand, during the six months ended 30 June 2018, Mr. Lin Tian Hai paid the Group's expenses on its behalf of approximately RMB273,000 (31 December 2017: nil).

22. Related Parties Transactions (Continued)

- (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.
- (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.

22. Related Parties Transactions (Continued)

(vii) Compensation to key management personnel

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	1,522	1,616
Post-employments benefits	68	65
	1,590	1,681

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.