海天水电
HaiTian Hydropower

HAITIAN HYDROPOWER INTERNATIONAL LIMITED
海 天 水 電 國 際 有 限 公 司

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

ANNUAL REPORT 2015

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CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

Mr. Chan Kam Fuk
Mr. Cheng Chuhan
Mr. Xie Zuomin (appointed on 21 April 2015)
Mr. Zhang Shijiu (resigned on 1 April 2015)

Audit Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Xie Zuomin (appointed on 21 April 2015)
Mr. Zhang Shijiu (resigned on 1 April 2015)

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 (appointed on 21 April 2015)
Mr. Zhang Shijiu (resigned on 1 April 2015)

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 (appointed on 21 April 2015)
Mr. Zhang Shijiu (resigned on 1 April 2015)

Compliance Officer

Mr. Lin Yang

Company Secretary

Ms. Mok Ming Wai (appointed on 13 November 2015)
Ms. Ng Kit Ying Zelinda (resigned on 13 November 2015)

Authorised Representatives

Mr. Lin Tian Hai
Ms. Mok Ming Wai (appointed on 13 November 2015)
Ms. Ng Kit Ying Zelinda (resigned on 13 November 2015)

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

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Hutchins Drive
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Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

Head Office in the People's Republic of China

Room 10, 21st Floor
B1 Building
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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.haitianhydropower.com

Stock Code

08261

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the full year results of the Company, together with its subsidiaries (referred to as the "Group") for the year ended 31 December 2015.

During the year 2015, the Group has achieved significant development as compared to 2014 which was mainly attributable to the Group's successful acquisition strategy.

Business Review

Operating Hydropower Plants

The Group is principally engaged in the hydropower generation and hydropower trading in the People's Republic of China (the "PRC"). As at 31 December 2015, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and eleven (seven wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Ningde Jinxi-I Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67MW.

Repair and Maintenance Services

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

Extension Development of Jiulong Hydropower Plant

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Depending on the construction progress, the Directors believe the mainframe construction will be completed in the first quarter of 2018 and the project will start to contribute revenue to the Group in March 2018.

Financial Review

For the year ended 31 December 2015, The total revenue is RMB206.7 million, including the revenue from the sale of electricity amounting to RMB202.3 million, the revenue from provision of repair and maintenance service amounting to RMB4.3 million and the revenue from provision of operating service amounting to RMB0.1 million. Electricity sold of the Group amounted to 534,593 MWh, representing an increase of 219.1% as compared to that of last year. Profit attributable to the owners of the Group amounted to RMB47.0 million, representing an increase of 12.4%.

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" ("一帶一路") 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. 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.

Acknowledgements

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

Lin Yang
Chairman
15 March 2016

Business Review

The Group is principally engaged in the hydropower generation, trading of electricity and operation and management of hydropower plants in the PRC which were either developed by itself or acquired from other parties. As at 31 December 2015, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and eleven (seven wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Ningde Jinxi-I Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67 MW. The operational details of the hydropower plants are listed as below:

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

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

Indicators	**2015**	2014
Installed capacity (MW)	**11.25**	11.25
Gross generation (MWh) attributed to the Group	**47,275**	43,083
Applicable on-grid tariff (RMB/KWh), including Value Added Tax ("VAT")	**0.35-0.38**	0.331-0.35

Qianping Hydropower Plant（周寧縣前坪水電站）

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

Indicators	**2015**	2014
Installed capacity (MW)	**10**	10
Gross generation (MWh) attributed to the Group	**49,763**	53,006
Applicable on-grid tariff (RMB/KWh), including VAT	**0.331-0.37**	0.331

Jiulong Hydropower Plant（周寧縣九龍水電站）

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

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

Indicators	2015	2014
Installed capacity (MW)	**5**	5
Gross generation (MWh) attributed to the Group	**26,567**	27,009
Applicable on-grid tariff (RMB/KWh), including VAT	**0.301-0.321**	0.301

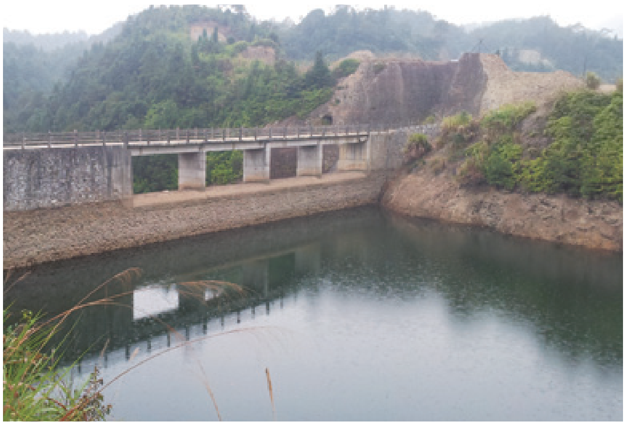
Extension Development of Jiulong Hydropower Plant

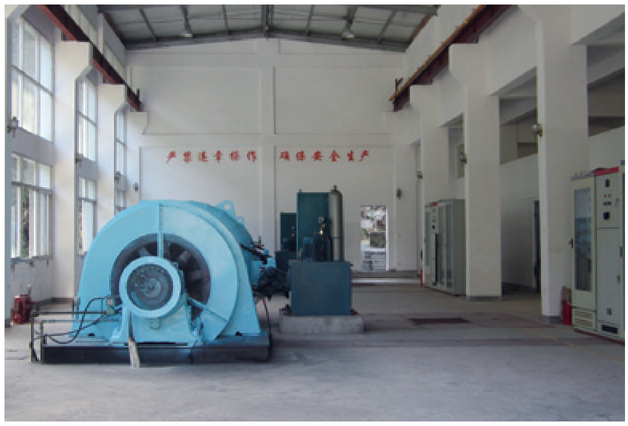
To strengthen the future cash flow and further expand our operation, the Group plans to develop an additional hydropower plant in Bapu Stream（八蒲溪）, Zhouning County, Fujian Province, the PRC. The Group was granted the development right by the relevant authority to develop additional hydropower plants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

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Depending on the construction progress, the Directors believe the mainframe construction will be completed in the first quarter of 2018 and the project will start to contribute revenue to the Group in March 2018.

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

Ningde Jinxi-I Hydropower Plant is located in Guyang village（菇洋村）, a Baizhang natural village（百丈自然村）, Jinhan town（金涵鄉）, Ningde city in Fujian Province. With a total installed capacity of 3.2 MW, the powerhouse contains two 1.6 MW horizontal water turbine generators（臥式水輪機組）. Jinxi-I Hydropower Plant commenced power generation for sale in May 2008. Jinxi-1 Hydropower Plant was acquired by the Group in April 2013. Jinxi-I Hydropower Plant is a comprehensive hydropower plant. The reservoir has total capacity of 1,066,000 m^3 and adjusted capacity of 389,000 m^3, which possesses the function of "daily adjustment（日調節）". i.e. the reservoir could store excess water in the high water hours for the use of electricity generation in low water hours during 24 hours.





Indicators	**2015**	2014
Installed capacity (MW)	**3.2**	3.2
Gross generation (MWh) attributed to the Group	**13,969**	10,445
Applicable on-grid tariff (RMB/KWh), including VAT	**0.301-0.321**	0.301

Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station (福安市九龍一級及二級水電站)

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

Indicators	**2015**	2014
Installed capacity (MW)	**4.5**	4.5
Gross generation (MWh) attributed to the Group	**28,596**	20,265
Applicable on-grid tariff (RMB/KWh), including VAT	**0.35-0.37**	0.325-0.35

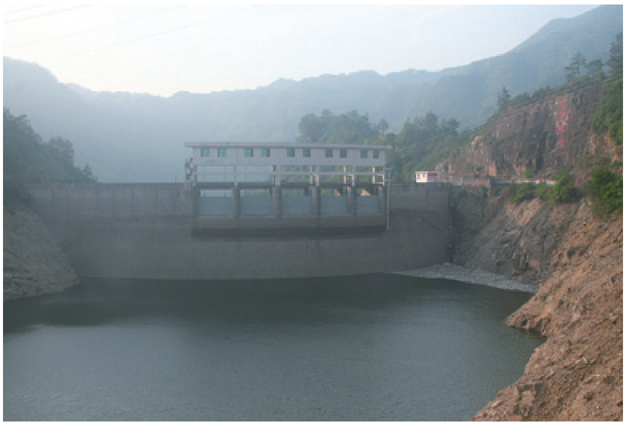
Liuchai Hydropower Plant & Xiadongxi Hydropower Plant（劉柴電站及下東溪電站）

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

Indicators	2015	2014
Installed capacity (MW)	**20**	20
Gross generation (MWh) attributed to the Group	**73,149**	3,968

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2014: RMB0.562) Electricity of low period: RMB0.208 (2014: RMB0.208).

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



Indicators	2015	2014
Installed capacity (MW)	**30**	30
Gross generation (MWh) attributed to the Group	**83,671**	4,488

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2014: RMB0.562) Electricity of low period: RMB0.208 (2014: RMB0.208).

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

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

Indicators	**2015**	2014
Installed capacity (MW)	**9.0**	9.0
Gross generation (MWh) attributed to the Group	**39,095**	2,436
Applicable on-grid tariff (RMB/KWh), including VAT	**0.321-0.351**	0.321

Cheling-II Hydropower Plant（車嶺二級電站）

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

Indicators	2015	2014
Installed capacity (MW)	**15.0**	15.0
Gross generation (MWh) attributed to the Group	**59,055**	1,490

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Limited Company（國網福建壽寧縣供電有限公司）: RMB0.287/KWh (2014: RMB0.287/KWh);
Electricity Charges, including VAT	To Shouning Ronghua Metal Products Company ("Ronghua Metal")（壽寧榮華金屬制品有限公司）: RMB0.57/KWh (2014: RMB0.57/KWh) of peak period, RMB0.32/KWh (2014: RMB0.32/KWh) of low period.

Kengdou Hydropower Plant（坑兜電站）

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

Indicators	2015	2014
Installed capacity (MW)	**3.2**	3.2
Gross generation (MWh) attributed to the Group	**12,928**	116

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.384/KWh (2014: RMB0.384/KWh) Electricity of low period: RMB0.32/KWh (2014: RMB0.32/KWh)

Acquisition of Hydropower Plants and Hydropower Operation Management Company

As a core of expansion strategy, the Group continues to seek to acquire small and medium-size hydropower plants with attractive return and appreciation potential.

Major Customers and Suppliers

For the year of 2015, most of the revenues from power generation and trading of the Group are derived from the following four customers, namely State Grid Fujian Zhouning Electricity Limited Company (國網福建周寧縣供電有限公司), State Grid Fujian Fu'an Electricity Limited Company (國網福建福安市供電有限公司), Shouning Ronghua Metal Products Company ("Ronghua Metal") (壽寧榮華金屬制品有限公司) and State Grid Zhejiang Wenzhou Electricity Company (國網浙江省電力公司溫州供電公司), each of which contributes approximately 18%, 13%, 6%, and 57% to the total revenues from power generation and trading, respectively. And the revenues from provision of repair and maintenance services are mainly derived from the customers named Shouning County Baijiashan Hydropower Development Co., Ltd. (壽寧縣百家山水電開發有限公司) and Ronghua Metal.

Due to the nature of the business, Shouning County Water Resources Board (壽寧縣水利局), Fuan Municipal Water Resources Board (福安市水利局) and Zhouning County Water Resources Board (周寧縣水利局), Zharong County Donglion Hydropower Investments Co., Ltd. (拓榮縣東聯水電投資有限公司) and Shouning County Dongxi Hydropower Co., Ltd. (壽寧縣東溪水電有限公司), which are regarded as the suppliers of the Group for its operation.

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

Key Risk Factors

The following section lists out the key risks and uncertainties that the Group is facing. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Seasonality in the Group's business

The Group's business generates revenue primarily from the sale of electricity generated by the hydropower plants. The amount of electricity generated by, and the profitability of, the hydropower plants depends on climatic conditions, particularly rainfall, which can vary dramatically across the seasons and are also subject to general climatic changes. Generally speaking, the electricity generated by the Group during the second and third quarters in each year accounted for the majority of the Group's revenue of the full year. The seasonal variations in rainfall in the areas at which the hydropower plants are located, may result in unexpected fluctuations in the electricity output of the hydropower plants and consequently, the Group's results of operations. Similarly, weather conditions could reduce our operational efficiency and electricity production, which could have a material adverse effect on the Group's business, financial condition or results of operations.

Fluctuations in the Group's revenue due to the unfavourable hydrological conditions

One of the key factors leading to the fluctuations in the Group's revenue was the climatic changes in Fujian Province, which in turn affected the hydrological conditions of the areas which the hydropower plants are located. The ability of the Group's existing and future power plants to generate electricity is dependent upon climate and hydrological conditions from time to time in the geographic regions in which the Group's existing and future hydropower plants are located.

Uncertainties in securing additional hydropower plants

The key strategy for the growth of the Group is to increase the number of its hydropower plants through further acquisitions and developments. Such developments and acquisitions of power plants can be time-consuming and highly complex. The success of further acquisitions or developments depends on a number of factors such as the ability to identify suitable acquisition or development targets and agreement with vendors or land owners on the consideration and terms thereof which are competitive and at the same time acceptable to the Group. As the power market becomes more open and competitive, the Group will face more competition from domestic and international players competing to acquire or develop small hydropower plants in the PRC. If the Group is unable to acquire or develop further suitable hydropower plants in the PRC, the Group's development plan may be delayed and its revenue growth may be affected due to limited power sales from a limited number of existing hydropower plants owned by the Group. Further, the Group will not be able to diversify the operations to spread risks particularly those associated with drought or other natural disasters in a particular geographical area.

Risk of non-compliance with PRC regulatory requirements

The Group is subject to the regulatory requirements and guidelines set forth by PRC regulatory authorities. In order to prevent any non-compliance with the regulatory requirements and guidelines set forth by PRC regulatory authorities, the Group adopted certain measures. However, there is no assurance that the Group will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected.

Compliance with regulations

There was no material breach of or non-compliance with the applicable laws and regulations such as the PRC laws and regulations, Hong Kong Companies Ordinance (Cap. 622), GEM Listing Rules, and other applicable local laws and regulations in various jurisdictions.

Environmental, social and governance

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

Relationships with employees, customers and suppliers

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages of the employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including state-managed retirement benefit, mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understands this principal and thus maintains close relationship with the customers to fulfil their immediate and long-term need.

Due to the nature of the business, Shouning County Water Resources Board (壽寧縣水利局), Fuan Municipal Water Resources Board (福安市水利局), Zhouning County Water Resources Board (周寧縣水利局), Zharong County Donglion Hydropower Investments Co., Ltd. (拓榮縣東聯水電投資有限公司) and Shouning County Dongxi Hydropower Co., Ltd. (壽寧縣東溪水電有限公司), which are regarded as the suppliers of the Group for its operation. The Group strives to maintain fair and co-operating relationship with the suppliers.

Financial Review

Revenue

The Group recorded a revenue of RMB206.7 million for the year ended 31 December 2015, representing a 220.5% increase as compared to RMB64.5 million for the year ended 31 December 2014.

The Group's revenues to date have been derived from the sale of electricity generated by the self-owned hydropower plants and electricity acquired from outsiders to local power grids in Fujian Province and Zhejiang Province, and the provision of repair and maintenance service and the provision of operating service to local hydropower plants in Fujian Province. The contribution of the Group's total revenue derived from power generation by each of the hydropower plants is listed as follows:

Hydropower Plant	Contribution of total revenue derived from power generation
Ma Tou Shan Hydropower Plant	10%
Qianping Hydropower Plant	10%
Jiulong Hydropower Plant	5%
Ningde Jinxi-I Hydropower Plant	3%
Fu'an Jiulong-I Hydropower Station & Fu'an Jiulong-II Hydropower Station	6%
Liuchai Hydropower Plant	19%
Xiadongxi Hydropower Plant	23%
Huangqiling-II Hydropower Plant	8%
Cheling-II Hydropower Plant	13%
Kengdou Hydropower Plant	3%

The sale of electricity increased from 167,521 MWh for the year ended 31 December 2014 to 534,593 MWh for the year ended 31 December 2015, representing approximately 219.1% growth. The increase was mainly due to the acquisition of the new hydropower plants. The revenues derived from the provision of hydropower operating services are from Guangyuan Hydropower.

Gross Profit and Gross Margin

The Group achieved a gross profit of approximately RMB133.6 million for the year ended 31 December 2015 (2014: RMB51.2 million), representing an increase of 160.9% as compared to that in 2014. Cost of sales increased from approximately RMB13.4 million for the year ended 31 December 2014 to approximately RMB73.1 million for the year ended 31 December 2015. Gross profit margin, calculated as gross profit divided by revenue, for the year ended 31 December 2015 amounted to 64.6% (2014: 79.4%). Such decrease was mainly due to the fact that on top of selling its own generated electricity, Huajin Huifu and its subsidiaries also sold electricity purchased from third parties and the gross profit margin of such trading activity was relatively lower than that of selling own generated electricity. During the year ended 31 December 2015, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and purchase of electricity. The 445.5% increase of cost of sales for the year ended 31 December 2015 compared to the last year was mainly due to the acquisition of the new hydropower plants in December 2014.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the year ended 31 December 2015, the Group's administrative expenses increased to approximately RMB19.6 million compared to approximately RMB8.1 million for the prior year, representing an increase of approximately 142.0%. The administrative expenses increased mainly due to the acquisition of new hydropower plants in December 2014 and expansion of the Group's management team.

Finance Costs

The finance costs of the Group mainly represented interest expenses on bank borrowings, other borrowing, debentures, and finance charges on obligations under finance leases. For the year ended 31 December 2015, finance costs recorded by the Group was approximately RMB37.2 million (2014: RMB16.0 million). The increase in finance costs was mainly due to the increased bank borrowings during the year.

Income Tax Expense

Owing to increased profit, the income tax expense of the Group increased by 162.4% from approximately RMB8.5 million for the year ended 31 December 2014 to approximately RMB22.3 million for the year ended 31 December 2015.

Profit for the year and Total Comprehensive Income

For the year ended 31 December 2015, profit and total comprehensive income attributable to owners of the Company increased by 12.4% from RMB41.8 million in the prior year to RMB47.0 million.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the year ended 31 December 2015 amounted to RMB cents 2.26 and RMB cents 2.17 respectively (2014: basic and diluted earnings per share amounted to RMB cents 2.09).

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and borrowings. The Group maintained strong cash and bank balances of approximately RMB271.6 million as at 31 December 2015 (2014: RMB114.6 million). As at 31 December 2015, the Group had net current asset of RMB111.7 million (2014: net current liabilities RMB2.9 million).

The current ratio, as at 31 December 2015, represented by a ratio between current assets over current liabilities, was 1.63 (2014: 0.98) and the gearing ratio as at 31 December 2015, represented by a ratio between total debt over total assets, was 67.5% (2014: 78.9%). The decrease of the gearing ratio was mainly due to the conversion of convertible notes during the year.

Bank Borrowings and Obligations Under Finance Leases

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB442.2 million, bearing interest rates from 4.83% to 7.92% per annum, and the Group's finance leases amounted to approximately RMB145.4 million, bearing interest rates from 6.25% to 7.50% per annum.

Debenture

On 3 September, 2014, the Group issued HK$30,000,000 (equivalent to RMB23,666,000) debenture carries fixed coupon rate of 8% per annum which is payable in arrears every year and will be matured in September 2017. The purpose of the issuance is for daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises.

Convertible Notes

On 17 December 2014, the Company issued 5% convertible notes denominated in HK$ with the aggregate principal amount of HK$115,000,000 (equivalent to approximately RMB90,720,000). Interest of 5% will be paid semi-annually in arrears. Each note entitles the holder to convert to ordinary shares at a conversion price of HK$1.25. As a result of the share subdivision, the conversion price of the convertible notes was adjusted from HK$1.25 per share to HK$0.625 per share on 26 May 2015.

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

During the year ended 31 December 2015, the Company and all notes holders have entered into a supplemental deed in relation to the above mentioned convertible notes subscription agreement that they agreed that any accrued and unpaid interest amount payable by the Company to the notes holders shall irrevocably and unconditionally be waived, and the Company's liability to pay the notes holders any accrued and unpaid interest amount pursuant to the convertible notes shall be discharged in full. Accordingly, the amount recognised during the year ended 31 December 2014 has been reversed and recorded in other income during the year ended 31 December 2015.

During the year ended 31 December 2015, all the Company issued convertible notes were exercised by the note holders. There was no outstanding convertible notes as at 31 December 2015.

Pledge of Assets

The bank borrowings of approximately RMB442.2 million (2014: RMB355.8 million) and the finance leases of approximately RMB145.4 million (2014: RMB175.4 million) as at 31 December 2015 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

As at 31 December 2015 and 2014, the entire equity interests of Zhouning Qianyuan Hydropower Development Co., Ltd.（周寧縣乾元水電開發有限公司）, Fu'an Jiulong and Ningde Xingyuan Hydropower Co., Ltd.（寧德市興源水電有限公司）, indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2015, two of the subsidiaries of the Company, Fujian Dachuan and Fuan Liyuan Hydropower Co., Ltd.（福安市力源水電開發有限公司）have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259,200,000 (2014: RMB259,200,000).

As at 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 of which the loan agreement is effective and the bank borrowing is drawn down subsequent to the end of the reporting period.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2015 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2015 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the current year.

Capital Structure

The total number of the issued shares of the Company was 2,184,000,000 shares as at 31 December 2015.

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

Final Dividend

The Directors do not recommend the payment of the final dividend for year ended 31 December 2015 (2014: nil).

Employees and Remuneration Policies

As at 31 December 2015, the Group employed approximately 222 employees, including Directors and the chief executive (2014: 221 employees). Total staff costs for the year under review, including Directors' and the chief executive's emoluments, amounted to approximately RMB14.1 million (2014: 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 Acquisition and Disposal of Subsidiaries and Affiliated Companies, and Plans for Material Investment or Capital Assets

There was no significant investment held, material acquisition or disposal of subsidiary and affiliated companies during the year ended 31 December 2015. Save for the extension development of Jiulong Hydropower Plant as disclosed under Business Review of this Report, there is no plan for material investments or capital assets as at 31 December 2015.

Other Information

Comparison between Future Plans and Prospects and Actual Business Progress and Use of Proceeds

The following is a comparison of the Group's future plan as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the year ended 31 December 2015.

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2015
Enhancement of technologies and facilities of existing hydropower plants	The Group has commenced the extension development of Jiulong Hydropower Plant, which has received preliminary approval of Ningde Development and Reform Commission, and the Directors believe the project will receive final approval from the government in 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 first quarter of 2018 and the project will start to contribute revenue to the Group in March 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 31 December 2015 had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2015 HK$'000	Actual use of proceeds from the Listing Date to 31 December 2015 HK$'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	9,107
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
Total	59,780	54,147

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

Note 2: The actual net proceeds from the Placing were approximately HK$59.9 million, which was lower than the estimated net proceeds of approximately HK$62.3 million, mainly due to the Placing price of the shares fixing at HK$0.30 per share, lower than the midpoint of the indicative Placing price range of HK$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants was adjusted to HK$44.7 million.

Reference is made to the updates on the use of proceeds in the Group's 2014 annual report. As at 31 December 2014, the Group has utilised HK$52.5 million of the net proceeds from the Placing.

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

Executive Directors

Mr. Lin Yang, aged 53, is the founder of the Group. He has been appointed as an executive Director since 27 August 2010 and is the chairman of the Board. Mr. Lin Yang is also a director of Fujian Dachan Hydropower Development Co., Ltd since 3 August 2008 and a director of Fuan Liyuan Hydropower Co., Ltd since 9 September 2008, these companies are the indirect wholly-owned subsidiaries of the Company, Mr. Lin is responsible for the overall strategic direction of the Group. He possesses many years of experience in corporate planning, business development and project investment. Mr. Lin Yang was appointed as deputy chairman of the Third Standing Committee of the China Commercial Association General of Canada, Fujian Commerce Association of Canada (加拿大中華總商會福建商會第三屆常務理事會常務副會長) in 2006. Mr. Lin Yang is the father and brother-in-law of the executive Directors, Mr. Lin Tian Hai and Mr. Chen Congwen respectively.

Mr. Zheng Xuesong, aged 43, has been an executive Director since 14 October 2010. He has over 16 years of experience in hydropower plants development and management. Mr. Zheng has been the general manager of Fujian Dachuan Hydropower Development Co., Ltd and Fuan Liyuan Hydropower Co., Ltd since 2003. Mr. Zheng is the cousin-in-law of Mr. Lin Yang. In 2010, Mr. Zheng was appointed as the vice chairman of Energy Association of Ningde City of Fujian province (寧德市能源行業協會).

Mr. Chen Congwen, aged 48, has been an executive Director 14 October 2010. He has over 21 years of experience in finance and corporate management. Mr. Chen is the brother-in-law of Mr. Lin Yang. During the period from August 1988 to November 2003, Mr. Chen worked as finance manager for Fuan City Administration Bureau for Industry and Commerce (福安市工商行政管理局).

Mr. Lin Tian Hai, aged 29, was appointed as an executive Director on 30 January 2013. Mr. Lin holds a Bachelor Degree of Business Administration and Management from the University of Toronto in Canada. He has worked in private equity and investment banking sectors and has substantial experiences in project management and corporate financing. Mr. Lin Tian Hai is the son of Mr. Lin Yang.

Independent Non-Executive Directors

Mr. Cheng Chuhan, aged 43, has been an independent non-executive Director since 14 October 2010. Mr. Cheng graduated from Fuzhou University（福州大學）with a bachelor degree in Economics in 1994. Mr. Cheng has over 16 years of experience in accounting and auditing industry.

Mr. Chan Kam Fuk, aged 50, has been appointed as an independent non-executive Director since 14 October 2010. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA, an accounting firm in Hong Kong. He is a practising certified public accountant in Hong Kong, member of CPA Australia, and certified tax adviser of the Taxation Institute of Hong Kong. Currently, Mr. Chan is an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited whose shares and listed on the Stock Exchange (Stock Code: 366). Mr. Chan has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995.

Mr. Xie Zuomin, aged 71, has been appointed as an independent non-executive Director on 21 April 2015. Mr. Xie graduated from Harbin Institute of Technology with a Bachelor's Degree in Electrical Engineering and he holds the title of senior economist. Mr. Xie was a member of Fujian Province Committee of Chinese People's Political Consultative Conference*（福建省政協委員）as well as the vice chairman of the Sub-Committee of Education and Publicity*（學習宣傳委）, the general manager as well as the Secretary of the Communist Party of China* in Fujian Ship Building Industry Group Company Limited*（福建省船舶工業公司總經理及黨委書記）, a member of Ningde Prefectural Committee of the CPC*（寧德市地委）, the Secretary of Ningde City Committee of the CPC*（寧德市委書記）and the Director of Ningde Municipal People's Congress*（寧德市人大主任）. Mr. Xie has also been the chairman of Fujian Ship Building Industry Association since 2006.

Senior Management

Mr. Wang Xiaoyun, aged 51, is currently the vice president of Haitian Hydropower International Limited. He was the vice president of Fuan Liyuan Hydropower Co., Ltd and Fujian Dachuan Hydropower Development Co., Ltd, both are the subsidiaries of the Group. Mr. Wang had been responsible for the development, construction and management of hydropower plants for many years, he has extensive professional experiences in the development, construction and operation management of hydropower plants.

Mr. Wu Zengsheng, aged 44, holds a Bachelor's Degree in economic management. He is currently the vice president of Haitian Hydropower International Limited, responsible for the operation management of hydropower plants and the construction of regional power grids. Mr. Wu has been responsible for regional power grids and operation management of hydropower plants for a long time, and has accumulated extensive practical experience.

Mr. Shen Weiwang, aged 59, holds a Bachelor's Degree. He is an electrical engineer of Haitian Hydropower, responsible for the operation management of electrical engineer system of hydropower plants. Mr. Shen has extensive practical experiences in the management of electrical engineer system of hydropower plants.

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

Ms. Lin Yuwen, aged 48, is currently the general manager of the Human Resources Department of Haitian Hydropower Group, possesses many years of professional experiences in human resources management and administrative management.

Mr. Zhou Mingliao, aged 74, graduated from Zhejiang University with a Bachelor's Degree in Water conservancy and Hydropower Engineering, a senior engineer, and has been granted the Expert Special Subsidy by the State Council since 1996. Mr. Zhou acted as the senior adviser of Haitian Hydropower Group. He was the director of Ningde Municipal Water conservancy and Hydropower Engineering Bureau（寧德市水電工程局局長）and senior engineer and was awarded as the "Labour Model"（勞動模範稱號）of Fujian Province in 1998.

Mr. Ye Bisen, aged 73, a senior technician, and is currently the senior adviser of Haitian Hydropower International Limited. Mr. Ye has over 30 years of experiences in hydropower generation industry. He worked in Xiamen electric motor factory（廈門電機廠）and Nanping hydropower equipment manufacturing factory（南平水電設備製造廠）. He acted as a hydropower expert to participate in the construction of hydropower plant in Thailand and Vietnam.

Mr. Chen Xinbin, aged 43, is currently the assistant general manager of the Company. He was issued the certificate of his qualification as a Safe Production Supervisor（安全生產管理人員）by Fujian Administration of Work Safety（福建省安全生產監督管理局）and Fujian Office of the State Electricity Regulatory Commission（國家電力監督委員會福建省電力監督專員辦公室）in August 2010 which was valid until 17 August 2013. Mr. Chen took correspondence course in Electrical Power System and its Automatization（電力系統及其自動化專業函授課程）at Fuzhou University（福州大學）from September 2000 to January 2004 and fulfilled the requirements for graduation. Mr. Chen was approved as a Middle Class Hydropower Engineer（水利水電專業中級工程師）by Ningde Human Resources Bureau（寧德市人事局）on 4 December 2006. Prior to joining the Group in January 2008, Mr. Chen worked for Huanglanxi Hydropower Co., Ltd（黃蘭溪水力發電有限公司）responsible for operation of hydropower plant from 1998 to 2008.

Mr. Zhang Qigui, aged 41, has worked as an operation supervisor（運行主任）and technical head（技術站長）with Qianyuan Hydropower since October 1999 at the Jiulong Hydropower Plant. Mr. Zhang took a three years' course in Electrical and Mechanical Engineering（機電工程三年制普通專科）at The Open University of Fujian（福建廣播電視大學）and fulfilled the requirements for graduation in 1999.

Ms. Wu Xiaoqing, aged 33, is the finance manager of the Company. Ms. Wu completed a two years' course in Accounting（會計學（財會方向）兩年制專科）at The Open University of China（中央廣播電視大學）in 2007. She joined the Company since June 2010.

The Board is pleased to present the directors' report together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 43 to the consolidated financial statements. The Group is principally engaged in hydropower generation and provision of operating and repair and maintenance services in the PRC.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 4 to 5 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in this Directors' Report on pages 25 to 31. Also, the financial risk management objectives and policies of the Group can be found in Note 6(b) to the consolidated financial statements. Particulars of important events affecting the Group that have occurred subsequent to the year ended 31 December 2015 are provided in Note 45 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Review on pages 15 to 20 of this Annual Report. In addition, discussions on the Group's environmental social and governance policies, relationships with its employees, customer and suppliers and compliance with regulations which have a significant impact on the Group are contained in the Management Discussion and Analysis on pages 6 to 21.

Segmental Information

The Group's segment information and revenue for the year ended 31 December 2015 are set out in Note 8 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 44 to 49.

The Directors do not recommend the payment of final dividends for the year ended 31 December 2015.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 42 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB146.5 million. The amount of RMB146.5 million includes the Company's share premium and special reserve, net of retained profit which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Property, Plant and Equipment and Prepaid Lease Payment

Details of the movements in property, plant and equipment and prepaid lease payment of the Group during the year are set out in Notes 16 and 17 to the consolidated financial statements respectively.

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements, is set out on page 132 of this Annual Report. This summary does not form part of the audited financial statements.

Share Capital

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

Pre-emptive Rights

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

Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr. Cheng Chuhan
Mr. Chan Kam Fuk
Mr. Xie Zuomin (appointed on 21 April 2015)
Mr. Zhang Shijiu (resigned on 1 April 2015)

Directors' and Senior Management's Biographies

Biographies details of the Directors and the senior management of the Group are set out on pages 22 to 24 of this Annual Report.

Directors' Service Contracts

For the year ended 31 December 2015, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

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

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements.

Management Contracts

As at 31 December 2015, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

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

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

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the year under review and there were no outstanding share options under the Scheme as at 31 December 2015. Details of the scheme is set out in Note 39 to the consolidated financial statements.

Equity-linked Agreements

Save for the Scheme as disclosed in the section headed "Share Option Scheme" above and the convertible notes as disclosed in the section headed "Convertible Notes" in the Management Discussion and Analysis, the Company has not entered into any equity-linked agreement for the year ended 31 December 2015.

Directors' Interests in Transaction, Arrangement and Contract

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

Directors' Interests in Competing Business

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

Non-Competition Undertaking

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

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

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

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

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

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

Confirmation on compliance with the terms of the Deed for the year ended 31 December 2015 was received from each of Mr. Lin Yang and Victor River. The independent non-executive Directors had reviewed and confirmed that Mr. Lin Yang and Victor River have complied with the Deed and the Deed has been enforced by the Company in accordance with its terms.

Directors' Indemnities

Pursuant to article 164 of the Company's articles of association, the Directors are entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur in the execution and discharge of his duty as a Director or otherwise in relation thereto.

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

As at 31 December 2015, the interests or short positions of the Directors and chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Law of Hong Kong ("SFO")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang (Note)	Interest of controlled corporation	1,500,000,000 Shares	68.68

Note: 1,500,000,000 shares are held by 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.

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

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Scheme" and "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as the Directors are aware, as at 31 December 2015, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, the following person will have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage %
Victor River (Note 1)	Beneficial owner	1,500,000,000 Shares	68.68
Ms. Chen Congling (Note 1)	Interest of spouse	1,500,000,000 Shares	68.68
Haitong International Investment Fund SPC - Fund I SP	Interest of controlled corporation	151,536,000 Shares	6.94

Note:

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

Saved as disclosed above, as at 31 December 2015, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2015.

Connected Transactions

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

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section on pages 32 to 41.

Events after the Reporting Period

The Group's events after the reporting period are set out in Note 45 to the consolidated financial statements.

Sufficiency of Public Float

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

Auditor

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the 2016 annual general meeting.

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

Fuzhou, the PRC, 15 March 2016

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2015.

Corporate Governance Practices

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company has applied and adopted the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2015, the Company has complied with the code provisions set out in the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

Board of Directors

Board Composition

The Board of the Company currently comprises seven members, of which four are executive Directors namely Mr. Lin Yang (Chairman), Mr. Zheng Xuesong (Chief Executive Officer ("CEO")), Mr. Chen Congwen and Mr. Lin Tian Hai and three are independent non-executive Directors namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk and Mr. Xie Zuomin. Each of the Directors' respective biographical details is set out in the section headed "Directors and Senior Management Profiles" of this Annual Report. The Board included at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year ended 31 December 2015. The family relationships among the board members, if any, are disclosed under "Directors and Senior Management Profiles" section in this Annual Report.

Role and Function

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

Delegation by the Board

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

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

Corporate Governance Functions

For the year ended 31 December 2015, the Board and the compliance committee of the Company (the "Compliance Committee") have performed the corporate governance duties which include the following:

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

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

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

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

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

Board Meetings

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

Number of Meetings and Attendance Records

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

For the year ended 31 December 2015, four regular Board meetings for review and approval of financial statements were held and the attendance records of individual Directors at the Board meetings are set out below:

Name of Directors	Meeting attended/ Eligible to attend Board
Executive Directors	
Mr. Lin Yang *(Chairman)*	4/4
Mr. Zheng Xuesong	4/4
Mr. Chen Congwen	4/4
Mr. Lin Tian Hai	4/4
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Xie Zuomin (appointed on 21 April 2015)	3/3
Mr. Zhang Shijiu (resigned on 1 April 2015)	1/1

Chairman and CEO

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

Appointment and Re-election of Directors

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

Confirmation of Independence

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 December 2015.

Directors' Continuous Professional Development

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

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2015, the Company has received training record from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the CG Code.

During the year ended 31 December 2015, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	**Type of continuous professional development programmes (Note)**
Executive Directors	
Mr. Lin Yang	1&2
Mr. Zheng Xuesong	1&2
Mr. Chen Congwen	1&2
Mr. Lin Tian Hai	1&2
Independent non-executive Directors	
Mr. Cheng Chuhan	1&2
Mr. Chan Kam Fuk	1&2
Mr. Xie Zuomin (appointed on 21 April 2015)	1&2
Mr. Zhang Shijiu (resigned on 1 April 2015)	1&2

Notes:

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

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

Company Secretary

The company secretary of the Company (the "Company Secretary") assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Ng Kit Ying Zelinda of TMF Hong Kong Limited, external service provider, was the Company Secretary until her resignation on 13 November 2015. Ms. Mok Ming Wai, a director of KCS Hong Kong Limited (a fellow subsidiary of TMF Hong Kong Limited) has been appointed as the Company Secretary since 13 November 2015. Her primary contact at the Company is Mr. Lin Tian Hai, chief administrative officer of the Company. Both Ms. Zelinda Ng and Ms. Mok Ming Wai have taken no less than 15 hours of relevant professional trainings to update their skills and knowledge during the year ended 31 December 2015.

Audit Committee

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk, Mr. Xie Zuomin (appointed on 21 April 2015) and Mr. Zhang Shijiu (resigned on 1 April 2015). Mr. Cheng Chuhan is the chairman of the Audit Committee. The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2015, the Audit Committee held four meetings and performed the above mentioned duties. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Xie Zuomin (appointed on 21 April 2015)	3/3
Mr. Zhang Shijiu (resigned on 1 April 2015)	1/1

Compliance Committee

The Compliance Committee comprises all the Directors, inter alias, Mr. Lin Yang, Mr. Zheng Xuesong, Mr. Chen Congwen, Mr. Lin Tian Hai, Mr. Cheng Chuhan, Mr. Chan Kam Fuk, Mr. Xie Zuomin (appointed on 21 April 2015) and Mr. Zhang Shijiu (resigned on 1 April 2015). Mr. Zheng Xuesong has been appointed as the chairman of the Compliance Committee. The primary duties of the Compliance Committee are, amongst other things, to oversee the on-going compliance matters of the Company to ensure all licences, permits and approval and the renewals thereof are obtained, valid and subsisting where required and necessary under the relevant laws and regulations in a timely manner. The full terms of reference setting out details of duties of the Compliance Committee is available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2015, one meeting was held by the Compliance Committee. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Executive Directors	
Mr. Lin Yang	1/1
Mr. Zheng Xuesong	1/1
Mr. Chen Congwen	1/1
Mr. Lin Tian Hai	1/1
Independent non-executive Directors	
Mr. Cheng Chuhan	1/1
Mr. Chan Kam Fuk	1/1
Mr. Xie Zuomin (appointed on 21 April 2015)	0/0
Mr. Zhang Shijiu (resigned on 1 April 2015)	1/1

Remuneration Committee

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

The Remuneration Committee has adopted the model whereby the Remuneration Committee determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. Details of the remuneration of Directors and chief executive are set out in Note 13 to the consolidated financial statements.

During the year ended 31 December 2015, two meetings were held by the Remuneration Committee. The following table shows the attendance of individual members held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Executive Director	
Mr. Lin Yang	1/2
Independent non-executive Directors	
Mr. Cheng Chuhan	2/2
Mr. Chan Kam Fuk	2/2

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

	2015	2014
Nil to HK$1,000,000 (equivalent to approximately RMB803,000) (2014: RMB792,000)	**9**	5

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") comprises three independent non-executive Directors namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk, Mr. Xie Zuomin (appointed on 21 April 2015) and Mr. Zhang Shijiu (resigned on 1 April 2015). Mr. Cheng Chuhan has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, amongst other things, to recommend to the Board regarding candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company.

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

During the year ended 31 December 2015, two meetings were held by the Nomination Committee. The following table shows the attendance of individual members held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	2/2
Mr. Chan Kam Fuk	2/2
Mr. Xie Zuomin (appointed on 21 April 2015)	0/0
Mr. Zhang Shijiu (resigned on 1 April 2015)	2/2

Directors' Securities Transactions

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

Shareholders' Rights

Convene an extraordinary general meeting

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

Enquires to the Board

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

Putting forward proposals at a general meeting

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

Directors' attendance at general meeting

For the year ended 31 December 2015, the Company held an annual general meeting. All the Directors have attended the annual general meeting.

Auditor's Remuneration

During the year ended 31 December 2015, the fees paid/payable to SHINEWING (HK) CPA Limited, the auditor of the Company, in respect of audit and non-audit services provided by them to the Group were as follows:

	2015 **RMB'000**	2014 RMB'000
Audit Service	**643**	701
Non-Audit services		
Reporting accountants for the Company's acquisition	**–**	499
Review of financial information of the Group	**145**	143
Others	**24**	32
Total	**812**	1,375

Internal Controls

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

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

Directors' Responsibility Statement

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

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

Investor Relations and Communication

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

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of Haitian Hydropower International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 44 to 131, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
15 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
Revenue	7	**206,653**	64,539
Cost of sales		**(73,067)**	(13,363)
Gross profit		**133,586**	51,176
Other income	9	**1,455**	2,479
Gain on deemed disposal of available-for-sale investment	36(c)	**–**	21,062
Administrative expenses		**(19,550)**	(8,062)
Other operating expenses		**(463)**	(183)
Finance costs	10	**(37,160)**	(15,957)
Profit before tax		**77,868**	50,515
Income tax expense	11	**(22,300)**	(8,495)
Profit for the year and total comprehensive income for the year	12	**55,568**	42,020
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**46,979**	41,844
Non-controlling interests		**8,589**	176
		55,568	42,020
Earnings per share (RMB cents)	15		
Basic		**2.26**	2.09
Diluted		**2.17**	2.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**709,088**	732,117
Prepaid lease payments	17	**20,289**	20,777
Goodwill	18	**25,178**	25,178
Intangible assets	19	**9,483**	10,256
Deposits paid for acquisition of non-current assets	20	**2,500**	3,441
Other deposit and prepayment	21	**16,030**	14,786
Deferred tax assets	33	**101**	92
		782,669	806,647
Current assets			
Trade and other receivables	23	**16,602**	49,467
Prepaid lease payments	17	**487**	487
Pledged bank deposit	24	**–**	10,000
Bank balances and cash	24	**271,557**	114,555
		288,646	174,509
Current liabilities			
Trade and other payables	25	**36,221**	52,109
Amount due to a related company	26	**859**	–
Amount due to a director	26	**548**	–
Income tax payables		**19,945**	14,028
Unsecured other borrowing	27	**–**	13,410
Secured bank borrowings	28	**79,075**	63,562
Obligations under finance leases	30	**40,268**	34,321
		176,916	177,430
Net current assets (liabilities)		**111,730**	(2,921)
Total assets less current liabilities		**894,399**	803,726

	Notes	**2015** **RMB'000**	2014 RMB'000
Capital and reserves			
Share capital	32	**8,883**	8,156
Reserves		**292,489**	159,571
Equity attributable to owners of the Company		**301,372**	167,727
Non-controlling interests		**47,087**	39,371
Total equity		**348,459**	207,098
Non-current liabilities			
Secured bank borrowings	28	**363,090**	292,250
Convertible notes	29	**–**	87,457
Obligations under finance leases	30	**105,107**	141,080
Debentures	31	**25,133**	23,666
Deferred tax liabilities	33	**52,610**	50,429
Other payable	25	**–**	1,746
		545,940	596,628
		894,399	803,726

The consolidated financial statements on page 44 to 131 were approved and authorised for issue by the board of directors on 15 March 2016 and are signed on its behalf by:

Lin Yang
Director

Chen Congwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Equity transaction reserve RMB'000	Convertible notes reserve RMB'000 (Note 29)	Statutory reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	8,156	48,782	362	48,622	–	–	3,397	24	13,063	122,406	–	122,406
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	–	–	41,844	41,844	176	42,020
Appropriation to statutory reserve	–	–	–	–	–	–	2,873	–	(2,873)	–	–	–
Recognition of equity component of convertible notes	–	–	–	–	–	3,477	–	–	–	3,477	–	3,477
Acquisition of a subsidiary (Note 36(c))	–	–	–	–	–	–	–	–	–	–	41,121	41,121
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(1,926)	(1,926)
At 31 December 2014	**8,156**	**48,782**	**362**	**48,622**	**–**	**3,477**	**6,270**	**24**	**52,034**	**167,727**	**39,371**	**207,098**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46,979**	**46,979**	**8,589**	**55,568**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**10,581**	**–**	**(10,581)**	**–**	**–**	**–**
Acquisition of additional interest in a non-wholly owned subsidiary (Note 37)	**–**	**–**	**–**	**–**	**(1,127)**	**–**	**–**	**–**	**–**	**(1,127)**	**(873)**	**(2,000)**
Issue of shares upon conversion of convertible notes (Note 32(ii))	**727**	**90,625**	**–**	**–**	**–**	**(3,477)**	**–**	**–**	**–**	**87,875**	**–**	**87,875**
Transaction costs attributable to issue of shares upon conversion of convertible notes	**–**	**(82)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(82)**	**–**	**(82)**
At 31 December 2015	**8,883**	**139,325**	**362**	**48,622**	**(1,127)**	**–**	**16,851**	**24**	**88,432**	**301,372**	**47,087**	**348,459**

Notes:

(i) Other reserve

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

(ii) Special reserve

The special reserve represents the aggregate amount of:

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

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

(iii) Statutory reserve

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

(iv) Capital reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**77,868**	50,515
Adjustments for:		
Depreciation for property, plant and equipment	**24,627**	7,497
Amortisation of prepaid lease payments	**488**	414
Amortisation of intangible assets	**773**	217
Gain on deemed disposal of available-for-sale investment	**–**	(21,062)
Government grants	**(373)**	(100)
Impairment losses on trade and other receivables	**1,037**	–
Reversal of impairment losses on trade receivables	**(30)**	–
Net loss on disposal/written off of property, plant and equipment	**157**	6
Finance costs	**37,160**	15,957
Interest income	**(599)**	(887)
Net gain on early repayment of amount due to a former beneficial owner of a subsidiary	**(65)**	–
Waive of convertible notes interest	**(272)**	–
Exchange difference	**1,467**	–
Operating cash flows before movements in working capital	**142,238**	52,557
Decrease in trade and other receivables	**14,823**	4,932
Increase (decrease) in trade and other payables	**7,574**	(17,603)
Increase in amount due to a related company	**241**	–
Increase in amount due to a director	**548**	–
Cash generated from operations	**165,424**	39,886
Income tax paid	**(14,211)**	(3,661)
NET CASH FROM OPERATING ACTIVITIES	**151,213**	36,225
INVESTING ACTIVITIES		
Release (placement) of pledged bank deposit	**10,000**	(10,000)
Repayment from a former holding company of a subsidiary	**9,966**	–
Repayment from a loan receivable	**6,546**	–
Interest income received	**599**	313
Proceeds on disposal of property, plant and equipment	**268**	14
Purchase of property, plant and equipment	**(737)**	(4,449)
Net cash outflow on acquisition of subsidiaries (Note 36)	**–**	(65,438)
Repayment to former holding company of a subsidiary	**–**	(764)
Proceed from former holding company of a subsidiary	**–**	4,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**26,642**	(76,324)

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
New secured bank borrowings raised	**149,915**	147,000
Repayment to secured bank borrowings	**(63,562)**	(109,800)
Interest paid	**(34,366)**	(15,346)
Repayment of obligations under finance leases	**(31,569)**	(13,102)
Repayment to former beneficial owner of a subsidiary	**(26,337)**	(253,580)
Repayment to unsecured other borrowing	**(13,410)**	(22,590)
Acquisition of additional interest in a non-wholly owned subsidiary (Note 37)	**(1,433)**	–
Repayment to a former holding company of a subsidiary	**(1,000)**	–
Transaction costs attributable to issue of shares upon conversion of convertible notes	**(82)**	–
Advance from a related company	**618**	–
Government grants received	**373**	100
Proceed from obligations under finance leases	**–**	160,000
Proceed from convertible notes	**–**	90,720
Proceed from former beneficial owner of a subsidiary	**–**	76,409
Proceed from unsecured other borrowing	**–**	36,000
Proceed from debentures	**–**	23,666
Handling charge paid for obligations under finance leases	**–**	(4,980)
Dividend paid to non-controlling interest	**–**	(1,926)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(20,853)**	112,571
NET INCREASE IN CASH AND CASH EQUIVALENTS	**157,002**	72,472
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**114,555**	42,083
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**271,557**	114,555

1. General

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

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

The Company is engaged in investment holding while the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in hydropower generation, provision of operating and repair and maintenance services for hydropower plants and trading of electricity.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group. 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. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

Annual Improvements to HKFRSs 2010 – 2012 Cycle

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

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

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

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

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

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

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

The directors of the Company consider that the application of the amendments to HKFRSs 2010 – 2012 Cycle has had no material impact in the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

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

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

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

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

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

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011 – 2013 Cycle has had no material impact in the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company consider that the application of the amendments to HKAS 19 Defined Benefit Plans – Employee Contributions has had no material impact in the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

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

1 *Effective for annual periods beginning on or after 1 January 2016.*
2 *Effective for annual periods beginning on or after 1 January 2018.*
3 *Effective date not yet been determined.*

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

HKFRS 9 (2014) Financial Instruments (continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

Annual Improvement to HKFRSs 2012 – 2014 Cycle

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

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

Amendments to HKAS 1 Disclosure Initiative

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

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

Furthermore, the amendments clarify that:

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

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

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and New Hong Kong Companies Ordinance (continued)

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

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

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

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses straight-line method for depreciation of property, plant and equipment and amortisation of intangible assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. Significant Accounting Policies (continued)

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

Investments in subsidiaries

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

Property, plant and equipment

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

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

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

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

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

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

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

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

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

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

Cash and cash equivalents

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

3. Significant Accounting Policies (continued)

Prepaid lease payments

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in equity.

Financial liabilities and equity instruments

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

Convertible notes

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible notes (continued)

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

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

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a related company, amount due to a director, unsecured other borrowing, secured bank borrowings, obligations under finance leases and debentures are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

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

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

Revenue recognition

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

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Leasing

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

The Group as lessor

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

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

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

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

Leasehold land and buildings

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

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

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

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

3. Significant Accounting Policies (continued)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

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

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

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

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

Government grants

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

De facto control over Juyuan Hydropower

Shouning County Juyuan Hydropower Co., Ltd.*壽寧縣聚源水電有限公司("Juyuan Hydropower") is a subsidiary of the Group although the Group has only 38% ownership interest in Juyuan Hydropower. The Group has 38% ownership interest since December 2014 from the acquisition of Fujian Haitian Huajin Huifu Energy Development Co., Ltd.* 福建省海天華金匯富能源發展有限公司 ("Huajin Huifu") as detailed in Note 36(c) and the remaining 62% of shareholdings are owned by two shareholders that are unrelated to the Group. Details of particulars of Juyuan Hydropower are set out in note 43.

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Recall of allotted state-owned lands

Certain of property, plant and equipment were situated on the allotted state-owned lands as detailed in note 16, the relevant PRC government authorities have the authority to recall the allotted state-owned lands at any time by their discretion. The directors of the Company considered the allotted state-owned lands would not be recalled in the foreseeable futures based on their past experience and no change on the usage of those lands from the grant date from the relevant PRC government authorities to date of the consolidated financial statements, hence the property, plant and equipment situated on the allotted state-owned lands does not impair their values to the Group.

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in notes 16 and 17, formal titles of certain of the Group's rights to the use of the lands and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of the Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

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

As at 31 December 2015 and 2014, the Group had a development right in Bapu Stream and had not yet received the relevant PRC government approvals from the National Development and Reform Commission of the PRC ("NDRC") for its power plant expansion project in Bapu Stream. The ultimate approval from the NDRC on this project is a critical judgement of the directors of the Company. Such a judgement is based on initial approval documents received as well as their understanding of the nature of projects. Based on historical experience in obtaining government approval and the current estimation of the approval application status, the directors of the Company believe that the Group will receive final approval from the NDRC on the related power plant project. Deviation from this judgement could result in material adjustments to the carrying amount of intangible asset which set out in note 19 amounted to approximately RMB8,093,000 (2014: RMB8,296,000).

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

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

Estimated impairment loss on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade and other receivables was approximately RMB16,602,000 (2014: RMB49,467,000), net of allowance for impairment of RMB1,803,000 (2014: RMB796,000).

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

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, prepaid lease payments and intangible assets, recoverable amount of the assets needs to be determined if there is indication that those assets may be impaired. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volumes, selling prices, amount of operating costs and discount rates. The Group uses all readily available information in determining the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volumes, selling prices, operating costs and discount rates. As at 31 December 2015, the carrying values of property, plant and equipment, prepaid lease payments and intangible assets were approximately RMB709,088,000 (2014: RMB732,117,000), RMB20,776,000 (2014: RMB21,264,000) and RMB9,483,000 (2014: RMB10,256,000) respectively. No impairment was recognised as at 31 December 2015 (2014: nil).

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use or the fair value less cost of disposal of the CGU to which goodwill has been allocated. Estimation of the value-in-use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimation of the fair value less costs of disposal requires the Group to make a selection of comparable market transactions with necessary adjustments. As at 31 December 2015, the carrying value of goodwill was approximately RMB25,178,000 (2014: RMB25,178,000). Details of the recoverable amount calculations are disclosed in note 18.

5. Capital Risk Management

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

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

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

6. Financial Instruments

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**300,920**	185,278
Financial liabilities		
Amortised cost	**645,638**	705,842

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

6. Financial Instruments (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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

	2015	2014
	RMB'000	RMB'000
HK$		
Assets	**531**	9,065
Liabilities	**(26,259)**	(25,349)
	(25,728)	(16,284)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against HK$ for the year ended 31 December 2015. 5% (2014: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2014: 5%) against the relevant currency. For a 5% (2014: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2015	2014
	RMB'000	RMB'000
Post-tax profit or loss	**1,291**	890

6. Financial Instruments (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate of amount due to a former beneficial owner of a subsidiary, unsecured other borrowing, fixed-rate secured bank borrowings, convertible notes and debentures for the year ended 31 December 2015. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate bank borrowings and obligations under finance leases. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

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

For variable-rate pledged bank deposit and bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2015 would increase/decrease by approximately RMB2,037,000 (2014: RMB952,000).

For variable-rate borrowings and obligations under finance leases, if the interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2015 would decrease/increase by approximately RMB8,514,000 (2014: RMB7,668,000).

6. Financial Instruments (continued)

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

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

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

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2015 and 2014.

The Group has concentration of credit risk as all the trade receivables as at 31 December 2015 was due from the Group's only nine (2014: seven) customers.

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

Liquidity risk

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

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

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

6. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity tables

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	31,558	–	–	–	31,558	31,558
Amount due to a related company	859	–	–	–	859	859
Amount due to a director	548	–	–	–	548	548
Secured bank borrowings	101,892	72,762	227,691	163,602	565,947	442,165
Obligations under finance leases	51,436	50,704	66,425	–	168,565	145,375
Debentures	2,016	27,144	–	–	29,160	25,133
	188,309	150,610	294,116	163,602	796,637	645,638

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

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

6. Financial Instruments (continued)

(c) Fair value measurements of financial instruments

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

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

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

(d) Offsetting of financial liabilities

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

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

As at 31 December 2014, the Group had a legally enforceable right to set off the amount due from a former beneficial owner of a subsidiary and amount due to a former beneficial owner of a subsidiary and the Group intended to settle these balances on a net basis (2015: nil).

As at 31 December 2014

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

7. 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 year is as follows:

	2015 **RMB'000**	2014 RMB'000
Sales of electricity	**202,269**	54,061
Provision of repair and maintenance services	**4,301**	7,460
Provision of operating services	**83**	3,018
	206,653	64,539

8. 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 year ended 31 December 2014 was restated.

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

8. Segment Information (continued)

(a) Segment revenue and results

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

For the year ended 31 December

	Hydropower generation		Hydropower operation services		Hydropower trading		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Revenue								
External sales	**162,390**	53,977	**4,384**	10,478	**39,879**	84	**206,653**	64,539
Inter-segment sales	**–**	–	**6,809**	228	**–**	–	**6,809**	228
Segment revenue	**162,390**	53,977	**11,193**	10,706	**39,879**	84	**213,462**	64,767
Eliminations							**(6,809)**	(228)
Group revenue							**206,653**	64,539
Segment profit	**104,472**	38,945	**3,719**	7,920	**10,428**	30	**118,619**	46,895
Gain on deemed disposal of available-for-sale investment							**–**	21,062
Unallocated corporate income							**1,455**	2,479
Unallocated corporate expenses							**(5,046)**	(3,964)
Finance costs							**(37,160)**	(15,957)
Profit before tax							**77,868**	50,515

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of gain on deemed disposal of available-for-sale investment, 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.

8. Segment Information (continued)

(b) Segment assets and liabilities

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

At 31 December

	Jointly shared by hydropower generation and hydropower trading		Hydropower operation services		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**798,835**	840,944	**696**	5,480	**799,531**	846,424
Unallocated corporate assets						
– Other receivables					**126**	10,085
– Pledged bank deposit					**–**	10,000
– Bank balances and cash					**271,557**	114,555
– Deferred tax assets					**101**	92
Total assets					**1,071,315**	981,156
Segment liabilities	**36,255**	20,220	**1,373**	739	**37,628**	20,959
Unallocated corporate liabilities						
– Other payables					**–**	32,896
– Income tax payables					**19,945**	14,028
– Unsecured other borrowing					**–**	13,410
– Secured bank borrowings					**442,165**	355,812
– Obligations under finance leases					**145,375**	175,401
– Convertible notes					**–**	87,457
– Debentures					**25,133**	23,666
– Deferred tax liabilities					**52,610**	50,429
Total liabilities					**722,856**	774,058

8. Segment Information (continued)

(b) Segment assets and liabilities (continued)

At 31 December (continued)

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

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

(c) Other segment information

For the year ended 31 December

	Jointly shared by hydropower generation and hydropower trading		Hydropower operation services		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets (Note)	**1,791**	638,537	**232**	938	**2,023**	639,475
Amortisation of prepaid lease payments	**488**	414	**–**	–	**488**	414
Amortisation of intangible assets	**773**	217	**–**	–	**773**	217
Depreciation of property, plant and equipment	**24,395**	7,337	**232**	160	**24,627**	7,497
Net loss on disposal / written off of property, plant and equipment	**157**	6	**–**	–	**157**	6

Note: Non-current assets excluded financial instruments and deferred tax assets. During the year ended 31 December 2014, included in the addition to non-current assets, approximately RMB610,434,000 (2015: nil) were arisen from acquisition of subsidiaries.

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Bank interest income	**597**	312	**2**	1	**599**	313
Finance costs	**37,160**	15,957	**–**	–	**37,160**	15,957

8. Segment Information (continued)

(d) 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.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Customer A[1 and 2]	**119,434**	25,242
Customer B[1]	**36,936**	20,751
Customer C[1]	**26,195**	N/A*

1 *Revenue from hydropower generation*
2 *Revenue from hydropower trading*
* *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

9. Other Income

	2015 RMB'000	2014 RMB'000
Bank interest income	**599**	313
Other interest income (Note (i))	**–**	574
Net gain on early repayment of amount due to a former beneficial owner of a subsidiary	**65**	–
Gain on disposal of property, plant and equipment	**–**	7
Government grant (Note (ii))	**373**	100
Net exchange gain	**–**	1,485
Rental income (net of outgoings: nil)	**7**	–
Waive of convertible notes interest (Note 29)	**272**	–
Reversal of impairment for trade and other receivable	**30**	–
Others	**109**	–
	1,455	2,479

9. Other Income (continued)

Notes:

(i) Other interest income represented interest income arising from the loan to a former beneficial owner of a subsidiary. The loan balance was settled by the loan from a former beneficial owner of a subsidiary arising from the acquisition of a subsidiary as stated in note 36(c).

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

10. Finance Costs

	2015 **RMB'000**	2014 RMB'000
Interest on secured bank borrowings	**21,185**	8,831
Interest expense on convertible notes (Note 29)	**690**	373
Interest on debentures	**1,928**	634
Interest on finance leases	**12,183**	6,048
Interest on former beneficial owner of a subsidiary	**850**	75
Interest on former holding company of a subsidiary	**45**	33
Interest on unsecured other borrowing	**312**	99
Total borrowing costs on financial liabilities that are not at fair value through profit or loss	**37,193**	16,093
Less: amounts capitalised in the cost of qualifying assets (Note)	**(33)**	(136)
	37,160	15,957

Note:

The capitalisation ratio of borrowings for the year ended 31 December 2015 is 7.30% (2014: 5.97%) per annum.

11. Income Tax Expense

	2015 RMB'000	2014 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**20,120**	8,565
Under-provision in prior year	**8**	–
	20,128	8,565
Deferred taxation (Note 33)		
Current year	**2,172**	(70)
	22,300	8,495

(i) Pursuant to the rules and regulations of the Cayman Islands and 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 both years.

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

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**77,868**	50,515
Tax calculated at tax rate of 25% (2014: 25%)	**19,467**	12,629
Tax effect of expenses not deductible for tax purpose	**3,345**	1,563
Tax effect of income not taxable for tax purpose	**(520)**	(5,692)
Under-provision in prior year	**8**	–
Utilisation of tax loss previously not recognised	**–**	(5)
Income tax expense	**22,300**	8,495

Details of deferred taxation are set out in note 33.

12. Profit for the Year

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments (Note 13)	**1,325**	794
Salaries, wages and other benefits (excluding directors and the chief executive)	**11,691**	3,643
Retirement benefits scheme contribution (excluding directors and the chief executive)	**1,107**	373
	14,123	4,810
Auditor's remuneration	**643**	701
Depreciation for property, plant and equipment	**24,627**	7,497
Amortisation of prepaid lease payments (included in cost of sales)	**488**	414
Amortisation of intangible assets	**773**	217
Net exchange loss	**2,456**	–
Loss on disposal / written off of property, plant and equipment	**157**	13
Impairment losses on trade and other receivables	**1,037**	–
Operating lease charges in respect of properties	**835**	192

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eight (2014: seven) directors and the chief executive were as follows:

Year ended 31 December 2015

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Mr. Lin Yang	**241**	**–**	**–**	**241**
Mr. Zheng Xuesong (Note (i))	**161**	**–**	**10**	**171**
Mr. Chen Congwen	**97**	**–**	**10**	**107**
Mr. Lin Tian Hai (Note (iv))	**96**	**526**	**–**	**622**
Independent non-executive directors:				
Mr. Cheng Chuhan	**64**	**–**	**–**	**64**
Mr. Chan Kam Fuk	**64**	**–**	**–**	**64**
Mr. Xie Zuomin (Note (ii))	**45**	**–**	**–**	**45**
Mr. Zhang Shijiu (Note (iii))	**11**	**–**	**–**	**11**
Total	**779**	**526**	**20**	**1,325**

Year ended 31 December 2014

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

13. Directors' and Chief Executive's and Employees' Emoluments (continued)

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

Note:

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

(ii) Mr. Xie Zuomin was appointed as an independent non-executive director of the Company on 21 April 2015.

(iii) Mr. Zhang Shijiu was resigned as the independent non-executive director of the Company on 1 April 2015.

(iv) During the year ended 31 December 2015, rental expenses of Mr. Lin Tian Hai's director's quarter of approximately RMB526,000 was borne by the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during both years.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2014: four) were directors and the Chief Executive of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining three (2014: one) individuals were as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances, and other benefits	**598**	78
Retirement benefits scheme contribution	**62**	–
	660	78

Their emoluments were individually below approximately RMB803,000 (2014: RMB792,000) (equivalent to HK$1,000,000) for the year ended 31 December 2015.

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2015.

14. Dividend

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

15. 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:

	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**46,979**	41,844
Interest expense on convertible notes	**690**	373
Waive of convertible notes interest	**(272)**	–
Earnings for the purpose of diluted earnings per share	**47,397**	42,217

	2015	2014
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,077,436**	2,000,000
Convertible notes (Note 29)	**106,564**	11,594
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,184,000**	2,011,594

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2015 and 2014 has been adjusted for the share subdivision on 26 May 2015.

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

16. Property, Plant and Equipment

	Buildings RMB'000	Dams RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	35,526	78,484	41,939	234	359	2,042	158,584
Acquisition of subsidiaries (Note 36)	100,511	197,301	299,577	1,188	1,888	1,960	602,425
Additions	–	–	11	4	298	4,857	5,170
Transfer	–	–	575	–	–	(575)	–
Disposals/written off	–	–	(7)	–	(31)	–	(38)
At 31 December 2014	136,037	275,785	342,095	1,426	2,514	8,284	766,141
Additions	474	–	234	59	57	1,199	2,023
Disposals/written off	–	–	–	(21)	(340)	(299)	(660)
At 31 December 2015	136,511	275,785	342,329	1,464	2,231	9,184	767,504
DEPRECIATION							
At 1 January 2014	3,614	8,674	13,994	178	85	–	26,545
Charge for the year	1,211	2,039	3,990	77	180	–	7,497
Elimination on disposals/written off	–	–	–	–	(18)	–	(18)
At 31 December 2014	4,825	10,713	17,984	255	247	–	34,024
Charge for the year	4,034	6,366	13,560	247	420	–	24,627
Elimination on disposals/written off	–	–	–	(7)	(228)	–	(235)
At 31 December 2015	8,859	17,079	31,544	495	439	–	58,416
CARRYING VALUES							
At 31 December 2015	127,652	258,706	310,785	969	1,792	9,184	709,088
At 31 December 2014	131,212	265,072	324,111	1,171	2,267	8,284	732,117

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

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

16. Property, Plant and Equipment (continued)

As at 31 December 2015, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB97,601,000 (2014: RMB97,822,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

As at 31 December 2015, certain of property, plant and equipment with carrying values of approximately RMB264,553,000 (2014: RMB271,375,000) was situated on allotted state-owned lands which were granted from the relevant PRC government authorities who has authority to recall the allotted state-owned lands at any time by their discretion. Allotted state-owned lands represent the land located in the PRC granted by the PRC government with no consideration for the purpose of national welfare. In the opinion of the directors of Company, the allotted state-owned lands would not be recalled in the foreseeable future based on their past experience and no change on the usage of those lands since the grant date from relevant PRC government authorities to the end of the reporting period, hence the property, plant and equipment situated on the allotted state-owned lands does not impair their values to the Group.

As at 31 December 2015 and 2014, certain property, plant and equipment were pledged for secured bank borrowings and obligations under finance leases as disclosed in notes 28 and 30 respectively.

The carrying values of property, plant and equipment of approximately RMB709,088,000 (2014: RMB732,117,000) includes an amount of approximately RMB161,402,000 (2014: RMB167,926,000) in respect of assets held under finance leases.

17. Prepaid Lease Payments

Analysed for reporting purposes as:

	2015 **RMB'000**	2014 RMB'000
Current assets	**487**	487
Non-current assets	**20,289**	20,777
	20,776	21,264

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

Included in the prepaid lease payments are land use rights with carrying values of approximately RMB7,037,000 (2014: RMB7,197,000) in which the Group is in the process of obtaining the land use right certificates. Details of the judgement of the directors of the Company are set out in note 4.

18. Goodwill

	2015 RMB'000	2014 RMB'000
COST AND CARRYING VALUES		
At 1 January	**25,178**	4,898
Arising on acquisition of subsidiaries (Note 36)	**–**	20,280
At 31 December	**25,178**	25,178

	2015 RMB'000	2014 RMB'000
IMPAIRMENT TESTING ON GOODWILL		
Hydropower generation:		
周寧縣乾元水電開發有限公司 Zhouning Qianyuan Hydropower Development Co., Ltd.* ("Qianyuan Hydropower") (Note (i))	**3,759**	3,759
寧德市興源水電有限公司 Ningde Xingyuan Hydropower Co., Ltd.* ("Xingyuan Hydropower") (Note (ii))	**1,139**	1,139
福安市九隆水電開發有限公司 Fu'an Jiulong Hydropower Development Co., Ltd.* ("Fu'an Jiulong") (Note (i))	**9,501**	9,501
Huajin Huifu (Note (i))	**10,556**	10,556
	24,955	24,955
Hydropower operation service:		
壽寧縣廣源水電營運有限公司 Shouning Guangyuan Hydropower Operation Management Co., Ltd.* ("Guangyuan Hydropower") (Note (iii))	**223**	223
	25,178	25,178

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

18. Goodwill (continued)

Notes:

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

The recoverable amounts of Qianyuan Hydropower, Fu'an Jiulong and Huajin Huifu have been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 13.41% (2014: 12.55%), 13.27% (2014: 12.40%) and 13.35% (2014: 12.28%) respectively. Cash flows beyond 5-year period are projected using zero growth rate for both years. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue from electricity sales and unit price, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs. In the opinion of the directors of the Company, no impairment was provided for the years ended 31 December 2015 and 2014.

(ii) Xingyuan Hydropower

The recoverable amounts of Xingyuan Hydropower has been determined based on the fair value less cost of disposal. The fair value was determined by market approach with reference to the market financial ratio of similar nature and similar locations with necessary discounting adjustments on control premium and discount on lack of marketability. The fair value less cost of disposal has been arrived at on the basis of a valuation carried out on that date by an independent professional valuer not connected with the Group. The fair value is categorised as Level 2 under the fair value hierarchy. In the opinion of the directors of the Company, no impairment loss was provided for the years ended 31 December 2015 and 2014.

In the opinion of the directors of the Company, for the year ended 31 December 2015, a decrease in control premium from 28.5% (2014: 10.0%) to 25.5% (2014: 1.1%) would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB460,000 (2014: RMB440,000) and discount on lack of marketability from 15% (2014: 20%) to 20% (2014: 25%) would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB282,000 (2014: RMB520,000), and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

(iii) Guangyuan Hydropower

The recoverable amounts of Guangyuan Hydropower has been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 17.58% (2014: 17.86%). Cash flows beyond 5-year period are projected using zero growth rate for the year. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue mainly from operating service income, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. In the opinion of the directors of the Company, no impairment was provided for the years ended 31 December 2015 and 2014.

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

19. Intangible Assets

	Customer contract RMB'000	Development rights RMB'000	Total RMB'000
COST			
At 1 January 2014	–	9,240	9,240
Acquisition of subsidiaries (Note 36)	680	1,295	1,975
At 31 December 2014 and 31 December 2015	680	10,535	11,215
AMORTISATION			
At 1 January 2014	–	742	742
Charge for the year	–	217	217
At 31 December 2014	–	959	959
Charge for the year	548	225	773
At 31 December 2015	548	1,184	1,732
CARRYING VALUES			
At 31 December 2015	132	9,351	9,483
At 31 December 2014	680	9,576	10,256

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

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

20. Deposits Paid for Acquisition of Non-Current Assets

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

	2015	2014
	RMB'000	RMB'000
Deposit paid for acquisition of land use right	**2,500**	2,500
Deposit paid for acquisition of property, plant equipment	**–**	941
	2,500	3,441

21. Other Deposit and Prepayment

Included in the other deposit and prepayment of approximately RMB15,924,000 (2014: RMB14,636,000) represents the amortised cost of refundable secured deposit for the obligations under finance leases as detailed in note 30. The nominal value of refundable secured deposit is RMB17,770,000 (2014: RMB17,770,000) and it will be refunded by lessor upon expiry of lease term of 5 years. Discounting impact has been accounted for based on the 5-year time deposit rate of The People's Bank of China of 4.75% (2014: 4.75%). The remaining balances are the prepayment of inspection fee of dams which is required by the relevant authorities in the PRC on every five years.

22. Available-For-Sale Investment

During the year ended 31 December 2014, the amount of available-for-investment was released upon the acquisition of a subsidiary as detailed in note 36 (c).

23. Trade and Other Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**12,573**	27,498
Less: allowance for trade receivables	**(67)**	(60)
	12,506	27,438
Deposits and other receivables	**2,669**	2,873
Less: allowance for deposits and other receivables	**(1,736)**	(736)
	933	2,137
Loan receivable (Note (i))	**–**	6,546
Amount due from a former holding company of a subsidiary (Note (ii))	**–**	9,966
	13,439	46,087
Prepayments	**3,163**	3,380
Total trade and other receivables	**16,602**	49,467

Notes:

(i) The amount represented a loan to an independent third party amounted to approximately RMB6,546,000 for a three-month period. As at 31 December 2014, the amount was unsecured, non-interest bearing and repayable on demand. The amount had been fully recovered during the year ended 31 December 2015.

(ii) The amount due from a former holding company of a subsidiary represented amount due from 福建中士達商貿有限公司 Fujian Zhongshida Trading Co., Ltd. ("Zhongshida") which was unsecured, non-interest bearing and repayable on demand. The amount had been fully recovered during the year ended 31 December 2015.*

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

23. Trade and Other Receivables (continued)

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

	2015 RMB'000	2014 RMB'000
Within 30 days	**12,152**	25,901
31 to 60 days	**354**	1,537
	12,506	27,438

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

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

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

	2015 RMB'000	2014 RMB'000
Within 30 days	**354**	1,537

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

	2015 RMB'000	2014 RMB'000
1 January	**796**	–
Accumulated impairment losses on trade receivables upon acquisition of a subsidiary	**–**	60
Accumulated impairment losses on deposit and other receivables upon acquisition of subsidiaries	**–**	736
Impairment losses on trade and other receivables	**1,037**	–
Reversal of impairment losses on trade receivables	**(30)**	–
31 December	**1,803**	796

At 31 December 2015, included in the impairment loss are individually impaired trade and other receivables with an aggregate balance of approximately RMB1,803,000 (2014: RMB796,000) which are due to long outstanding.

24. Pledged Bank Deposit and Bank Balances and Cash

Pledged bank deposit

As at 31 December 2014, pledged bank deposit represented deposit pledged to bank to secure banking facility granted to the Group. Deposit amounting to RMB10,000,000 (2015: nil) had been pledged to secure short-term bank loan and was therefore classified as current assets. The pledged deposit carried variable interest rate of 2.55% (2015: nil) per annum based on the six months' deposit rate of The People's Bank of China. During the year ended 31 December 2015, the pledged bank deposit was released upon the settlement of relevant bank borrowing.

Bank balances and cash

Bank balances carry interest at market rates of 0.30% to 0.35% per annum during the year ended 31 December 2015 (2014: 0.35% per annum).

25. Trade and Other Payables

	2015 **RMB'000**	2014 RMB'000
Trade payables	**13,607**	7,398
Construction payables	**5,975**	5,663
Other payables and accrued expenses	**8,256**	5,978
Receipts in advance	**903**	800
Other tax payables	**3,760**	2,959
Amount due to a non-controlling shareholder of a subsidiary (Note (i))	**3,720**	3,720
Amount due to a former beneficial owner of a subsidiary (Note (ii))	**–**	26,337
Amount due to a former holding company of a subsidiary (Note (iii))	**–**	1,000
	36,221	53,855
Less: amount due to a former beneficial owner of a subsidiary, due more than one year, included as non-current liabilities (Note (ii))	**–**	(1,746)
	36,221	52,109

25. Trade and Other Payables (continued)

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

	2015 **RMB'000**	2014 RMB'000
Within 30 days	**6,949**	1,608
31 to 60 days	**2,895**	1,849
61 to 90 days	**2,031**	2,617
91 to 180 days	**754**	754
Over 180 days	**978**	570
	13,607	7,398

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.

Notes:

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

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

Included in the amount due to Mr. Zhenghua, RMB2,000,000 has to be paid within two years after the completion of acquisition for the purpose of retention money. Discounting impact has been accounted for based on valuation performed by valuer of 7.26% and the amount of approximately RMB1,746,000 has been recorded as non-current liability. The amount was fully settled during the year ended 31 December 2015.

(iii) *The amount due to a former holding company of a subsidiary represents amount due to 寧德市昌達電業有限責任公司 Ningde Changda Electricity Co., Ltd.* which is unsecured, interest bearing at 8% per annum and repayable on demand. The amount was fully settled during the year ended 31 December 2015.*

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26. Amounts Due to a Related Company/a Director

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

27. Unsecured Other Borrowing

During the year ended 31 December 2014, the Group obtained an other borrowing of RMB36,000,000 (2015: nil) from Victory World Investments Limited ("Victory World"), an independent third party incorporated in Hong Kong. The purpose of the borrowing is to finance the acquisition of 90% equity interest of Huajin Huifu (the "Acquisition"). The amount was unsecured, interest bearing at 8% per annum and repayable within one year upon completion of the Acquisition. The amount was fully repaid during the year ended 31 December 2015.

28. Secured Bank Borrowings

	2015 **RMB'000**	2014 RMB'000
The carrying amounts of the borrowings were repayable:		
Within one year	**79,075**	63,562
Within a period of more than one year but not exceeding two years	**66,670**	44,830
Within a period of more than two years but not exceeding five years	**160,160**	82,370
Within a period of more than five years	**136,260**	165,050
	442,165	355,812
Less: amounts due within one year shown under current liabilities	**(79,075)**	(63,562)
Amounts shown under non-current liabilities	**363,090**	292,250

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

	2015	2014
Effective interest rates:		
Fixed-rate borrowings	**4.83% to 5.09%**	7.80%
Variable-rate borrowings	**4.85% to 7.92%**	5.55% to 7.50%

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

During the year ended 31 December 2015, the Group obtained new borrowings of approximately RMB149,915,000 (2014: RMB147,000,000). The proceeds were used to repay the existing bank borrowings and finance the Group's operation. Details of the pledged assets are disclosed in Note 38.

29. Convertible Notes

On 17 December 2014, the Company issued 5% convertible notes denominated in HK$ with the aggregate principal amount of HK$115,000,000. Each note entitles the holder to convert to ordinary shares at a conversion price of HK$1.25. On the same date, the Company signed a supplementary agreement with the note holders to specify that when a specific currency is converted into RMB or other lawful currency of the PRC, or vice versa, the spot rate of exchange would be the rates specified by the State Administration of Foreign Exchange of the PRC on 9 December 2014.

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

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

As a result of the share subdivision, the conversion price of the convertible notes was adjusted from HK$1.25 per share to HK$0.625 per share on 26 May 2015.

During the year ended 31 December 2015, all three convertible notes holders had exercised the conversion rights and 184,000,000 new shares were issued and allotted to the convertible notes holders at HK$0.625 per share. The new shares rank pari passu with the existing shares in all respects.

	Liability component RMB'000	**Equity component** RMB'000	**Total** RMB'000
Proceeds of issue	87,237	3,483	90,720
Transaction cost	(153)	(6)	(159)
Interest charged (Note 10)	373	–	373
At 31 December 2014	87,457	3,477	90,934
Interest charged (Note 10)	690	–	690
Interest non-payment (Note & note 9)	(272)	–	(272)
Conversion of convertible notes	(87,875)	(3,477)	(91,352)
At 31 December 2015	–	–	–

Note:

During the year ended 31 December 2015, the Company and all notes holders have entered into a supplemental deed in relation to the subscription agreement dated 1 December 2014 pursuant to which they agreed that any accrued and unpaid interest amount payable by the Company to the notes holders shall irrevocably and unconditionally be waived, and the Company's liability as debtor to pay the notes holders as creditors any accrued and unpaid interest amount pursuant to the convertible notes shall be discharged in full. Accordingly, the amount recognised during the year ended 31 December 2014 has been reversed and recorded in other income during the year ended 31 December 2015.

Details of which are set out in the Company's announcement dated 1 September 2015.

30. Obligations Under Finance Leases

	2015 **RMB'000**	2014 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**40,268**	34,321
Non-current liabilities	**105,107**	141,080
	145,375	175,401

During the year ended 31 December 2014, three subsidiaries of the Company entered into sales and leaseback arrangements. Pursuant to which certain of their property, plant and equipment for hydropower generation with 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 31 December 2015, the security deposit has been discounted to its present value at approximately RMB15,924,000 (2014: RMB14,636,000) and included in other deposit and prepayment in note 21. 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% (2014: 1.50% to 1.92%) mark-up per annum. The effective interest rate for the obligations under finance leases for the year ended 31 December 2015 is ranged from 6.25% to 7.50% (2014: 7.50% to 7.92%) per annum. Lease-related costs amounting to approximately RMB4,980,000 has been capitalised on initial recognition of obligations under finance leases.

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 **RMB'000**	2014 RMB'000	**2015** **RMB'000**	2014 RMB'000
Obligations under finance leases payable:				
Within one year	**51,436**	49,586	**40,268**	34,321
Within a period of more than one year but not more than two years	**50,704**	49,586	**43,002**	37,702
Within a period of more than two years but not more than five years	**66,425**	116,316	**62,105**	103,378
	168,565	215,488	**145,375**	175,401
Less: future finance charges	**(23,190)**	(40,087)	**N/A**	N/A
Present value of lease obligations	**145,375**	175,401	**145,375**	175,401
Less: amount due for settlement within 12 months shown under current liabilities			**(40,268)**	(34,321)
Amount due for settlement after 12 months shown under non-current liabilities			**105,107**	141,080

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by the equity interest of certain subsidiaries as disclosed in notes 16 and 38 respectively.

31. Debentures

	2015 RMB'000	2014 RMB'000
HK$30,000,000 debentures carry fixed coupon rate of 8% per annum, payable in arrears every year with maturity until September 2017	**25,133**	23,666

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

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

32. Share Capital

	Number of shares	**Nominal value of ordinary shares**	
		HK$'000	RMB'000
Authorised:			
At 1 January 2014 and 31 December 2014, ordinary shares of HK$0.01 each	2,000,000,000	20,000	
Share subdivision (Note (i))	2,000,000,000	–	
At 31 December 2015, ordinary shares of HK$0.005 each	4,000,000,000	20,000	
Issued and fully paid:			
At 1 January 2014 and 31 December 2014, ordinary shares of HK$0.01 each	1,000,000,000	10,000	8,156
Share subdivision (Note (i))	1,000,000,000	–	–
Issue of shares upon conversion of convertible notes (Note (ii))	184,000,000	920	727
At 31 December 2015, ordinary shares of HK$0.005 each	2,184,000,000	10,920	8,883

32. Share Capital (continued)

Notes:

(i) *At the extraordinary general meeting held on 22 May 2015, an ordinary resolution was duly passed under which each issued and unissued ordinary shares of the Company of HK$0.01 each in the share capital of the Company was subdivided into two ordinary shares of the Company of HK$0.005 each (the "Share Subdivision") with effect from 26 May 2015. Upon the effect of Share Subdivision, the authorised share capital of the Company of HK$20,000,000 was divided into 4,000,000,000 shares of HK$0.005 each and its issued and fully paid share capital remained as HK$10,000,000 represented by 2,000,000,000 shares of HK$0.005 each.*

As a result of the Share Subdivision, the conversion price of the convertible notes was adjusted from HK$1.25 per share to HK$0.625 per share.

(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$0.625 per share.*

All the shares issued during the year ended 31 December 2015 rank pari passu in all respects with the existing shares in all respects.

33. Deferred Taxation

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

	2015 **RMB'000**	2014 RMB'000
Deferred tax assets	**101**	92
Deferred tax liabilities	**(52,610)**	(50,429)
	(52,509)	(50,337)

33. Deferred Taxation (continued)

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

	Timing difference on impairment of other receivables RMB'000	Accelerated tax deprecation RMB'000	Fair value adjustment on property, plant and equipment RMB'000	Fair value adjustment on prepaid lease payments RMB'000	Fair value adjustment on intangible assets RMB'000	Total RMB'000
At 1 January 2014	–	–	1,253	139	508	1,900
Acquisition of subsidiaries (Note 36)	(199)	5,910	41,560	1,066	170	48,507
Charged (credited) to consolidated statement of profit or loss (Note 11)	–	234	(277)	(15)	(12)	(70)
At 31 December 2014	(199)	6,144	42,536	1,190	666	50,337
Charged (credited) to consolidated statement of profit or loss (Note 11)	–	3,523	(1,176)	(25)	(150)	2,172
At 31 December 2015	(199)	9,667	41,360	1,165	516	52,509

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2015, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB174,692,000 (2014: RMB128,804,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. Operating Leases

The Group as lessee

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of one to three years during the year ended 31 December 2015 and 2014. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**201**	223
In the second to fifth year inclusive	**161**	189
	362	412

35. Capital Commitments

	2015 **RMB'000**	2014 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**28,120**	28,167

36. Acquisition of Subsidiaries

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

On 25 April 2014, the Group acquired the entire interest in Fu'an Jiulong from vendors ("Vendors"). Fu'an Jiulong is principally engaged in hydropower generation and was acquired with the objective of improving the Group's performance.

Consideration transferred

	RMB'000
Cash consideration (Note)	40,000

36. Acquisition of Subsidiaries (continued)

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

Note:

Loan to Fu'an Jiulong with principal amount of RMB3,268,000 was assigned by one of the Vendors to the Group pursuant to the sales and purchase agreement. The loan was unsecured, non-interest bearing and repayable on demand. The loan assignment was considered as part of the consideration of the acquisition.

Acquisition-related costs amounting to approximately RMB79,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	30,855
Prepaid lease payments	3,807
Intangible assets	1,295
Trade and other receivables	1,082
Bank balances and cash	548
Trade and other payables	(1,042)
Income tax payables	(9)
Amount due to Vendor	(3,268)
Deferred tax liabilities (Note 33)	(6,037)
	27,231

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB1,082,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB1,082,000 at the date of acquisition. There were no contractual cash flows expected not to be collected at acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	40,000
Less: assignment of Vendors' loan	(3,268)
Less: recognised amount of identifiable net assets acquired	(27,231)
Goodwill arising on acquisition (Note 18)	9,501

36. Acquisition of Subsidiaries (continued)

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

Goodwill arising on acquisition (continued)

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

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

Net cash outflow arising on acquisition

	RMB'000
Consideration transferred	40,000
Less: deposit paid for acquisition of a subsidiary	(16,000)
Less: cash and cash equivalents acquired	(548)
	23,452

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB2,440,000 attributable to Fu'an Jiulong. Revenue for the year ended 31 December 2014 included approximately RMB6,670,000 generated from Fu'an Jiulong.

Had the acquisition of Fu'an Jiulong been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB42,358,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB66,571,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Fu'an Jiulong been acquired at the beginning of the year ended 31 December 2014, the directors of the Company calculated depreciation of property, plant and equipment and amortisation of prepaid lease payments and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. Acquisition of Subsidiaries (continued)

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

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

Consideration transferred

	RMB'000
Cash consideration	500

Note:

Acquisition-related costs amounting to approximately RMB6,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

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

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

Goodwill arising on acquisition

	RMB'000
Consideration transferred	500
Less: recognised amount of identifiable net assets acquired	(277)
Goodwill arising on acquisition (Note 18)	223

36. Acquisition of Subsidiaries (continued)

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

Goodwill arose on the acquisition of Guangyuan Hydropower because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Guangyuan Hydropower. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

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

Net cash inflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB5,980,000 attributable to Guangyuan Hydropower. Revenue for the year ended 31 December 2014 included approximately RMB10,706,000 was attributable to Guangyuan Hydropower.

Had the acquisition of Guangyuan Hydropower been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB41,277,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB68,796,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Guangyuan Hydropower been acquired at the beginning of the year ended 31 December 2014, the directors of the Company calculated depreciation of property, plant and equipment on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. Acquisition of Subsidiaries (continued)

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

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

Consideration transferred

	RMB'000
Cash consideration	54,000

Note:

Acquisition-related costs amounting to approximately RMB1,253,000 had been excluded from the consideration transferred and was recognised as an expense during the year ended 31 December 2014, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

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

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

36. Acquisition of Subsidiaries (continued)

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

Goodwill arising on acquisition

	RMB'000
Consideration transferred	54,000
Fair value of 10% interest in Huajin Huifu	27,062
Total consideration	81,062
Add: non-controlling interest	41,121
Less: recognised amount of identifiable net assets acquired	(111,627)
Goodwill arising on acquisition (Note 18)	10,556

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

Goodwill arose on the acquisition of Huajin Huifu because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Huajin Huifu. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

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

Net cash outflow arising on acquisition

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

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

36. Acquisition of Subsidiaries (continued)

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2014 was approximately RMB3,165,000 attributable to Huajin Huifu. Revenue for the year ended 31 December 2014 included approximately RMB5,837,000 generated from Huajin Huifu.

Had the acquisition of Huajin Huifu been effected at the beginning of the year ended 31 December 2014, the total amount of the profit of the Group for the year ended 31 December 2014 would have been approximately RMB71,551,000 and the amount of revenue for the year ended 31 December 2014 would have been approximately RMB208,041,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of year ended 31 December 2014, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Huajin Huifu been acquired at the beginning of the year ended 31 December 2014, the directors of the Company calculated depreciation of property, plant and equipment, amortisation of prepaid lease payments and intangible assets on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition consolidated financial statements.

37. Acquisition of Additional Interest in A Subsidiary

During the year ended 31 December 2015, a subsidiary of the Company had acquired an additional 1% equity interest in Shouning County Fuyuan Hydropower Co., Ltd.* 壽寧縣富源水電有限公司 ("Fuyuan Hydropower"), a non-wholly owned subsidiary of the Company, from two independent individuals with a consideration of RMB2,000,000. The difference between the fair value of consideration paid by the Group and the decrease in non-controlling interest after this transaction amounting to approximately RMB1,127,000 is recognised by the Group as equity transaction reserve.

38. 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.

	2015 **RMB'000**	2014 RMB'000
Prepaid lease payments	**13,561**	9,803
Property, plant and equipment	**424,308**	467,224
	437,869	477,027

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

38. 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:

	2015 RMB'000	2014 RMB'000
Carrying amount of trade receivables pledged for finance leases	**1,166**	2,691
Carrying amount of trade receivables (included intra-group balances) pledged for bank borrowings	**36,789**	28,906
	37,955	31,597

As at 31 December 2015 and 2014, the entire equity interests of Qianyuan Hydropower, Fu'an Jiulong and Xingyuan Hydropower, indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2015, two of the subsidiaries of the Company, 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 RMB259,200,000 (2014: RMB259,200,000).

As at 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 of which the loan agreement is effective and the bank borrowing is drawn down subsequent to the end of the reporting period. Details of which are set out in note 45 (ii).

39. Share-Based Payment Transactions

Equity-settled share option schemes of the Company

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

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

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

39. Share-Based Payment Transactions (continued)

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

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

No share option has been granted since the Scheme has been adopted. As at 31 December 2015 and 2014, there are no outstanding share options issued under the Scheme.

40. Retirement Benefits Scheme

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month to the MPF Scheme. During the year ended 31 December 2015, the total amount of approximately RMB11,000 was made by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income (2014: nil).

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2015, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB1,116,000 (2014: RMB392,000).

41. Related Parties Transactions

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

	2015	2014
	RMB'000	RMB'000
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 2012, the Group entered into a lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB5,000. In 2015, the Group entered into a new lease agreement with this related company, with a lease term of 3 years and a monthly rental of approximately RMB6,000 upon the expiry of the existing agreement. During the year ended 31 December 2015, the Group paid rental expenses of approximately RMB71,000 (2014: RMB65,000) to this related company for leasing of the office premises.

(ii) The amount due to a related company as disclosed in note 26 represented amount due to Haitian Mining Resources (HK) Limited in which Mr. Lin Tian Hai, a director of the Company has beneficial interest. During the year ended 31 December 2015, the Group paid management fee of approximately RMB241,000 (equivalent to HK$300,000) (2014: nil) to this related company for administrative and accounting services. The monthly management fee charged is mutually agreed between both parties.

(iii) The amount due to a director as disclosed in note 26 represented amount due to Mr. Lin Tian Hai. During the year ended 31 December 2015, the Group bore the rental expenses of Mr. Lin Tian Hai's director's quarter of approximately RMB526,000 (equivalent to HK$654,000) (2014: 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, NDRC of the PRC and related PRC authorities promulgated the 2011 CDM Measures, which specified that any entity, which becomes a foreign-owned enterprise upon the change in shareholding subsequent to the approval by NDRC, will be disqualified automatically in the CDM project.

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

41. Related Parties Transactions (continued)

(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 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.

(vii) Compensation of key management personnel

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

	2015	2014
	RMB'000	RMB'000
Short-term benefits	**2,129**	1,130
Post-employment benefits	**204**	39
	2,333	1,169

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

42. Statement of Financial Position of the Company

	2015 RMB'000	2014 RMB'000
Non-current asset		
Investments in subsidiaries	**19,131**	19,128
Current assets		
Other receivables	**129**	119
Amounts due from subsidiaries	**164,159**	160,249
Bank balances and cash	**29**	27
	164,317	160,395
Current liabilities		
Other payables	**1,211**	1,683
Amounts due to subsidiaries	**1,740**	1,570
	2,951	3,253
Net current assets	**161,366**	157,142
Total assets less current liabilities	**180,497**	176,270
Capital and reserves		
Share capital	**8,883**	8,156
Reserves (Note)	**146,481**	56,991
	155,364	65,147
Non-current liabilities		
Convertible notes	**–**	87,457
Debentures	**25,133**	23,666
	25,133	111,123
	180,497	176,270

42. Statement of Financial Position of the Company (continued)

Note:

Movement in reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Convertible notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	48,782	18,622	–	(9,231)	58,173
Loss for the year and total comprehensive expense for the year	–	–	–	(4,659)	(4,659)
Recognition of equity component of convertible notes	–	–	3,477	–	3,477
At 31 December 2014	48,782	18,622	3,477	(13,890)	56,991
Profit for the year and total comprehensive income for the year	–	–	–	2,424	2,424
Issue of shares upon conversion of convertible notes (Note 32 (ii))	90,625	–	(3,477)	–	87,148
Transaction costs attributable to issue of shares upon conversion of convertible notes	(82)	–	–	–	(82)
At 31 December 2015	139,325	18,622	–	(11,466)	146,481

43. Particulars of Principal Subsidiaries of the Company

(a) General information of subsidiaries

Details of the Company's principal subsidiaries as at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2015		2014		
				Directly	Indirectly	Directly	Indirectly	
Haitian Hydropower (HK) Limited	Hong Kong	Ordinary	HK$100	–	100%	–	100%	Investment holding
Fujian Dachuan (Note i)	The PRC	Registered capital	RMB45,000,000	–	100%	–	100%	Hydropower generation
Liyuan Hydropower (Note i)	The PRC	Registered capital	RMB18,000,000	–	100%	–	100%	Hydropower generation
Qianyuan Hydropower (Note i)	The PRC	Registered capital	RMB19,000,000	–	100%	–	100%	Hydropower generation
Xingyuan Hydropower (Note i)	The PRC	Registered capital	RMB3,950,000	–	100%	–	100%	Hydropower generation
Fu'an Jiulong (Notes i, ii)	The PRC	Registered capital	RMB6,120,000	–	100%	–	100%	Hydropower generation
Huajin Huifu (Notes i, ii)	The PRC	Registered capital	RMB60,000,000	–	100%	–	100%	Investment holding
Guangyuan Hydropower (Notes i, ii)	The PRC	Registered capital	RMB500,000	–	100%	–	100%	Provision of operating service for hydropower plants
Fujian Sifang Hydropower Investment Co., Ltd.* 福建省四方水電投資有限公司 (Notes i, ii)	The PRC	Registered capital	RMB80,000,000	–	100%	–	100%	Hydropower generation

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

43. Particulars of Principal Subsidiaries of the Company (continued)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company 2015 Directly	2015 Indirectly	2014 Directly	2014 Indirectly	Principal activities
Fuyuan Hydropower (Notes i, ii)	The PRC	Registered capital	RMB64,200,000	–	**71%**	–	70%	Hydropower generation
Shouning County Xinyuan Hydropower Co., Ltd.* ("Xinyuan Hydropower") 壽寧縣新源水電有限公司 (Notes i, ii)	The PRC	Registered capital	RMB22,000,000	–	**60%**	–	60%	Hydropower generation
Juyuan Hydropower (Notes i, ii)	The PRC	Registered capital	RMB6,000,000	–	**38%**	–	38%	Hydropower generation
Shouning County Shengyuan Hydropower Co., Ltd.* 壽寧縣盛源水電投資有限公司 (Notes i, ii)	The PRC	Registered capital	RMB26,800,000	–	**100%**	–	100%	Hydropower generation

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

Notes:

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

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

43. Particulars of Principal Subsidiaries of the Company (continued)

(a) General information of subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not individually material to the Group. The principal activities and principal place of business of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	*Notes*	Number of subsidiaries 2015	2014
Investment holding	BVI	*(a)*	**7**	2
Investment holding	Hong Kong	*(a)*	**4**	1
Inactive	Hong Kong	*(a)*	**2**	–
Inactive	PRC	*(b)*	**4**	1
			17	4

Notes:

(a) During the year ended 31 December 2015, certain entities were incorporated in BVI or Hong Kong.

(b) The entities established in the PRC in 2015 are wholly foreign-owned enterprises.

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

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

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Fuyuan Hydropower	The PRC	**29%**	30%	**5,129**	445	**31,247**	26,991
Xinyuan Hydropower	The PRC	**40%**	40%	**3,083**	120	**16,820**	13,737
Juyuan Hydropower	The PRC	**62%**	62%	**377**	(389)	**(980)**	(1,357)

43. Particulars of Principal Subsidiaries of the Company (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2015 RMB'000	2014 RMB'000
Fuyuan Hydropower		
Current assets	**45,950**	43,262
Non-current assets	**220,921**	229,918
Current liabilities	**(41,879)**	(39,134)
Non-current liabilities	**(120,000)**	(146,760)
Equity attributable to owners of Fuyuan Hydropower	**74,544**	61,100
Non-controlling interests	**30,448**	26,186
Revenue	**49,308**	2,530
Expenses	**(31,603)**	(1,047)
Profit for the year/period	**17,705**	1,483
Profit for the year/period and total comprehensive income for the year/period attributable to owners of Fuyuan Hydropower	**12,571**	1,038
Profit for the year/period and total comprehensive income for the year/period attributable to the non-controlling interests	**5,134**	445

43. Particulars of Principal Subsidiaries of the Company (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2015 RMB'000	2014 RMB'000
Fuyuan Hydropower (continued)		
Profit for the year/period and total comprehensive income for the year/period	**17,705**	1,483
Dividends paid to non-controlling interests	**–**	(1,926)
Net cash inflow from operating activities	**40,252**	9,144
Net cash (outflow) inflow from investing activities	**(467)**	1
Net cash outflow from financing activities	**(39,422)**	(9,266)
Net cash inflow (outflow)	**363**	(121)

43. Particulars of Principal Subsidiaries of the Company (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2015 RMB'000	2014 RMB'000
Xinyuan Hydropower		
Current assets	**29,349**	14,666
Non-current assets	**39,478**	42,209
Current liabilities	**(17,471)**	(9,342)
Non-current liabilities	**(4,280)**	(8,280)
Equity attributable to owners of Xinyuan Hydropower	**28,246**	23,552
Non-controlling interests	**18,830**	15,701
Revenue	**23,756**	761
Expenses	**(15,934)**	(461)
Profit for the year/period	**7,822**	300
Profit for the year/period and total comprehensive income for the year/period attributable to owners of Xinyuan Hydropower	**4,693**	180
Profit for the year/period and total comprehensive income for the year/period attributable to the non-controlling interests	**3,129**	120
Profit for the year/period and total comprehensive income for the year/period	**7,822**	300
Net cash inflow from operating activities	**13,709**	959
Net cash inflow from investing activities	**3**	2
Net cash outflow from financing activities	**(11,324)**	(1,147)
Net cash inflow (outflow)	**2,388**	(186)

43. Particulars of Principal Subsidiaries of the Company (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2015 RMB'000	2014 RMB'000
Juyuan Hydropower		
Current assets	**1,669**	663
Non-current assets	**15,119**	15,799
Current liabilities	**(17,563)**	(17,798)
Non-current liabilities	**–**	–
Equity attributable to owners of Juyuan Hydropower	**(295)**	(508)
Non-controlling interests	**(480)**	(828)
Revenue	**4,289**	38
Expenses	**(3,727)**	(665)
Profit (loss) for the year/period	**562**	(627)
Profit (loss) for the year/period and total comprehensive income (expense) for the year/period attributable to owners of Juyuan Hydropower	**213**	(238)
Profit (loss) for the year/period and total comprehensive income (expense) for the year/period attributable to the non-controlling interests	**349**	(389)
Profit (loss) for the year/period and total comprehensive income (expense) for the year/period	**562**	(627)
Net cash inflow (outflow) from operating activities	**1,879**	(491)
Net cash (outflow) inflow from investing activities	**(4)**	1
Net cash (outflow) inflow from financing activities	**(1,657)**	724
Net cash inflow	**218**	234

44. Major Non-Cash Transaction

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$0.625 per share.

During the year ended 31 December 2015, a subsidiary of the Company had acquired an additional 1% equity interest in Fuyuan Hydropower, a non-wholly owned subsidiary of the Company, from two independent individuals with a consideration of RMB2,000,000, of which an amount of RMB567,000 was settled against an amount due from one of non-controlling interests.

During the year ended 31 December 2014, an amount of loan to a former beneficial owner of a subsidiary of approximately RMB24,165,000 (2015: nil) was assigned and transferred to amount due to a former beneficial owner of a subsidiary.

45. Events After the End of the Reporting Period

(i) On 31 December 2015 (after trading hours), the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber (the "Subscriber") pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue to the Subscriber 100,000,000 new shares of the Company at the subscription price of HK$1.00 per subscription share (the "Subscription Shares") under the General Mandate (the "Subscription"). Completion is subject to the conditions precedent set out in the Subscription Agreement.

On 3 February 2016, the Subscription was completed. An aggregate of 100,000,000 Subscription Shares, representing approximately 4.38% of the issued share capital of the Company immediately after the completion of the Subscription and as at 3 February 2016 have been issued to the Subscriber under the General Mandate. The net proceeds raised from the Subscription are approximately HK$99,900,000.

Details of which are set out in the announcements of the Company dated 31 December 2015 and 3 February 2016 respectively.

(ii) Subsequent to the end of the reporting period, a wholly-owned subsidiary of the Company entered into a loan agreement with a bank to obtain a bank borrowing of RMB300,000,000 for the purpose of financing the acquisition of hydropower plants. The bank borrowing was drawn down on 14 January 2016. The bank borrowing was secured by a corporate guarantee provided by Fujian Dachuan, entire equity interest of Sifang Hydropower and 71% equity interest of Fuyuan Hydropower.

FINANCIAL SUMMARY

RESULTS	Year ended 31 December **2015** **RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**206,653**	64,539	30,164	27,806
Profit before tax	**77,868**	50,515	9,068	3,919
Income tax expense	**(22,300)**	(8,495)	(2,979)	(2,279)
Profit for the year and total comprehensive income for the year	**55,568**	42,020	6,089	1,640

ASSETS AND LIABILITIES	As at 31 December **2015** **RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000
Current assets	**288,646**	174,509	64,771	94,949
Non-current assets	**782,669**	806,647	166,728	138,676
Total assets	**1,071,315**	981,156	231,499	233,625
Current liabilities	**176,916**	177,430	15,593	14,163
Non-current liabilities	**545,940**	596,628	93,500	103,145
Total liabilities	**722,856**	774,058	109,093	117,308
Net assets	**348,459**	207,098	122,406	116,317
Total equity	**348,459**	207,098	122,406	116,317