



HAITIAN ENERGY INTERNATIONAL LIMITED

海天能源國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8261)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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This announcement, for which the directors (the “Directors”) of Haitian Energy International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHT

- Revenue for the nine months ended 30 September 2017 amounted to approximately RMB136.9 million (same period in 2016: approximately RMB188.7 million), representing a decrease of 27.5% as compared with the corresponding period in 2016.
- Gross profit for the nine months ended 30 September 2017 amounted to approximately RMB85.6 million (same period in 2016: approximately RMB125.2 million), representing a decrease of 31.6% as compared with the corresponding period in 2016.
- The profit and total comprehensive income attributable to owners of the Company for the nine months ended 30 September 2017 was approximately RMB22.8 million compared to that of approximately RMB41.0 million for the corresponding period in 2016.
- Basic and diluted earnings per share for the nine months ended 30 September 2017 amounted to RMB0.25 cents (2016: RMB0.45 cents).
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2017.

THIRD QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2017, together with the comparative unaudited figures in the corresponding period of last year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	51,908	60,409	136,879	188,703
Cost of sales		(17,493)	(18,930)	(51,326)	(63,530)
Gross profit		34,415	41,479	85,553	125,173
Other income	6	1,223	1,669	4,303	3,067
Administrative expenses		(3,824)	(4,138)	(13,309)	(11,316)
Other operating expenses		(6)	(243)	(219)	(534)
Finance costs	7	(10,023)	(12,857)	(29,797)	(39,252)
Profit before tax		21,785	25,910	46,531	77,138
Income tax expense	8	(6,626)	(8,116)	(16,453)	(23,796)
Profit for the period and total comprehensive income for the period	9	15,159	17,794	30,078	53,342
Profit for the period and total comprehensive income for the period attributable to:					
Owners of the Company		11,940	13,664	22,812	41,022
Non-controlling interests		3,219	4,130	7,266	12,320
		15,159	17,794	30,078	53,342
Earnings per share (RMB cents)	11				
Basic and diluted		0.13	0.15	0.25	0.45

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Equity transaction reserve	Statutory reserve	Capital reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (audited)	9,303	222,854	362	48,622	(1,127)	25,495	24	120,494	426,027	60,497	486,524
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	22,812	22,812	7,266	30,078
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(13,800)	(13,800)
At 30 September 2017 (unaudited)	<u>9,303</u>	<u>222,854</u>	<u>362</u>	<u>48,622</u>	<u>(1,127)</u>	<u>25,495</u>	<u>24</u>	<u>143,306</u>	<u>448,839</u>	<u>53,963</u>	<u>502,802</u>
At 1 January 2016 (audited)	8,883	139,325	362	48,622	(1,127)	16,851	24	88,432	301,372	47,087	348,459
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	41,022	41,022	12,320	53,342
Issue of shares upon placing of shares	420	83,586	-	-	-	-	-	-	84,006	-	84,006
Transaction costs attributable to issue of shares upon placing of shares	-	(57)	-	-	-	-	-	-	(57)	-	(57)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(1,450)	(1,450)
At 30 September 2016 (unaudited)	<u>9,303</u>	<u>222,854</u>	<u>362</u>	<u>48,622</u>	<u>(1,127)</u>	<u>16,851</u>	<u>24</u>	<u>129,454</u>	<u>426,343</u>	<u>57,957</u>	<u>484,300</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company of the Company is Victor River Limited, a company incorporated in the British Virgin Islands (the “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 in Hong Kong are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 902, 9/F, 74-77 Connaught Road Central, Central, Hong Kong respectively.

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the nine months ended 30 September 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

4. REVENUE

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of electricity	47,434	60,409	129,360	188,703
Provision of repair and maintenance services	4,474	–	7,519	–
	<u>51,908</u>	<u>60,409</u>	<u>136,879</u>	<u>188,703</u>

5. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are the same and maintain reported as follows:

Hydropower generation by self-owned plants	–	Operation of self-owned hydropower plants in the People’s Republic of China (the “PRC”)
Hydropower generation by leased plants	–	Operation of leased hydropower plants in the PRC
Hydropower operation service	–	Provision of operating and repair and maintenance services for hydropower plants in the PRC

During the year ended 31 December 2016, the executive directors of the Company consider to change the segment name of “hydropower trading” to “hydropower generation by leased plants” which would be more accurate to present the nature of the business. The nature of “hydropower trading” and “hydropower generation by leased plants” are the same.

(a) Segment revenue and results

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

Nine months ended 30 September

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Hydropower operation services		Total	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue								
External sales	103,179	148,502	26,181	40,201	7,519	–	136,879	188,703
Inter-segment sales	–	–	–	–	5,610	5,570	5,610	5,570
Segment revenue	<u>103,179</u>	<u>148,502</u>	<u>26,181</u>	<u>40,201</u>	<u>13,129</u>	<u>5,570</u>	<u>142,489</u>	<u>194,273</u>
Eliminations							(5,610)	(5,570)
Group revenue							<u>136,879</u>	<u>188,703</u>
Segment profit	<u>66,881</u>	<u>107,483</u>	<u>3,089</u>	<u>10,808</u>	<u>8,204</u>	<u>410</u>	<u>78,174</u>	<u>118,701</u>
Unallocated corporate income							4,303	3,067
Unallocated corporate expenses							(6,149)	(5,378)
Finance costs							(29,797)	(39,252)
Profit before tax							<u>46,531</u>	<u>77,138</u>

Segment profit represents the profit earned by each segment without allocation of 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.

(b) Information about geographical areas

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 informations is presented.

6. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	480	481	1,285	1,292
Net exchange gain	624	1,170	1,320	1,382
Government grant (<i>Note (i)</i>)	–	–	1,019	357
Rental income (net of outgoings: nil)	119	18	679	36
	<u>1,223</u>	<u>1,669</u>	<u>4,303</u>	<u>3,067</u>

Note:

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

7. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on secured bank borrowings	7,706	10,070	23,903	30,359
Interest on debentures	511	516	1,571	1,525
Interest on finance leases	1,806	2,271	4,323	7,368
	<u>10,023</u>	<u>12,857</u>	<u>29,797</u>	<u>39,252</u>

8. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
The charge comprises:				
PRC Enterprise Income Tax (“EIT”)	6,317	7,685	15,544	22,257
Deferred taxation	309	431	909	1,539
	6,626	8,116	16,453	23,796

- (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 all periods.
- (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 all periods.

9. PROFIT FOR THE PERIOD

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Profit for the period has been arrived at after charging:				
Depreciation of property, plant and equipment	5,893	6,048	17,647	18,212
Amortisation of prepaid lease payments (included in cost of sales)	103	121	306	365
Amortisation of intangible assets	56	56	168	301
Operating lease charges in respect of properties (included in administrative expenses)	256	238	822	909
Operating lease charges in respect of leased plants (included in cost of sales)	7,903	8,063	21,152	29,393
Net exchange gain	(624)	(1,170)	(1,320)	(1,382)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Operating Hydropower Plants

The Group is principally engaged in the hydropower generation, operation and management of hydropower plants in the PRC which were either developed by itself, acquired or leased from other independent third parties. As at 30 September 2017, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and ten (six wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 85.47 MW.

Repair and Maintenance Services

As at 30 September 2017, the Group also owned 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

As at 30 September 2017, the approval documents from Fujian Development and Reform Commission had been obtained and the mainframe construction work was started. The Directors believe the overall construction work will last for 20 months and project will start to contribute revenue to the Group upon completion.

Acquisition of Hydropower Plants

As a core of expansion strategy, the Group continues to seek for acquiring small and medium-size hydropower plants with attractive return and appreciation potential. During the nine months ended 30 September 2017, no acquisition of hydropower plant was completed.

Financial Review

Revenue

The Group recorded a revenue of approximately RMB136.9 million for the nine months ended 30 September 2017, representing a 27.5% decrease as compared to approximately RMB188.7 million for the corresponding period in 2016. Such decrease in revenue was mainly due to the decrease in precipitation in Shouning County, Zhouning County and Fuan City in Fujian Province during the nine months ended 30 September 2017 as compared with the corresponding period in 2016.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB85.6 million for the nine months ended 30 September 2017 (2016: RMB125.2 million) representing a decrease of 31.6% as compared to the corresponding period in 2016. Cost of sales decreased from approximately RMB63.5 million for the nine months ended 30 September 2016 to approximately RMB51.3 million for the nine months ended 30 September 2017. Gross margin, calculated as gross profit divided by revenue, for the nine months ended 30 September 2017 amounted to 62.5% (2016: 66.3%). The decrease in gross profit margin in 2017 was mainly attributable to decrease of revenue while certain cost of sales are fixed costs. During the period under review, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and leased payment for hydropower plants.

Administrative Expenses

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the nine months ended 30 September 2017, the Group's administrative expenses increased to approximately RMB13.3 million as compared to approximately RMB11.3 million for the corresponding period of last year, representing an increase of approximately 17.7%. The administrative expenses increased mainly due to the increase staff costs for the nine months ended 30 September 2017.

Finance costs

The finance costs of the Group represented interest expenses on bank borrowings, debentures, and finance charges on obligations under finance leases. For the nine months ended 30 September 2017 and 2016, finance costs recorded by the Group were approximately RMB29.8 million and RMB39.3 million respectively. The decrease of finance costs for the nine months ended 30 September 2017 was due to (i) the decrease in obligation under finance lease as the result of disposal of Ninde Xingyuan Hydropower Co., Ltd. (寧德市興源水電有限公司) during the year ended 31 December 2016 and (ii) repayment of certain bank borrowing during the period from 30 September 2016 to 30 September 2017.

Income Tax Expense

Owing to the decrease of profit in certain subsidiaries, the income tax expense of the Group decreased by 30.7% from approximately RMB23.8 million for the nine months ended 30 September 2016 to approximately RMB16.5 million for the nine months ended 30 September 2017.

Profit and Total Comprehensive Income

As a result of the above changes, profit and total comprehensive income attributable to owners of the Company decreased by 44.4% from approximately RMB41.0 million for the nine months ended 30 September 2016 to approximately RMB22.8 million for the nine months ended 30 September 2017.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the nine months ended 30 September 2017 amounted to RMB0.25 cents (30 September 2016: RMB0.45 cents).

Extension of debenture

On 3 September 2014, the Group issued HK\$30 million (equivalent to approximately RMB23.7 million) debenture carries fixed coupon rate of 8% per annum which is payable in arrears every year and was 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. In September 2017, all the debenture holders agreed to extend the debenture for another four years with same terms and the debenture will be matured in September 2021.

Outlook

The Group has got rapid development in recent years, the enterprise strategy and management principles have made qualitative leap, it has grown into an excellent hydropower energy company integrating with investment, construction, power generation operation and management. Looking ahead, the Group will continue to seek and acquire small and medium-size hydropower plants with promising outlooks and appreciation potential. Since the “One Belt and One Road” (“壹帶壹路”) strategy encourages the development of the key landmark projects along the route, such as traffic, electric power communication etc., the implementation of the national strategy “One Belt and One Road”, is not only a milestone to realise the Chinese dream of national rejuvenation but also a huge opportunity for the Group to realise international development. As an outstanding enterprise, the Group is committed to international development. The Chairman of the Board, Mr. Lin Yang, explicitly indicates that with the opportunity of national development strategy “One Belt and One Road”, the Group must implement the strategy of “Going Out”, integrate global resources, actively carry out cross-border mergers and acquisitions, and extensively cooperate with foreign excellent electric power enterprises along the “One Belt and One Road” as well as the enterprises in America and Europe. The investment scope will include: mergers and acquisitions of the power stations and the electric power enterprises, new power station investment and construction, grid project investment, advanced electricity generation and transmission technology, and clean energy technology research and development etc. Focusing on hydropower, and actively developing clean sustainable and renewable energy sources such as wind, solar, etc., the Group will gradually form the integration of energy and resources industry chain. At the same time, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the period under review. Save for the extension development of Jiulong Hydropower Plant as disclosed under Business Review of this Third Quarterly Report, there is no plan for material investments or capital assets as at 30 September 2017.

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

As at 30 September 2017, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO; to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares of the Company (“Shares”)

Name of Director	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang (“Mr. Lin”) (Note)	Interest of controlled corporation	6,000,000,000 Shares	65.67

Note: 6,000,000,000 Shares are held by Victor River Limited (“Victor River”), which is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the Shares held by Victor River under the SFO.

Save for disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 September 2017, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed “Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above, the following persons had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Victor River (<i>Note 1</i>)	Beneficial owner	6,000,000,000 Shares (L)	65.67
Ms. Chen Congling (<i>Note 1</i>)	Interest of spouse	6,000,000,000 Shares (L)	65.67
Bright Century Resources Ltd. (<i>Notes 2 and 3</i>)	Beneficial owner, person having a security interest in Shares	880,040,000 Shares (L)	9.63
	Other	400,000,000 Shares (S)	4.38
China Orient Asset Management Corporation (<i>Note 2</i>)	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Dong Yin Development (Holdings) Limited (<i>Note 2</i>)	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Haitong International Investment Fund SPC – Fund I SP	Interest of controlled corporation	606,144,000 Shares (L)	6.63

Notes:

- Victor River is wholly and beneficially owned by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 6,000,000,000 Shares held by Victor River under the SFO. Ms. Chen Congling is the spouse of Mr. Lin. Under the SFO, Ms. Chen Congling is deemed to be interested in the 6,000,000,000 Shares owned by Mr. Lin through Victor River.

2. Bright Century Resources Ltd. is wholly owned by Dong Yin Development (Holdings) Limited and Dong Yin Development (Holdings) Limited is wholly owned by China Orient Asset Management Corporation.
3. The Shares held by Bright Century Resources Ltd. are held in the capacities of beneficial owner (relating to 400,000,000 Shares), person having a security interest in Shares (relating to 480,040,000 Shares) and other (relating to 400,000,000 Shares).
4. (L) – Long position, (S) – short position

Save for disclosed above, as at 30 September 2017, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed “Interests and Short Positions of the Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above) who had, or deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors’ Interests in Competing Business

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

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the nine months ended 30 September 2017.

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 on 19 June 2012 and during the period under review, no share options were granted, exercised or cancelled by the Company under the Scheme. There were no outstanding share options under the Scheme as at 30 September 2017.

Code on Corporate Governance Practice

The Company has applied and adopted the principles of Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”) throughout the period under review. During the nine months ended 30 September 2017, the Company has complied with the code provisions as set out in the CG Code.

Code of Conduct for Securities Transactions by Directors

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

Audit Committee

The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited third quarterly financial results and the third quarterly report of the Group for the nine months ended 30 September 2017. The Audit Committee is of opinion that the condensed consolidated financial statements of the Group for the nine months ended 30 September 2017 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Fujian Province, the PRC, 14 November 2017

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

This announcement will remain on the “Latest Company Announcements” page of the website of GEM at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.haitian-energy.com.