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## HAITIAN ENERGY INTERNATIONAL LIMITED

### 海天能源國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1659)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

### ANNUAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017, together with the comparative audited figures for the year ended 31 December 2016 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	171,627	236,761
Cost of sales		(65,713)	(83,797)
Gross profit		105,914	152,964
Other income	5	6,173	2,767
Administrative expenses		(18,987)	(17,620)
Other operating expenses		(688)	(3,876)
Finance costs	6	(38,584)	(50,929)
Profit before tax		53,828	83,306
Income tax expense	7	(20,214)	(27,740)
Profit for the year and total comprehensive income for the year	8	<u>33,614</u>	<u>55,566</u>
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		26,416	40,706
Non-controlling interests		7,198	14,860
		<u>33,614</u>	<u>55,566</u>
Earnings per share (RMB cents)	10		
Basic and diluted		<u>0.29</u>	<u>0.45</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>662,775</b>	669,485
Prepaid lease payments		<b>16,177</b>	16,584
Goodwill		<b>24,039</b>	24,039
Intangible assets		<b>8,899</b>	9,125
Deposits paid for acquisition of land use right		<b>2,500</b>	2,500
Other deposits and prepayments		<b>6,488</b>	12,732
Deferred tax assets		<b>106</b>	103
		<b>720,984</b>	734,568
<b>Current assets</b>			
Trade and other receivables	<i>11</i>	<b>33,436</b>	19,192
Prepaid lease payments		<b>408</b>	408
Bank balances and cash		<b>476,670</b>	528,060
		<b>510,514</b>	547,660
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>39,235</b>	48,946
Amount due to a related company		–	168
Amount due to a director		–	514
Income tax payables		<b>13,523</b>	16,720
Secured bank borrowings	<i>13</i>	<b>67,690</b>	60,986
Debentures	<i>14</i>	–	26,835
Obligations under finance leases	<i>15</i>	<b>14,647</b>	32,072
		<b>135,095</b>	186,241
Net current assets		<b>375,419</b>	361,419
Total assets less current liabilities		<b>1,096,403</b>	1,095,987

		2017	2016
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Capital and reserves</b>			
Share capital		9,303	9,303
Reserves		<u>443,140</u>	<u>416,724</u>
Equity attributable to owners of the Company		<b>452,443</b>	426,027
Non-controlling interests		<u>53,895</u>	<u>60,497</u>
Total equity		<u>506,338</u>	<u>486,524</u>
<b>Non-current liabilities</b>			
Secured bank borrowings	<i>13</i>	494,290	507,630
Obligations under finance leases	<i>15</i>	14,906	48,052
Debentures	<i>14</i>	25,077	–
Deferred tax liabilities		<u>55,792</u>	<u>53,781</u>
		<u>590,065</u>	<u>609,463</u>
		<b><u>1,096,403</u></b>	<b><u>1,095,987</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 2016	8,883	139,325	362	48,622	(1,127)	16,851	24	88,432	301,372	47,087	348,459
Profit for the year and total											
comprehensive income for the year	-	-	-	-	-	-	-	40,706	40,706	14,860	55,566
Appropriation to statutory reserve	-	-	-	-	-	8,654	-	(8,654)	-	-	-
Derecognition through disposal of a subsidiary	-	-	-	-	-	(10)	-	10	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,450)	(1,450)
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)
At 31 December 2016	<b>9,303</b>	<b>222,854</b>	<b>362</b>	<b>48,622</b>	<b>(1,127)</b>	<b>25,495</b>	<b>24</b>	<b>120,494</b>	<b>426,027</b>	<b>60,497</b>	<b>486,524</b>
Profit for the year and total											
comprehensive income for the year	-	-	-	-	-	-	-	26,416	26,416	7,198	33,614
Appropriation to statutory reserve	-	-	-	-	-	8,893	-	(8,893)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,800)	(13,800)
At 31 December 2017	<b>9,303</b>	<b>222,854</b>	<b>362</b>	<b>48,622</b>	<b>(1,127)</b>	<b>34,388</b>	<b>24</b>	<b>138,017</b>	<b>452,443</b>	<b>53,895</b>	<b>506,338</b>

## NOTES:

### 1. GENERAL

Haitian Energy 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 (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 are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 902, 9/F, Beautiful Group Tower, 74-77 Connaught Road Central, Central, Hong Kong respectively.

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

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

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company. 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)”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as describe below, the application of the other amendments to HKFRSs and HKASs 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.

## Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure mentioned, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

## New and revised HKASs and HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective date not yet been determined.

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

### 3. REVENUE

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

An analysis of the Group's revenue for the year is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of electricity	152,347	236,761
Provision of operating and installation services	19,280	–
	<u>171,627</u>	<u>236,761</u>

### 4. 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 services delivered or provided. The directors of the Company have chosen to organise the Group around differences in services. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segment of the Group.

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

(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 by self-owned plants		Hydropower generation by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
External sales	122,240	187,483	30,107	49,278	19,280	–	171,627	236,761
Inter-segment sales	–	–	–	–	8,454	8,046	8,454	8,046
Segment revenue	<u>122,240</u>	<u>187,483</u>	<u>30,107</u>	<u>49,278</u>	<u>27,734</u>	<u>8,046</u>	<u>180,081</u>	<u>244,807</u>
Eliminations							<u>(8,454)</u>	<u>(8,046)</u>
Group revenue							<u>171,627</u>	<u>236,761</u>
Segment profit	<u>72,867</u>	<u>131,330</u>	<u>3,262</u>	<u>9,339</u>	<u>19,267</u>	<u>783</u>	<u>95,396</u>	<u>141,452</u>
Loss on disposal of subsidiaries							–	(2,558)
Unallocated corporate income							6,173	2,767
Unallocated corporate expenses							(9,157)	(7,426)
Finance costs							<u>(38,584)</u>	<u>(50,929)</u>
Profit before tax							<u>53,828</u>	<u>83,306</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of loss on disposal of subsidiaries, 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) **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 by self-owned plants and by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<u>742,397</u>	<u>748,865</u>	<u>12,100</u>	<u>156</u>	<u>754,497</u>	749,021
Unallocated corporate assets						
– Other receivables					225	5,044
– Bank balances and cash					476,670	528,060
– Deferred tax assets					<u>106</u>	<u>103</u>
Total assets					<u><u>1,231,498</u></u>	<u><u>1,282,228</u></u>
Segment liabilities	<u>77,633</u>	<u>46,211</u>	<u>3,396</u>	<u>1,105</u>	<u>81,029</u>	47,316
Unallocated corporate liabilities						
– Other payables					2,656	2,312
– Income tax payables					13,523	16,720
– Secured bank borrowings					517,530	568,616
– Obligations under finance leases					29,553	80,124
– Debentures					25,077	26,835
– Deferred tax liabilities					<u>55,792</u>	<u>53,781</u>
Total liabilities					<u><u>725,160</u></u>	<u><u>795,704</u></u>

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

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

The Group's chief operating decision maker is of the view that the Group's principal assets and liabilities are jointly used and shared by hydropower generation by self-owned plants and by leased plants.

(c) Other segment information

For the year ended 31 December

	Jointly shared by hydropower generation by self-owned plants and by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment assets:						
Addition to non-current assets (note)	<u>16,623</u>	<u>2,631</u>	<u>–</u>	<u>14</u>	<u>16,623</u>	<u>2,645</u>

Note: Non-current assets excluded prepayments, financial instruments and deferred tax assets.

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss:								
Amortisation of prepaid lease payments	353	434	54	54	–	–	407	488
Amortisation of intangible assets	226	358	–	–	–	–	226	358
Depreciation of property, plant and equipment	<u>20,345</u>	<u>21,308</u>	<u>2,969</u>	<u>2,935</u>	<u>19</u>	<u>96</u>	<u>23,333</u>	<u>24,339</u>

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

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	1,531	1,721	57	22	–	–	1,588	1,743
Finance costs	<u>37,559</u>	<u>49,281</u>	<u>1,025</u>	<u>1,648</u>	<u>–</u>	<u>–</u>	<u>38,584</u>	<u>50,929</u>

(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:

	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Customer A <sup>1 and 2</sup>	<b>99,852</b>	153,106
Customer B <sup>1</sup>	<b>25,555</b>	37,551
Customer C <sup>3</sup>	<b>19,280</b>	–
	<b><u>19,280</u></b>	<b><u>–</u></b>

<sup>1</sup> Revenue from hydropower generation by self-owned plants.

<sup>2</sup> Revenue from hydropower generation by leased plants.

<sup>3</sup> Revenue from electricity supplies operation and installation services and no revenue was derived from this customer during the year ended 31 December 2016.

**5. OTHER INCOME**

	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Bank interest income	<b>1,588</b>	1,743
Other interest income (note (i))	<b>39</b>	102
Government grant (note (ii))	<b>1,019</b>	356
Rental income	<b>1,123</b>	51
Net exchange gain	<b>1,718</b>	–
Others	<b>686</b>	515
	<b><u>6,173</u></b>	<b><u>2,767</u></b>

Notes:

(i) Other interest income was arising from a loan receivable. Details are set out in note 11.

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

## 6. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on secured bank borrowings	32,036	39,455
Interest on debentures	2,079	2,054
Interest on finance leases	<u>5,248</u>	<u>9,439</u>
Total borrowing costs on financial liabilities	39,363	50,948
Less: amounts capitalised in the cost of qualifying assets	<u>(779)</u>	<u>(19)</u>
	<u><b>38,584</b></u>	<u><b>50,929</b></u>

During the year ended 31 December 2017, interest arising on specific bank borrowings of approximately RMB779,000 has been capitalised in the cost of qualifying assets. During the year ended 31 December 2016, interest arising on general borrowing of approximately RMB19,000 was capitalised at a capitalization rate of 6.25%.

## 7. INCOME TAX EXPENSE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	18,206	25,564
Deferred taxation		
Current year	<u>2,008</u>	<u>2,176</u>
	<u><b>20,214</b></u>	<u><b>27,740</b></u>

- (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.

## 8. PROFIT FOR THE YEAR

	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments	<b>2,068</b>	1,510
Other staff costs (excluding directors and the chief executive):		
Salaries, wages and other benefits	<b>14,231</b>	11,634
Severance payment	<b>21</b>	327
Retirement benefits scheme contribution	<b>1,276</b>	1,329
	<u><b>17,596</b></u>	<u>14,800</u>
Auditor's remuneration	<b>780</b>	727
Depreciation for property, plant and equipment	<b>23,333</b>	24,339
Amortisation of prepaid lease payments (included in cost of sales)	<b>407</b>	488
Amortisation of intangible assets (included in cost of sales and administrative expenses)	<b>226</b>	358
Net exchange loss	–	503
Loss on disposal of subsidiaries (included in other operating expenses)	–	2,558
Operating lease charge in respect of leased hydropower plants (included in cost of sales)	<b>24,317</b>	37,505
Operating lease charges in respect of properties (included in administrative expenses)	<b>1,077</b>	1,067

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

## 10. 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:

### (a) Basic

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>26,416</u>	<u>40,706</u>
	2017 '000	2016 '000
Weighted average number of ordinary shares	<u>9,136,000</u>	<u>9,099,934</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2016 has been adjusted for the share subdivision on 17 May 2016.

### (b) Diluted

Diluted earnings per share for both 2017 and 2016 were the same as basic earnings per share as there were no potential dilutive ordinary shares in issue for both 2017 and 2016.

## 11. TRADE AND OTHER RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	27,419	10,612
<i>Less: allowance for trade receivables</i>	<u>(67)</u>	<u>(67)</u>
	<u>27,352</u>	<u>10,545</u>
Deposits and other receivables	3,836	2,839
<i>Less: allowance for deposits and other receivables</i>	<u>(1,698)</u>	<u>(1,736)</u>
	<u>2,138</u>	<u>1,103</u>
Loan receivable ( <i>note</i> )	–	4,530
Prepayments	<u>3,946</u>	<u>3,014</u>
Total trade and other receivables	<u><b>33,436</b></u>	<u><b>19,192</b></u>

*Note:* The amount represented a loan advanced to an independent third party with the principal amount of approximately RMB4,530,000. The amount was unsecured, interest bearing at 8% per annum. The amount was fully repaid during the year ended 31 December 2017.

The Group does not hold any collateral over these balances.

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.

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 30 days	26,331	10,545
Over 180 days	<u>1,021</u>	<u>–</u>
	<u><b>27,352</b></u>	<u><b>10,545</b></u>

## 12. TRADE AND OTHER PAYABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables	19,609	27,866
Other payables and accrued expenses	11,540	13,360
Receipts in advance	839	854
Other tax payables	1,527	3,146
Amount due to non-controlling shareholders of subsidiaries ( <i>note</i> )	<u>5,720</u>	<u>3,720</u>
	<u><b>39,235</b></u>	<u><b>48,946</b></u>

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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 30 days	4,150	5,609
31 to 60 days	1,934	3,915
61 to 90 days	2,756	3,607
91 to 180 days	7,377	11,936
Over 180 days	<u>3,392</u>	<u>2,799</u>
	<u><b>19,609</b></u>	<u><b>27,866</b></u>

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.

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



### 13. SECURED BANK BORROWINGS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
The carrying amounts of the borrowings were repayable (based on scheduled repayment dates):		
Within one year	<b>67,690</b>	60,986
Within a period of more than one year but not exceeding two years	<b>103,290</b>	44,790
Within a period of more than two years but not exceeding five years	<b>293,870</b>	328,370
Within a period of more than five years	<b>97,130</b>	134,470
	<b>561,980</b>	568,616
<i>Less:</i> amounts due within one year shown under current liabilities	<b>(67,690)</b>	(60,986)
Amounts shown under non-current liabilities	<b>494,290</b>	507,630

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

	2017	2016
Effective interest rates:		
Fixed-rate borrowings	<b>4.57%</b>	4.83% to 5.09%
Variable-rate borrowings	<b>4.41% to 6.37%</b>	4.41% to 6.37%

The Group's bank borrowings were denominated in RMB.

During the year ended 31 December 2017, the Group obtained new borrowings of approximately RMB64,350,000 (2016: RMB319,916,000). The proceeds were used to repay the existing bank borrowings, finance the Group's operation and the development of the hydropower plant of Bapu Stream.

#### 14. DEBENTURES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
HK\$30,000,000 debentures carry fixed coupon rate of 8% per annum, payable in arrears every year		
– Current	–	26,835
– Non-current	<u>25,077</u>	<u>–</u>
	<u><u>25,077</u></u>	<u><u>26,835</u></u>

On 3 September 2014, the Company had issued HK\$30,000,000 debentures at par value carrying a fixed coupon rate of 8% per annum with an initial maturity of 3 years. 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. On 1 September 2017, the maturity date of the debentures was extended for another 4 years until 3 September 2021 under the agreement entered between the Group and the debenture holders. Other terms remain unchanged.

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.

#### 15. OBLIGATIONS UNDER FINANCE LEASES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current liabilities	14,647	32,072
Non-current liabilities	<u>14,906</u>	<u>48,052</u>
	<u><u>29,553</u></u>	<u><u>80,124</u></u>

In prior years, the Group entered into sales and leaseback arrangements. Pursuant to which certain of their property, plant and equipment for hydropower generation have been sold and 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 2017, the security deposit has been discounted to its present value at approximately RMB6,143,000 (2016: RMB12,669,000) and included in other deposits and prepayments. The effective interest rate for the obligations under finance leases for the year ended 31 December 2017 is 8.15% (2016: 6.67% to 9.38%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Obligations under finance leases payable:				
Within one year	<b>16,745</b>	37,516	<b>14,647</b>	32,072
Within a period of more than one year but not more than two years	<b>15,304</b>	33,010	<b>14,906</b>	30,174
Within a period of more than two years but not more than five years	–	18,380	–	17,878
	<b>32,049</b>	88,906	<b>29,553</b>	80,124
<i>Less: future finance charges</i>	<b>(2,496)</b>	(8,782)	N/A	N/A
Present value of lease obligations	<b>29,553</b>	80,124	<b>29,553</b>	80,124
<i>Less: amount due for settlement within 12 months shown under current liabilities</i>			<b>(14,647)</b>	(32,072)
Amount due for settlement after 12 months shown under non-current liabilities			<b>14,906</b>	<b>48,052</b>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by certain trade receivables and the equity interest of certain subsidiaries.

## 16. CAPITAL COMMITMENTS

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>38,220</b>	<b>27,431</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the hydropower generation by self-owned and leased plants and operation and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the PRC. As at 31 December 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. The operational details of the self-owned 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<sup>3</sup>, 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	2017	2016
Installed capacity (MW)	11.25	11.25
Gross generation (MWh) attributed to the Group	26,173	37,369
Applicable on-grid tariff (RMB/KWh), including Value Added Tax ("VAT")	<u>0.38</u>	<u>0.38</u>

## 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<sup>2</sup>. The reservoir has a design of total capacity of approximately 3,340,000 m<sup>3</sup>, 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	2017	2016
Installed capacity (MW)	10	10
Gross generation (MWh) attributed to the Group	<u>33,665</u>	<u>52,337</u>

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Co., Ltd.: 0.37 (2016: 0.37); To China Water Conservancy and Hydropower Twelfth engineering Bureau Co., Ltd. and Zhouning Pumped Storage Power Station Construction Bureau: 0.8 (2016: N/A)
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## 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<sup>2</sup>. The reservoir has an adjusted capacity (水庫調節庫容) of approximately 59,000 m<sup>3</sup>, 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.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>5</b>	5
Gross generation (MWh) attributed to the Group	<b><u>17,931</u></b>	<b><u>25,105</u></b>

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Co., Ltd.: 0.321 (2016: 0.321); To China Water Conservancy and Hydropower Twelfth engineering Bureau Co., Ltd. and Zhouning Pumped Storage Power Station Construction Bureau: 0.8 (2016: N/A)
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### **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 an additional hydropower plant 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. Based on the current construction progress, the Directors estimate the overall construction work will be completed in 2019.

### **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<sup>3</sup> 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<sup>3</sup> and capacity adjustment coefficient is 0.56%.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>4.5</b>	4.5
Gross generation (MWh) attributed to the Group	<b>17,463</b>	25,795
Applicable on-grid tariff (RMB/KWh), including VAT	<b>0.37</b>	<b>0.37</b>

### **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<sup>2</sup>. The reservoir possesses the function of “daily adjustment (日調節)”.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>20</b>	20
Gross generation (MWh) attributed to the Group	<b>64,821</b>	<b>88,783</b>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562) Electricity of low period: 0.208 (2016: 0.208)
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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<sup>2</sup>. The reservoir possesses the function of “monthly adjustment (月調節)”.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>30</b>	30
Gross generation (MWh) attributed to the Group	<b>72,853</b>	<b>108,572</b>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562) Electricity of low period: 0.208 (2016: 0.208)
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### **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<sup>2</sup>. The reservoir possesses the function of “daily adjustment (日調節)”.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>9.0</b>	9.0
Gross generation (MWh) attributed to the Group	<b>23,223</b>	31,998
Applicable on-grid tariff (RMB/KWh), including VAT	<b><u>0.351</u></b>	<u>0.351</u>

### **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<sup>2</sup>. The reservoir possesses the function of “semi-hourly adjustment (半小時調節)”.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>15.0</b>	15.0
Gross generation (MWh) attributed to the Group	<b><u>48,911</u></b>	<u>80,116</u>

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): 0.287 (2016: 0.287);
Electricity Charges, including VAT	To Shouning Ronghua Metal Products Company (“Ronghua Metal”) (壽寧榮華金屬制品有限公司): 0.57 (2016: 0.57) of peak period, 0.32 (2016: 0.32) 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<sup>2</sup>. The reservoir possesses the function of “weekly adjustment (週調節)”.



<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>3.2</b>	3.2
Gross generation (MWh) attributed to the Group	<b><u>10,132</u></b>	<u>16,768</u>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.384 (2016: 0.384)  Electricity of low period: 0.32 (2016: 0.32)
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Save as the ten self-owned plants mentioned above, the Group has leased four hydropower plants, namely, Baizhang Hydropower Plant, Wangshe-II Hydropower Plant, Jingshan Hydropower Plant, and Dongxi Hydropower Plant. The operational details of the leased hydropower plants are listed as below:

#### **Baizhang Hydropower Plant (百丈水電站)**

Baizhang Hydropower Plant located on Shantian Village (山田村), Xietan Town (斜灘鎮), Shouning County (壽寧縣). With a total installed capacity of 1MW, Baizhang Hydropower Plant commenced power generation for sale in October 2005.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>1.00</b>	1.00
Gross generation (MWh) attributed to the Group	<b><u>2,037</u></b>	<u>3,219</u>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562)  Electricity of low period: 0.208 (2016: 0.208)
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#### **Wangshe-II Hydropower Plant (王社二級水電站)**

Wangshe-II Hydropower Plant located at Xiaqingshuikeng Village (下清水坑村), Hejia Village (何家村), Yingshan Township (英山鄉), Zherong County (柘榮縣). With a total installed capacity of 18MW, Wangshe-II Hydropower Plant commenced power generation for sale in March 2005.

<b>Indicators</b>	<b>2017</b>	2016
Installed capacity (MW)	<b>18.00</b>	18.00
Gross generation (MWh) attributed to the Group	<b><u>62,271</u></b>	<u>96,585</u>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562)
	Electricity of low period: 0.208 (2016: 0.208)

### **Dongxi Hydropower Plant (東溪水電站)**

Dongxi Hydropower Plant located at Dongxi Village (東溪村), Pingxi Xiang (平溪鄉), Shouning County (壽寧縣) in Fijian Province. With a total installed capacity of 3.2MW, Dongxi Hydropower Plant commenced power generation for sale in January 2006.

<b>Indicators</b>	<b>2017</b>	<b>2016</b>
Installed capacity (MW)	<b>3.20</b>	3.20
Gross generation (MWh) attributed to the Group	<b>8,132</b>	<b>14,257</b>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562)
	Electricity of low period: 0.208 (2016: 0.208)

### **Jingshan Hydropower Plant (景山水電站)**

Jingshan Hydropower Plant located at Xiadongxi Village (下東溪村), Xietan Town (斜灘鎮), Shouning County (壽寧縣) in Fijian Province. With a total installed capacity of 4MW, Jingshan Hydropower Plant commenced power generation for sale in November 2005.

<b>Indicators</b>	<b>2017</b>	<b>2016</b>
Installed capacity (MW)	<b>4.00</b>	4.00
Gross generation (MWh) attributed to the Group	<b>10,165</b>	<b>17,821</b>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2016: 0.562)
	Electricity of low period: 0.208 (2016: 0.208)

## FINANCIAL REVIEW

### Revenue

The Group recorded a revenue of RMB171.6 million for the year ended 31 December 2017, representing a 27.5% decrease as compared to RMB236.8 million for the year ended 31 December 2016.

The Group's revenues to date have been derived from the sale of electricity generated by the self-owned hydropower plants and leased hydropower plants to local power grids in Fujian Province and Zhejiang Province, and the provision of operating, repair and maintenance and installation services in relation to electricity supplies 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:

<b>Hydropower Plant</b>	<b>Contribution of total revenue derived from power generation</b>
<b>Self-owned plant</b>	
Ma Tou Shan Hydropower Plant	6%
Qianping Hydropower Plant	9%
Jiulong Hydropower Plant	4%
Fu'an Jiulong-I Hydropower Station & Fu'an Jiulong-II Hydropower Station	4%
Liuchai Hydropower Plant	17%
Xiadongxi Hydropower Plant	21%
Huangqiling-II Hydropower Plant	5%
Cheling-II Hydropower Plant	12%
Kengdou Hydropower Plant	2%
<b>Leased plant</b>	
Baizhang Hydropower Plant	1%
Wangshe-II Hydropower Plant	14%
Dongxi Hydropower Plant	2%
Jingshan Hydropower Plant	3%

The sale of electricity decreased from 613,057 MWh for the year ended 31 December 2016 to 397,777 MWh for the year ended 31 December 2017, representing approximately 35.1% decrease. Such decrease was mainly due to the decrease in precipitation in Shouning County, Zhouning County and Fuan City in Fujian Province in 2017. In 2017, the leased plants generated 82,605 MWh electricity which decreased by 37.4% compared with 2016.

The services income from provision of operating, repair and maintenance and installation services in relation to electricity supplies in Fujian Province increased from nil for the year ended 31 December 2016 to RMB19.3 million for the year ended 31 December 2017. Such increase represents the Group has successfully developed its services, save as the operating services to hydropower plant, for providing installation and repair and maintenance services in relation to other electricity supply devices.

### **Gross Profit and Gross Margin**

The Group achieved a gross profit of approximately RMB105.9 million for the year ended 31 December 2017 (2016: RMB153.0 million), representing a decrease of 30.8% as compared to that in 2016. Cost of sales decreased from approximately RMB83.8 million for the year ended 31 December 2016 to approximately RMB65.7 million for the year ended 31 December 2017. Gross profit margin, calculated as gross profit divided by revenue, for the year ended 31 December 2017 amounted to 61.7% (2016: 64.6%). Such decrease was mainly due to the decrease of revenue from sales of electricity while the fixed cost of sales had no significant change. During the years ended 31 December 2017 and 2016, the cost of sales mainly included depreciation, direct salaries, operation fees, water resource fees and leasing fee for hydropower plants.

### **Administrative Expenses**

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the year ended 31 December 2017, the Group's administrative expenses slightly increased to approximately RMB19.0 million compared to approximately RMB17.6 million for the corresponding period in 2016.

### **Other Operating Expenses**

For the year ended 31 December 2017, other operating expenses recorded by the Group was approximately RMB0.7 million (2016: RMB3.9 million). The decrease in other expenses mainly represented the loss on disposal of subsidiaries of RMB2.6 million which was included in the year ended 31 December 2016.

### **Finance Costs**

The finance costs of the Group mainly represented interest expenses on bank borrowings, debentures, and finance charges on obligations under finance leases. For the year ended 31 December 2017, finance costs recorded by the Group was approximately RMB38.6 million (2016: RMB50.9 million). The decrease in finance costs was mainly due to the decreased bank borrowings and obligations under finance leases during the year.

## **Income Tax Expense**

Owing to decreased profit in certain subsidiaries, the income tax expense of the Group decreased by 27.1% from approximately RMB27.7 million for the year ended 31 December 2016 to approximately RMB20.2 million for the year ended 31 December 2017.

## **Profit for the year and Total Comprehensive Income**

For the year ended 31 December 2017, profit and total comprehensive income attributable to owners of the Company decreased by 35.1% from RMB40.7 million in the prior year to RMB26.4 million.

## **Basic and Diluted Earnings per Share**

Basic and diluted earnings per share for the year ended 31 December 2017 amounted to RMB0.29 cents (2016: RMB0.45 cents).

## **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 RMB476.7 million as at 31 December 2017 (2016: RMB528.1 million). As at 31 December 2017, the Group had net current asset of RMB375.4 million (2016: RMB361.4 million).

The current ratio, as at 31 December 2017, represented by a ratio between current assets over current liabilities, was 3.78 (2016: 2.94) and the gearing ratio as at 31 December 2017, represented by a ratio between total debt over total assets, was 58.8% (2016: 62.1%). The decrease in the gearing ratio was mainly due to the repayment of bank borrowings of RMB6.6 million and obligation under finance lease of RMB50.6 million during the year.

## **Bank Borrowings and Obligations Under Finance Leases**

As at 31 December 2017, the Group's bank borrowings amounted to approximately RMB562.0 million, bearing interest rates ranging from 4.41% to 6.37% per annum, and the Group's finance leases amounted to approximately RMB29.6 million, bearing effective interest rate of 8.15% per annum.

## **Debenture**

On 3 September, 2014, the Group issued HK\$30 million (equivalent to approximately RMB23.67 million) 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. 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.

## **Pledge of Assets**

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

As at 31 December 2016, the entire equity interests of Zhouning Qianyuan Hydropower Development Co., Ltd. (周寧縣乾元水電開發有限公司) ("Qianyuan Hydropower") and Fu'an Jiulong, indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2017 and 2016, two indirect subsidiaries of the Company, Fujian Dachuan Hydropower Development Co., Ltd. (福建省大川水電開發有限公司) ("Dachuan Hydropower") and Fuan Liyuan Hydropower Co., Ltd. (福安市力源水電開發有限公司) ("Liyuan Hydropower") have provided corporate guarantees in relation to obligations under finance leases of the Group for a maximum amount of each RMB259.2 million (2016: RMB259.2 million).

As at 31 December 2017 and 2016, the entire equity interest of Fujian Sifang Hydropower Investment Co., Ltd. (福建省四方水電投資有限公司) ("Sifang Hydropower") and 71% equity interest of Shouning Fuyuan Hydropower Co., Ltd. (壽寧縣富源水電有限公司) ("Fuyuan Hydropower"), indirect subsidiaries of the Company, have been pledged to a bank for securing a bank borrowing with a principal of RMB300 million.

## **Foreign Exchange Exposure**

The Group's income and expenditure during the year ended 31 December 2017 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2017 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 9,136,000,000 shares (2016: 9,136,000,000 shares) as at 31 December 2017.

## **Contingent Liabilities**

As at 31 December 2017, 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 2017 (2016: nil).

## **Employees and Remuneration Policies**

As at 31 December 2017, the Group employed approximately 222 employees, including Directors and the chief executive (2016: 223 employees). Total staff costs for the year under review, including Directors' and the chief executive's emoluments, amounted to approximately RMB17.6 million (2016: RMB14.8 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.

## **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 2017.

#### **Business objectives as stated in the Prospectus    Actual business progress up to 31 December 2017**

Enhancement of technologies and facilities of existing hydropower plants	The Group has commenced the extension development of Jiulong Hydropower Plant with approval of the Municipal National Development and Reform Commission in Fujian Province which obtained in August 2016. Based on the current construction progress, the Directors estimate the overall construction will be completed in 2019.
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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 2017 had been fully applied as follows:

	<b>Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2017 HK\$’000</b>	<b>Actual use of proceeds from the Listing Date to 31 December 2017 HK\$’000</b>
Possible acquisition of hydropower plants ( <i>Note 2</i> )	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants ( <i>Note 1</i> )	14,740	14,740
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
	<hr/>	<hr/>
Total	<u>59,780</u>	<u>59,780</u>

*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\$59.8 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 2017 interim report. As at 30 June 2017, the Group has utilised HK\$56.3 million of the net proceeds from the Placing.

## **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 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.

## **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 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a model code for securities transactions by Directors (the "Model Code") on terms which are the same as the required standard set out in Appendix 10 of the Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Model Code throughout the year and up to the date of this announcement.

## **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 14 of the Listing Rules. During the year ended 31 December 2017, 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The 2018 Annual General Meeting of the Company is scheduled on Friday, 25 May 2018. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2017. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By order of the Board  
**Haitian Energy International Limited**  
**Lin Yang**  
*Chairman and Executive Director*

Fujian Province, the PRC, 23 March 2018

*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.*