



HAITIAN ENERGY INTERNATIONAL LIMITED

海天能源國際有限公司

(formerly known as “Haitian Hydropower International Limited 海天水電國際有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8261)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and responsible.

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 2016, together with the comparative audited figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	236,761	206,653
Cost of sales		<u>(83,797)</u>	<u>(73,067)</u>
Gross profit		152,964	133,586
Other income	5	2,767	1,455
Administrative expenses		(17,620)	(19,550)
Other operating expenses		(3,876)	(463)
Finance costs	6	<u>(50,929)</u>	<u>(37,160)</u>
Profit before tax		83,306	77,868
Income tax expense	7	<u>(27,740)</u>	<u>(22,300)</u>
Profit for the year and total comprehensive income for the year	8	<u>55,566</u>	<u>55,568</u>
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		40,706	46,979
Non-controlling interests		<u>14,860</u>	<u>8,589</u>
		<u>55,566</u>	<u>55,568</u>
Earnings per share (<i>RMB cents</i>)	10		
Basic		<u>0.45</u>	<u>0.57</u>
Diluted		<u>0.45</u>	<u>0.54</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 RMB'000	2015 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		669,485	709,088
Prepaid lease payments		16,584	20,289
Goodwill		24,039	25,178
Intangible assets		9,125	9,483
Deposits paid for acquisition of land use right		2,500	2,500
Other deposit and prepayment		12,732	16,030
Deferred tax assets		103	101
		734,568	782,669
Current assets			
Trade and other receivables	<i>11</i>	19,192	16,602
Prepaid lease payments		408	487
Bank balances and cash		528,060	271,557
		547,660	288,646
Current liabilities			
Trade and other payables	<i>12</i>	48,946	36,221
Amount due to a related company		168	859
Amount due to a director		514	548
Income tax payables		16,720	19,945
Secured bank borrowings	<i>13</i>	60,986	79,075
Debentures	<i>15</i>	26,835	–
Obligations under finance leases	<i>14</i>	32,072	40,268
		186,241	176,916
Net current assets		361,419	111,730
Total assets less current liabilities		1,095,987	894,399

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital		9,303	8,883
Reserves		<u>416,724</u>	<u>292,489</u>
Equity attributable to owners of the Company		426,027	301,372
Non-controlling interests		<u>60,497</u>	<u>47,087</u>
Total equity		<u>486,524</u>	<u>348,459</u>
Non-current liabilities			
Secured bank borrowings	<i>13</i>	507,630	363,090
Obligations under finance leases	<i>14</i>	48,052	105,107
Debentures	<i>15</i>	–	25,133
Deferred tax liabilities		<u>53,781</u>	<u>52,610</u>
		<u>609,463</u>	<u>545,940</u>
		<u>1,095,987</u>	<u>894,399</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Equity transaction reserve	Convertible notes 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	RMB'000
At 1 January 2015	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	-	-	-	-	(1,127)	-	-	-	-	(1,127)	(873)	(2,000)
Issue of shares upon conversion of convertible notes	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
Profit 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 cost attributable to issue of shares upon placing of shares	-	(57)	-	-	-	-	-	-	-	(57)	-	(57)
At 31 December 2016	9,303	222,854	362	48,622	(1,127)	-	25,495	24	120,494	426,027	60,497	486,524

NOTES:

1. GENERAL

Haitian Energy International Limited (formerly known as 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

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

The Company is engaged in investment holding while the Group is principally engaged in hydropower generation by self-owned and leased hydropower plants and provision of operating and repair and maintenance services for hydropower plants 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 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).

Pursuant to a special resolution passed at the adjourned extraordinary general meeting held on 16 May 2016, the name of the Company was changed from Haitian Hydropower International Limited 海天水電國際有限公司 to Haitian Energy International Limited 海天能源國際有限公司. “The Certificate of Incorporation On Change of Name” has been issued by the Registrar of Companies in the Cayman Islands and the change of name took effect on 25 May 2016.

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

The application of the 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.

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
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ *Effective for annual periods beginning on or after 1 January 2017.*

² *Effective for annual periods beginning on or after 1 January 2018.*

³ *Effective for annual periods beginning on or after 1 January 2019.*

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.

3. 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.

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of electricity	236,761	202,269
Provision of repair and maintenance services	–	4,301
Provision of operating services	–	83
	<u>236,761</u>	<u>206,653</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 goods or 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 self-owned hydropower plants in the PRC and sales of electricity. |
| Hydropower generation
by leased plants | – Operation of leased hydropower plants in the PRC and sales of electricity. |
| Hydropower operation
services | – Provision of operating and repair and maintenance services for hydropower plants in the PRC. |

During the year ended 31 December 2016, the directors of the Company, after considering the nature of revenue, decided that it is more appropriate to rename segment of the hydropower trading to hydropower generation by leased plants for both years.

(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		Hydropower operation services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
External sales	187,483	162,390	49,278	39,879	–	4,384	236,761	206,653
Inter-segment sales	–	–	–	–	8,046	6,809	8,046	6,809
Segment revenue	<u>187,483</u>	<u>162,390</u>	<u>49,278</u>	<u>39,879</u>	<u>8,046</u>	<u>11,193</u>	<u>244,807</u>	213,462
Eliminations							<u>(8,046)</u>	<u>(6,809)</u>
Group revenue							<u>236,761</u>	<u>206,653</u>
Segment profit	<u>128,896</u>	<u>104,472</u>	<u>11,773</u>	<u>10,428</u>	<u>783</u>	<u>3,719</u>	<u>141,452</u>	118,619
Loss on disposal of subsidiaries							(2,558)	–
Unallocated corporate income							2,767	1,455
Unallocated corporate expenses							(7,426)	(5,046)
Finance costs							<u>(50,929)</u>	<u>(37,160)</u>
Profit before tax							<u>83,306</u>	<u>77,868</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 and leased plants		Hydropower operation services		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Segment assets	<u>748,865</u>	<u>798,835</u>	<u>156</u>	<u>696</u>	<u>749,021</u>	799,531
Unallocated corporate assets						
– Other receivables					<u>5,044</u>	126
– Bank balances and cash					<u>528,060</u>	271,557
– Deferred tax assets					<u>103</u>	<u>101</u>
Total assets					<u><u>1,282,228</u></u>	<u>1,071,315</u>
Segment liabilities	<u>46,211</u>	<u>36,255</u>	<u>1,105</u>	<u>1,373</u>	<u>47,316</u>	37,628
Unallocated corporate liabilities						
– Other payables					<u>2,312</u>	–
– Income tax payables					<u>16,720</u>	19,945
– Secured bank borrowings					<u>568,616</u>	442,165
– Obligations under finance leases					<u>80,124</u>	145,375
– Debentures					<u>26,835</u>	25,133
– Deferred tax liabilities					<u>53,781</u>	<u>52,610</u>
Total liabilities					<u><u>795,704</u></u>	<u>722,856</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, 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 and leased plants.

(c) Other segment information

For the year ended 31 December

	Jointly shared by hydropower generation by self-owned and leased plants		Hydropower operation services		Total	
	2016	2015	2016	2015	2016	2015
	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)	2,631	1,791	14	232	2,645	2,023

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Hydropower operation services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	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	434	434	54	54	-	-	488	488
Amortisation of intangible assets	358	773	-	-	-	-	358	773
Depreciation of property, plant and equipment	21,308	21,556	2,935	2,839	96	232	24,339	24,627
Net loss on disposal/written off of property, plant and equipment	-	123	-	34	-	-	-	157

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

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		Hydropower operation services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	1,721	374	22	223	-	2	1,743	599
Finance costs	49,281	34,726	1,648	2,434	-	-	50,929	37,160

(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:

	2016	2015
	RMB'000	RMB'000
Customer A ^{1 and 2}	153,106	119,434
Customer B ¹	37,551	36,936
Customer C ¹	N/A*	26,195

¹ Revenue from hydropower generation by self-owned plants.

² Revenue from hydropower generation by leased plants.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Bank interest income	1,743	599
Other interest income (Note (i))	102	–
Net gain on early repayment of amount due to a former beneficial owner of a subsidiary	–	65
Government grant (Note (ii))	356	373
Rental income	51	7
Waive of convertible notes interest	–	272
Reversal of impairment for trade and other receivable	–	30
Others	515	109
	2,767	1,455

Notes:

- (i) Other interest income was arising from a loan receivable which 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on secured bank borrowings	39,455	21,185
Interest expense on convertible notes	–	690
Interest on debentures	2,054	1,928
Interest on finance leases	9,439	12,183
Interest on former beneficial owner of a subsidiary	–	850
Interest on former holding company of a subsidiary	–	45
Interest on unsecured other borrowing	–	312
	<hr/>	<hr/>
Total borrowing costs on financial liabilities that are not at fair value through profit or loss	50,948	37,193
Less: amounts capitalised in the cost of qualifying assets (<i>Note</i>)	(19)	(33)
	<hr/>	<hr/>
	50,929	37,160
	<hr/> <hr/>	<hr/> <hr/>

Note: The capitalisation ratio of borrowings for the year ended 31 December 2016 is 6.25% (2015: 7.30%) per annum.

7. INCOME TAX EXPENSE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax (“EIT”)	25,564	20,120
Under-provision in prior year	–	8
	<hr/>	<hr/>
	25,564	20,128
Deferred taxation		
Current year	2,176	2,172
	<hr/>	<hr/>
	27,740	22,300
	<hr/> <hr/>	<hr/> <hr/>

- (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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments	1,510	1,325
Salaries, wages and other benefits (excluding directors and the chief executive)	11,634	11,691
Severance payment	327	–
Retirement benefits scheme contribution (excluding directors and the chief executive)	1,329	1,107
	<u>14,800</u>	<u>14,123</u>
Auditor's remuneration	727	643
Depreciation for property, plant and equipment	24,339	24,627
Amortisation of prepaid lease payments (included in cost of sales)	488	488
Amortisation of intangible assets (included in cost of sales and administrative expenses)	358	773
Net exchange loss	503	2,456
Net loss on disposal/written off of property, plant and equipment	–	157
Impairment losses on trade and other receivables	–	1,037
Loss on disposal of subsidiaries (<i>Note 17</i>) (included in other operating expenses)	2,558	–
Operating lease charge in respect of leased hydropower plants (included in cost of sales)	37,505	29,600
Operating lease charges in respect of properties (included in administrative expenses)	1,067	835

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	40,706	46,979
Interest expense on convertible notes	–	690
Waive of convertible notes interest	–	(272)
Earnings for the purpose of diluted earnings per share	<u>40,706</u>	<u>47,397</u>

	2016 '000	2015 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	9,099,934	8,309,742
Convertible notes	<u>—</u>	<u>426,258</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>9,099,934</u>	<u>8,736,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2016 and 2015 has been adjusted for the share subdivision on 17 May 2016.

11. TRADE AND OTHER RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	10,612	12,573
<i>Less:</i> allowance for trade receivables	<u>(67)</u>	<u>(67)</u>
	<u>10,545</u>	<u>12,506</u>
Deposits and other receivables	2,839	2,669
<i>Less:</i> allowance for deposits and other receivables	<u>(1,736)</u>	<u>(1,736)</u>
	<u>1,103</u>	<u>933</u>
Loan receivable (<i>Note</i>)	4,530	—
Prepayments	<u>3,014</u>	<u>3,163</u>
Total trade and other receivables	<u>19,192</u>	<u>16,602</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 and repayable by September 2017. Subsequent to the end of reporting period, the aggregate amounts have been fully settled.

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.

	2016 RMB'000	2015 <i>RMB'000</i>
Within 30 days	10,545	12,152
31 to 60 days	<u>—</u>	<u>354</u>
	<u>10,545</u>	<u>12,506</u>

12. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 <i>RMB'000</i>
Trade payables	27,866	13,607
Construction payables	5,321	5,975
Other payables and accrued expenses	8,039	8,256
Receipts in advance	854	903
Other tax payables	3,146	3,760
Amount due to a non-controlling shareholder of a subsidiary (<i>Note</i>)	<u>3,720</u>	<u>3,720</u>
	<u>48,946</u>	<u>36,221</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:

	2016 RMB'000	2015 <i>RMB'000</i>
Within 30 days	5,609	6,949
31 to 60 days	3,915	2,895
61 to 90 days	3,607	2,031
91 to 180 days	11,936	754
Over 180 days	<u>2,799</u>	<u>978</u>
	<u>27,866</u>	<u>13,607</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 amount due to a non-controlling shareholder of a subsidiary represented 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.

13. SECURED BANK BORROWINGS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The carrying amounts of the borrowings were repayable:		
Within one year	60,986	79,075
Within a period of more than one year but not exceeding two years	44,790	66,670
Within a period of more than two years but not exceeding five years	328,370	160,160
Within a period of more than five years	<u>134,470</u>	<u>136,260</u>
	568,616	442,165
<i>Less:</i> amounts due within one year shown under current liabilities	<u>(60,986)</u>	<u>(79,075)</u>
Amounts shown under non-current liabilities	<u><u>507,630</u></u>	<u><u>363,090</u></u>

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:

	2016	2015
Effective interest rates:		
Fixed-rate borrowings	4.83% to 5.09%	4.83% to 5.09%
Variable-rate borrowings	<u><u>4.41% to 6.37%</u></u>	<u><u>4.85% to 7.92%</u></u>

The Group's bank borrowings were denominated in RMB.

During the year ended 31 December 2016, the Group obtained new borrowings of approximately RMB319,916,000 (2015: RMB149,915,000). The proceeds were used to repay the existing bank borrowings and finance the Group's operation.

* *The English name is for identification purpose only.*

14. OBLIGATIONS UNDER FINANCE LEASES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current liabilities	32,072	40,268
Non-current liabilities	48,052	105,107
	<u>80,124</u>	<u>145,375</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 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 2016, the security deposit has been discounted to its present value at approximately RMB12,669,000 (2015: RMB15,924,000) and included in other deposit and prepayment. Interest rates underlying the obligations under finance leases are fixed at contract date at variable rate with reference to The People's Bank of China Prescribed Interest Rate with 1.50% to 1.92% (2015: 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 2016 is 6.67% to 9.38% (2015: 7.00% to 10.12%) per annum. Lease-related costs amounting to approximately RMB4,980,000 has been capitalised on initial recognition of obligations under finance leases in prior years.

	Minimum lease payments		Present value of minimum lease payments	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Obligations under finance leases payable:				
Within one year	37,516	51,436	32,072	40,268
Within a period of more than one year but not more than two years	33,010	50,704	30,174	43,002
Within a period of more than two years but not more than five years	18,380	66,425	17,878	62,105
	<u>88,906</u>	168,565	<u>80,124</u>	145,375
Less: future finance charges	<u>(8,782)</u>	(23,190)	N/A	N/A
Present value of lease obligations	<u>80,124</u>	<u>145,375</u>	<u>80,124</u>	<u>145,375</u>
Less: amount due for settlement within 12 months shown under current liabilities			<u>(32,072)</u>	<u>(40,268)</u>
Amount due for settlement after 12 months shown under non-current liabilities			<u>48,052</u>	<u>105,107</u>

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.

15. DEBENTURES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
HK\$30,000,000 debentures carry fixed coupon rate of 8% per annum, payable in arrears every year with maturity until September 2017		
– Current	26,835	–
– Non-current	<u>–</u>	<u>25,133</u>
	<u><u>26,835</u></u>	<u><u>25,133</u></u>

On 3 September 2014, the Company had 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.

16. CAPITAL COMMITMENTS

	2016 <i>RMB'000</i>	2015 <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	<u><u>27,431</u></u>	<u><u>28,120</u></u>

17. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Prolific Sky Limited and its subsidiaries

In 2016, an aggregated of 100% shareholding of Prolific Sky Limited, a direct wholly-owned subsidiary, and its subsidiaries (collectively referred as “Prolific Sky Group”), was sold at USD100 (equivalent to RMB661) to Cai Yun Investment Limited, an independent third party. The Prolific Sky Group is inactive since acquisition. The loss on disposal of subsidiaries recognised in profit or loss less than RMB1,000 during the year ended 31 December 2016.

The disposed subsidiaries had no significant impact on the results and cash flows of the Group during the year ended 31 December 2016.

(b) Disposal of 100% equity interest in Xingyuan Hydropower

In December 2016, the Group entered into a sales and purchases agreement with an independent third party, Mr. Zheng Rui, for disposal of Xingyuan Hydropower, a wholly-owned subsidiary of the Group, for a cash consideration of RMB5,000,000. The transaction was completed in December 2016.

RMB'000

Consideration received:

Cash received	<u>5,000</u>
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31 December

2016

RMB'000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	17,909
Prepaid lease payments	3,296
Goodwill	1,139
Other deposit	4,469
Trade and other receivables	6,463
Bank balance and cash	911
Trade and other payables	(467)
Tax payable	(178)
Deferred tax liabilities	(1,007)
Obligations under finance leases	<u>(24,977)</u>
Net assets disposed of	<u><u>7,558</u></u>

Loss on disposal of a subsidiary:

Consideration received	5,000
<i>Less:</i> Net assets disposed of	<u>(7,558)</u>

Loss on disposal (included in other operating expenses)	<u><u>(2,558)</u></u>
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Net cash inflow arising on disposal:

Cash consideration	5,000
<i>Less:</i> bank balance and cash disposed of	<u>(911)</u>
	<u><u>4,089</u></u>

Included in the profit and revenue for the year ended 31 December 2016 was approximately RMB585,000 and RMB4,600,000 generated from Xingyuan Hydropower respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the hydropower generation by self-owned and leased plants 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 2016, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and eleven (seven wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Ningde Jinxi-I Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 88.67 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 m³, 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	2016	2015
Installed capacity (MW)	11.25	11.25
Gross generation (MWh) attributed to the Group	37,369	47,275
Applicable on-grid tariff (RMB/KWh), including Value Added Tax ("VAT")	<u>0.38</u>	<u>0.35-0.38</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 km². The reservoir has a design of total capacity of approximately 3,340,000 m³, 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	2016	2015
Installed capacity (MW)	10	10
Gross generation (MWh) attributed to the Group	52,337	49,763
Applicable on-grid tariff (RMB/KWh), including VAT	0.37	0.331-0.37

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 km². The reservoir has an adjusted capacity (水庫調節庫容) of approximately 59,000 m³, 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	2016	2015
Installed capacity (MW)	5	5
Gross generation (MWh) attributed to the Group	25,105	26,567
Applicable on-grid tariff (RMB/KWh), including VAT	0.321	0.301-0.321

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. The Directors believe the overall construction work will be last for a period of 20 months and the project will start to contribute revenue to the Group upon competition.

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 m³ and adjusted capacity of 389,000 m³, 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	2016	2015
Installed capacity (MW)	3.2	3.2
Gross generation (MWh) attributed to the Group	14,782	13,969
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.321</u>	<u>0.301-0.321</u>

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 m³ 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 m³ and capacity adjustment coefficient is 0.56%.

Indicators	2016	2015
Installed capacity (MW)	4.5	4.5
Gross generation (MWh) attributed to the Group	25,795	28,596
Applicable on-grid tariff (RMB/KWh), including VAT	0.37	0.35-0.37

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 km². The reservoir possesses the function of "daily adjustment (日調節)".

Indicators	2016	2015
Installed capacity (MW)	20	20
Gross generation (MWh) attributed to the Group	88,783	73,149

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2015: RMB0.562) Electricity of low period: RMB0.208 (2015: RMB0.208)
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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 km². The reservoir possesses the function of “monthly adjustment (月調節)”.

Indicators	2016	2015
Installed capacity (MW)	30	30
Gross generation (MWh) attributed to the Group	<u>108,572</u>	<u>83,671</u>
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.562 (2015: RMB0.562) Electricity of low period: RMB0.208 (2015: 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 km². The reservoir possesses the function of “daily adjustment (日調節)”.

Indicators	2016	2015
Installed capacity (MW)	9.0	9.0
Gross generation (MWh) attributed to the Group	31,998	39,095
Applicable on-grid tariff (RMB/KWh), including VAT	<u>0.351</u>	<u>0.321-0.351</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 km². The reservoir possesses the function of “semi-hourly adjustment (半小時調節)”.

Indicators	2016	2015
Installed capacity (MW)	15.0	15.0
Gross generation (MWh) attributed to the Group	<u>80,116</u>	<u>59,055</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) : RMB0.287/KWh (2015: 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 (2015: RMB0.57/KWh) of peak period, RMB0.32/KWh (2015: 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 km². The reservoir possesses the function of “weekly adjustment (週調節)”.

Indicators	2016	2015
Installed capacity (MW)	3.2	3.2
Gross generation (MWh) attributed to the Group	<u>16,768</u>	<u>12,928</u>

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: RMB0.384/KWh (2015: RMB0.384/KWh) Electricity of low period: RMB0.32/KWh (2015: RMB0.32/KWh)	
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Save as the eleven 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.

Indicators	2016	2015
Installed capacity (MW)	1.00	1.00
Gross generation (MWh) attributed to the Group	<u>3,219</u>	<u>2,440</u>
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2015: RMB0.562) Electricity of low period: 0.208 (2015: RMB0.208)	

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.

Indicators	2016	2015
Installed capacity (MW)	18.00	18.00
Gross generation (MWh) attributed to the Group	<u>96,585</u>	<u>76,565</u>
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2015: RMB0.562) Electricity of low period: 0.208 (2015: RMB0.208)	

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.

Indicators	2016	2015
Installed capacity (MW)	3.20	3.20
Gross generation (MWh) attributed to the Group	<u>14,257</u>	<u>9,564</u>
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2015: RMB0.562) Electricity of low period: 0.208 (2015: RMB0.208)	

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.

Indicators	2016	2015
Installed capacity (MW)	4.00	4.00
Gross generation (MWh) attributed to the Group	<u>17,821</u>	<u>11,956</u>
Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.562 (2015:RMB0.562) Electricity of low period: 0.208 (2015:RMB0.208)	

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of RMB236.8 million for the year ended 31 December 2016, representing a 14.6% increase as compared to RMB206.7 million for the year ended 31 December 2015.

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 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
Self-owned plant	
Ma Tou Shan Hydropower Plant	6%
Qianping Hydropower Plant	8%
Jiulong Hydropower Plant	3%
Ningde Jinxi-I Hydropower Plant	2%
Fu'an Jiulong-I Hydropower Station & Fu'an Jiulong-II Hydropower Station	4%
Liuchai Hydropower Plant	15%
Xiadongxi Hydropower Plant	21%
Huangqiling-II Hydropower Plant	5%
Cheling-II Hydropower Plant	13%
Kengdou Hydropower Plant	2%
Leased plant	
Baizhang Hydropower Plant	1%
Wangshe-II Hydropower Plant	15%
Dongxi Hydropower Plant	2%
Jingshan Hydropower Plant	3%

The sale of electricity increased from 534,593 MWh for the year ended 31 December 2015 to 613,507 MWh for the year ended 31 December 2016, representing approximately 14.8% growth. Such increase was mainly due to the increase in precipitation in Shouning County and Zhouning County in Fujian Province in 2016. In 2016, the leased plants generated 131,882 MWh electricity which increased by 31.2% compared with 2015.

Gross Profit and Gross Margin

The Group achieved a gross profit of approximately RMB153.0 million for the year ended 31 December 2016 (2015: RMB133.6 million), representing an increase of 14.5% as compared to that in 2015. Cost of sales increased from approximately RMB73.1 million for the year ended 31 December 2015 to approximately RMB83.8 million for the year ended 31 December 2016. Gross profit margin, calculated as gross profit divided by revenue, for the year ended 31 December 2016 amounted to 64.6% (2015: 64.6%). The gross profit margin does not have a great fluctuation due to the almost portional increase of the revenue and cost of sales.

Administrative Expenses

The administrative expenses of the Group primarily comprised legal and professional fees and staff costs. For the year ended 31 December 2016, the Group's administrative expenses slightly decreased to approximately RMB17.6 million compared to approximately RMB19.6 million for the corresponding period in 2015.

Other Operating Expenses

For the year ended 31 December 2016, other operating expenses recorded by the Group was approximately RMB3.9 million (2015: RMB0.5 million). The increase of other expenses mainly represented by the loss on disposal of subsidiaries of RMB2.6 million.

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 2016, finance costs recorded by the Group was approximately RMB50.9 million (2015: RMB37.2 million). The increase in finance costs was mainly due to the increased bank borrowings during the year.

Income Tax Expense

Owing to increased profit in certain subsidiaries, the income tax expense of the Group increased by 24.2% from approximately RMB22.3 million for the year ended 31 December 2015 to approximately RMB27.7 million for the year ended 31 December 2016.

Profit for the year and Total Comprehensive Income

For the year ended 31 December 2016, profit and total comprehensive income attributable to owners of the Company decreased by 13.4% from RMB47.0 million in the prior year to RMB40.7 million.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the year ended 31 December 2016 amounted to RMB0.45 cents (2015: basic and diluted earnings per share amounted to RMB0.57 cents and RMB0.54 cents respectively).

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 RMB528.1 million as at 31 December 2016 (2015: RMB271.6 million). As at 31 December 2016, the Group had net current asset of RMB361.4 million (2015: RMB111.7 million).

The current ratio, as at 31 December 2016, represented by a ratio between current assets over current liabilities, was 2.94 (2015: 1.63) and the gearing ratio as at 31 December 2016, represented by a ratio between total debt over total assets, was 62.1% (2015: 67.5%). The decrease of the gearing ratio was mainly due to 100,000,000 new ordinary shares of the Company issued during the year.

Bank Borrowings and Obligations Under Finance Leases

As at 31 December 2016, the Group's bank borrowings amounted to approximately RMB568.6 million, bearing interest rates ranging from 4.41% to 6.37% per annum, and the Group's finance leases amounted to approximately RMB80.1 million, bearing interest rates ranging from 6.67% to 9.38% per annum.

Debenture

On 3 September, 2014, the Group issued HK\$30,000,000 (equivalent to approximately 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.

Pledge of Assets

The bank borrowings of approximately RMB568.6 million (2015: RMB442.2 million) and the finance leases of approximately RMB80.1 million (2015: RMB145.4 million) as at 31 December 2016 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

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 2015, the entire equity interests of Qianyuan Hydropower, 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 2016 and 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.

As at 31 December 2016 and 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.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2016 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2016 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the current year.

Capital Structure

The total number of the issued shares of the Company was 9,136,000,000 shares (2015: 2,184,000,000 shares) as at 31 December 2016.

Contingent Liabilities

As at 31 December 2016, 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 2016 (2015: nil).

Employees and Remuneration Policies

As at 31 December 2016, the Group employed approximately 223 employees, including Directors and the chief executive (2015: 222 employees). Total staff costs for the year under review, including Directors' and the chief executive's emoluments, amounted to approximately RMB14.8 million (2015: RMB14.1 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 2016.

Business objectives as stated in the Prospectus Actual business progress up to 31 December 2016

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. To facilitate smooth implementation for the main construction of the project, the road construction has been completed. Presently, the Company has commenced the administrative approval over the use of land and the installation of the electricity supply of the project which expected to be completed within three months. The Group's management believes that the overall construction work will last for a period of 20-months which based on the feasibility report of the project. The main construction unit of the project will cooperate with other units involved in the construction project to ensure the main construction would be completed within the 20-month period. It would bring the completion of the main construction earlier in order to generate revenue to the Group from the newly constructed plant.

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 2016 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 2016 HK\$’000	Actual use of proceeds from the Listing Date to 31 December 2016 HK\$’000
Possible acquisition of hydropower plants (<i>Note 2</i>)	44,700	44,770
Enhancement of technologies and facilities of existing hydropower plants (<i>Note 1</i>)	14,740	10,197
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
	<hr/>	<hr/>
Total	59,780	55,307
	<hr/> <hr/>	<hr/> <hr/>

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 2015 annual report. As at 31 December 2015, the Group has utilised HK\$54.1 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 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.

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 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 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 15 of the GEM Listing Rules. During the year ended 31 December 2016, 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 2017 Annual General Meeting of the Company is scheduled on Friday, 19 May 2017. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017 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 Monday, 15 May 2017.

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 2016. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2016 comply with applicable accounting standards, GEM 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, 3 March 2017

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 Announcement" 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 Company at www.haitian-energy.com.