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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8261)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2017 amounted to approximately RMB85.0 million (2016: RMB128.3 million), representing a decrease of 33.7% as compared with the corresponding period in 2016.
- Gross profit for the six months ended 30 June 2017 amounted to approximately RMB51.1 million (2016: RMB83.7 million), representing a decrease of 38.9% as compared with the corresponding period in 2016.
- The profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2017 was approximately RMB10.9 million compared to a profit of approximately RMB27.4 million for the corresponding period in 2016.
- Basic and diluted earnings per share for the six months ended 30 June 2017 amounted to RMB0.12 cents (2016: RMB0.30 cents).
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2017.

The board of directors (the ''Board'') of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the ''Group'') for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Three months ended 30 June		**Six months ended 30 June**	
		2017	2016	**2017**	2016
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**52,864**	76,418	**84,971**	128,294
Cost of sales		**(19,118)**	(24,281)	**(33,833)**	(44,600)
Gross profit		**33,746**	52,137	**51,138**	83,694
Other income	*6*	**1,531**	1,044	**3,080**	1,398
Administrative expenses		**(5,150)**	(3,799)	**(9,485)**	(7,178)
Other operating expenses		**(122)**	(22)	**(213)**	(291)
Finance costs	*7*	**(9,557)**	(13,459)	**(19,774)**	(26,395)
Profit before tax		**20,448**	35,901	**24,746**	51,228
Income tax expense	*8*	**(7,028)**	(10,500)	**(9,827)**	(15,680)
Profit for the period and total comprehensive income for the period	*9*	**13,420**	25,401	**14,919**	35,548

	Notes	Three months ended 30 June **2017** **_RMB'000_** **(unaudited)**	2016 _RMB'000_ (unaudited)	Six months ended 30 June **2017** **_RMB'000_** **(unaudited)**	2016 _RMB'000_ (unaudited)
Profit for the period and total comprehensive income for the period attributable to:					
Owners of the Company		**10,682**	20,056	**10,872**	27,358
Non-controlling interests		**2,738**	5,345	**4,047**	8,190
		13,420	25,401	**14,919**	35,548
Earnings per share *(RMB cents)*	*11*				
Basic		**0.12**	0.22	**0.12**	0.30
Diluted		**0.12**	0.22	**0.12**	0.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**661,940**	669,485
Prepaid lease payments		**16,381**	16,584
Goodwill		**24,039**	24,039
Intangible assets		**9,013**	9,125
Deposits paid for acquisition of land use right		**2,500**	2,500
Other deposit and prepayment		**13,141**	12,732
Deferred tax assets		**103**	103
		727,117	734,568
Current assets			
Trade and other receivables	*12*	**41,316**	19,192
Prepaid lease payments		**408**	408
Bank balances and cash		**476,031**	528,060
		517,755	547,660
Current liabilities			
Trade and other payables	*13*	**43,283**	48,946
Amount due to a related company		**168**	168
Amount due to a director		**423**	514
Income tax payables		**8,079**	16,720
Secured bank borrowings		**59,845**	60,986
Debentures		**26,038**	26,835
Obligations under finance leases		**9,492**	32,072
		147,328	186,241
Net current assets		**370,427**	361,419
Total assets less current liabilities		**1,097,544**	1,095,987

	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited)
Capital and reserves		
Share capital	**9,303**	9,303
Reserves	**427,596**	416,724
Equity attributable to owners of the Company	**436,899**	426,027
Non-controlling interests	**64,544**	60,497
Total equity	**501,443**	486,524
Non-current liabilities		
Secured bank borrowings	**485,735**	507,630
Obligations under finance leases	**55,922**	48,052
Deferred tax liabilities	**54,444**	53,781
	596,101	609,463
	1,097,544	1,095,987

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

The Group	**Attributable to owners of the Company**										
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Other reserve** *RMB'000*	**Special reserve** *RMB'000*	**Equity transaction reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Capital reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2017 (audited)	9,303	222,854	362	48,622	(1,127)	25,495	24	120,494	426,027	60,497	486,524
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	10,872	10,872	4,047	14,919
Appropriation to statutory reserve	–	–	–	–	–	–	–	–	–	–	–
Issue of shares upon placing of shares	–	–	–	–	–	–	–	–	–	–	–
Transaction cost attributable to issue of shares upon placing of shares	–	–	–	–	–	–	–	–	–	–	–
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–
At 30 June 2017 (unaudited)	9,303	222,854	362	48,622	(1,127)	25,495	24	131,366	436,899	64,544	501,443
At 1 January 2016 (audited)	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 (expense) for the period	–	–	–	–	–	–	–	27,358	27,358	8,190	35,548
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)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	(1,450)	(1,450)
At 30 June 2016 (unaudited)	9,303	222,854	362	48,622	(1,127)	16,851	24	115,790	412,679	53,827	466,506

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**8,264**	63,004
Net cash used in investing activities	**(3,360)**	(521)
Net cash (used in) from financing activities	**(56,933)**	312,158
Net increase in cash and cash equivalents	**(52,029)**	374,641
Cash and cash equivalents at 1 January	**528,060**	271,557
Cash and cash equivalents at 30 June, represented by bank balances and cash	**476,031**	646,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company of the Company is Victor River Limited 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.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

4. REVENUE

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

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

	Three months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of electricity	**49,819**	76,418	**81,926**	128,294
Provision of repair and maintenance services	**3,045**	–	**3,045**	–
	52,864	76,418	**84,971**	128,294

5. SEGMENT INFORMATION

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

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

Hydropower generation by self-owned plants	–	Operation of self-owned hydropower plants in the PRC and sales of electricity
Hydropower generation by leased plants	–	Operation of leased hydropower plants in the PRC and sales of electricity
Hydropower operation services	–	Provision of operating and repair and maintenance services for hydropower plants in the PRC

The directors of the Company after considering the nature of revenue, decided that it is more appropriate to rename segment of hydropower generation by leased plants for both periods.

(a) Segment revenue and results

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

For the six months ended 30 June

	Hydropower generation by self-owned plants		Hydropower generation by leased plants		Hydropower operation services		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue								
Sales to external customers	**66,020**	99,389	**15,906**	28,905	**3,045**	–	**84,971**	128,294
Inter-segment sales	**–**	–	**–**	–	**3,563**	3,845	**3,563**	3,845
Segment revenue	**66,020**	99,389	**15,906**	28,905	**6,608**	3,845	**88,534**	132,139
Eliminations							**(3,563)**	(3,845)
Group revenue							**84,971**	128,294
Segment results	**41,216**	71,607	**1,203**	7,574	**3,659**	440	**46,078**	79,621
Unallocated corporate income							**3,080**	1,398
Unallocated expenses							**(4,638)**	(3,396)
Finance costs							**(19,774)**	(26,395)
Profit before tax							**24,746**	51,228

Segment profit represents the profit earned by each segment without allocation of certain other income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged with reference to market prices.

(b) Segment assets and liabilities

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

	Jointly shared by hydropower generation by self-owned and leased plants		**Hydropower operation services**		**Total**	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**765,248**	748,865	**3,255**	156	**768,503**	749,021
Unallocated corporate assets						
– Other receivables					**235**	5,044
– Bank balances and cash					**476,031**	528,060
– Deferred tax assets					**103**	103
Total assets					**1,244,872**	1,282,228
Segment liabilities	**40,268**	46,211	**644**	1,105	**40,912**	47,316
Unallocated corporate liabilities						
– Other payables					**2,962**	2,312
– Income tax payables					**8,079**	16,720
– Secured bank borrowings					**545,580**	568,616
– Obligations under finance leases					**65,414**	80,124
– Debentures					**26,038**	26,835
– Deferred tax liabilities					**54,444**	53,781
Total liabilities					**743,429**	795,704

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.

(c) Geographical information

As all the Group's revenue is derived from customers based in the PRC (country of domicile) and all the Group's non-current assets are located in the PRC, no geographical information is presented.

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**381**	466	**805**	811
Net exchange gain	**523**	212	**696**	212
Government grant *(Note)*	**80**	357	**1,019**	357
Rental income (net of outgoings: nil)	**547**	9	**560**	18
	1,531	1,044	**3,080**	1,398

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

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on debentures	**528**	505	**1,060**	1,009
Interest on finance leases	**1,135**	2,468	**2,517**	5,097
Interest on secured bank borrowings	**7,894**	10,486	**16,197**	20,289
	9,557	13,459	**19,774**	26,395

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The charge comprises:				
PRC Enterprise Income Tax ("EIT")	**6,765**	9,015	**9,227**	14,572
Deferred taxation	**263**	1,485	**600**	1,108
	7,028	10,500	**9,827**	15,680

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for all periods.

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

9. PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period has been arrived at after charging:				
Depreciation for property, plant and equipment	**5,880**	6,041	**11,754**	12,164
Amortisation of prepaid lease payments (included in cost of sales)	**101**	122	**203**	244
Amortisation of intangible assets	**56**	56	**112**	245
Net exchange gain	**(523)**	(212)	**(696)**	(212)
Operating lease charges in respect of properties (included in administrative expenses)	**310**	335	**566**	671
Operating lease charges in respect of leased hydropower plants (included in cost of sales)	**7,605**	15,601	**13,249**	23,032

10. DIVIDEND

No dividend was paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Earnings for the purpose of basic earnings per share for the period attributable to the owners of the Company	**10,682**	20,056	**10,872**	27,358

	Three months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	'000	*'000*	***'000***	*'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**9,136,000**	9,136,000	**9,136,000**	9,063,473

The dilutive earnings per share was the same as the basic earnings per share for the three months and six months ended 30 June 2017 and 2016, as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 June 2017 and 2016.

12. TRADE RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**37,297**	10,612
Less: allowance for trade receivables	**(67)**	(67)
	37,230	10,545

The Group allows a range of credit period of 15 to 30 days to its trade customers. The Group did not hold any collateral over the trade receivable balances. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**35,260**	10,545
31 to 60 days	**349**	–
61 to 90 days	**1,621**	–
	37,230	10,545

13. TRADE PAYABLES

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Trade payables	**26,925**	27,866

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

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Within 30 days	**6,865**	5,609
31 to 60 days	**3,485**	3,915
61 to 90 days	**3,590**	3,607
91 to 180 days	**4,290**	11,936
Over 180 days	**8,695**	2,799
	26,925	27,866

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hydropower Operation

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

Repair and Maintenance Services

As at 30 June 2017, the Group also owns a subsidiary engaging in the provision of hydropower operation services and repair and maintenance services, namely, Shouning Guangyuan Hydropower Operation Management Co., Ltd.（壽寧縣廣源水電營運有限公司）.

Extension Development of Jiulong Hydropower Plant

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

Acquisition of Hydropower Plants

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

Financial Review

Revenue

The Group recorded a revenue of approximately RMB85.0 million for the six months ended 30 June 2017, representing a 33.7% decrease as compared to approximately RMB128.3 million for the corresponding period in 2016. Such decrease in revenue was mainly due to the fact that the decrease in precipitation in Shouning County, Zhouning County and Fuan City in Fujian Province during the six months ended 30 June 2017 as compared with the corresponding period in 2016.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of approximately RMB51.1 million for the six months ended 30 June 2017 (2016: RMB83.7 millions), representing a decrease of 38.9% as compared to that of the corresponding period in 2016. Cost of sales decreased from approximately RMB44.6 million for the six months ended 30 June 2016 to approximately RMB33.8 million for the six months ended 30 June 2017. Gross margin, calculated as gross profit divided by revenue, for the six months ended 30 June 2017 amounted to 60.1% (2016: 65.2%). The decrease in gross profit margin in 2017 was mainly attributable to decrease of revenue while certain cost of sales are fixed costs. During the period under review, the cost of sales mainly included depreciation, direct salaries, water resource fees and leased payment for hydropower plants.

Administrative Expenses

The administrative expenses of the Group primarily comprised professional fees and staff costs. For the six months ended 30 June 2017, the Group's administrative expenses increased to approximately RMB9.5 million as compared to approximately RMB7.2 million for the corresponding period of last year, representing an increase of approximately 31.9%. The administrative expenses increased mainly due to the increase in professional fees and staff costs for the six months ended 30 June 2017.

Finance Costs

The finance costs of the Group represented interest expenses on bank borrowings, debentures, and finance charges on obligations under finance leases. For the six months ended 30 June 2017 and 2016, finance costs recorded by the Group were approximately RMB19.8 million and RMB26.4 million respectively. The decrease of finance costs for the six months ended 30 June 2017 was due to (i) the decrease in obligation under finance lease as the result of disposal of Ninde Xingyuan Hydropower Co., Ltd.（寧德市興源水電有限公司）during the year ended 31 December 2016 and (ii) repayment of certain bank borrowings and obligation under finance lease during the period from 30 June 2016 to 30 June 2017.

Income Tax Expense

Owing to decrease of profit in certain subsidiaries, the income tax expense of the Group decreased by 37.6% from approximately RMB15.7 million for the six months ended 30 June 2016 to approximately RMB9.8 million for the six months ended 30 June 2017.

Profit and Total Comprehensive Income

As a result of the above changes, profit and total comprehensive income attributable to owners of the Company decreased by 60.2% from approximately RMB27.4 million for the six months ended 30 June 2016 to approximately RMB10.9 million for the six months ended 30 June 2017.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the six months ended 30 June 2017 and amounted to RMB0.12 cents (30 June 2016: RMB0.30 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 RMB476.0 million as at 30 June 2017, representing a decrease of approximately RMB52.1 million compared to that of approximately RMB528.1 million as at 31 December 2016. Net cash generated from operating activities amounted to approximately RMB8.3 million for the six months ended 30 June 2017 as compared to that of RMB63.0 million for the corresponding period of last year.

Acquisition of Hydropower Plants

As a core of expansion strategy, the Group continues to seek for acquiring small and medium-size hydropower plants with attractive return and appreciation potential. During the six months ended 30 June 2017, no acquisition of hydropower plant was completed. However, the Group has identified a few potential hydropower plants in Fujian Province and conducted preliminary reviews and feasibility studies.

Pledge of Assets

The bank borrowings of approximately RMB545.6 million (31 December 2016: RMB568.6 million) and the finance leases of approximately RMB65.4 million (31 December 2016: RMB80.1 million) as at 30 June 2017 were secured by certain prepaid lease payments, property, plant and equipment and electricity tariff collection rights.

As at 30 June 2017 and 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 Hydropower Development Co., Ltd.（福安市九隆水電開發有限公司）(“Fu’an Jiulong”), indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

As at 30 June 2017 and 31 December 2016, two of the subsidiaries of the Company, Fujian Dachuan Hydropower Development Co., Ltd.（福建省大川水電開發有限公司）(“Dachuan Hydropower”) and Fuan Liyuan Hydropower Co., Ltd.（福安市力源水電開發有限公司）(“Liyuan Hydropower”) have provided corporate guarantees in relation to obligations under finance leases for a maximum amount of each RMB259.2 million (31 December 2016: RMB259.2 million).

As at 30 June 2017 and 31 December 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 Country Fuyuan Hydropower Co., Ltd.（壽寧縣富源水電有限公司）(“Fuyuan Hydropower”) have been pledged to a bank for securing a bank borrowing of RMB289.0 million (31 December 2016: RMB297.0 million).

Foreign Exchange Exposure

The Group's income and expenditure during the six months ended 30 June 2017 were principally denominated in Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 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 period under review.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities of the Group to the total assets of the Group, decreased to 59.7% as at 30 June 2017 (31 December 2016: 62.1%).

Capital Structure

As at 30 June 2017, the Group had total assets of approximately RMB1,244.9 million, including property, plant and equipment of approximately RMB661.9 million, prepaid lease payments of approximately RMB16.8 million, intangible assets of approximately RMB9.0 million, and cash and cash equivalents of approximately RMB476.0 million. As at 31 December 2016, the Group had total assets of approximately RMB1,282.2 million, comprising property, plant and equipment of approximately RMB669.5 million, prepaid lease payments of approximately RMB17.0 million, intangible assets of approximately RMB9.1 million, and cash and cash equivalents of approximately RMB528.1 million.

As at 30 June 2017, the Group had total liabilities of approximately RMB743.4 million, mainly comprising bank borrowings of approximately RMB545.6 million and obligations under finance leases of approximately RMB65.4 million. As at 31 December 2016, the Group had total liabilities of approximately RMB795.7 million, mainly comprising bank borrowings of approximately RMB568.6 million and obligations under finance leases of approximately RMB80.1 million.

Except for the placing of shares in February 2016 and the subdivision of shares in May 2016, there has been no material changes in the capital structure of the Group during the period under review. The total number of the issued shares of the Company was 9,136,000,000 shares as at 30 June 2017.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2017 (2016: nil).

Bank Borrowings and obligations under finance leases

As at 30 June 2017, the Group's bank borrowings amounted to approximately RMB545.6 million (31 December 2016: RMB568.6 million), bearing interest rates ranged from 4.41% to 6.37% (31 December 2016: 4.41% to 6.37%) per annum, and the Group's finance leases amounted to approximately RMB65.4 million (31 December 2016: RMB80.1 million), bearing interest rates ranged from 6.25% to 6.67% (31 December 2016: 6.67% to 9.38%) per annum.

Employees and Remuneration Policies

As at 30 June 2017, the Group employed approximately 238 employees, as compared to 223 employees as at 31 December 2016, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB7.4 million (for the period ended 30 June 2016: approximately RMB6.2 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

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

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

Outlook

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

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 first half year of 2017.

Business objectives as stated in the Prospectus	Actual business progress up to 30 June 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. 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 is 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 30 June 2017 had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2017 *HK$'000*	**Actual use of proceeds from the Listing Date to 30 June 2017** *HK$'000*
Possible acquisition of hydropower plants *(Note 2)*	44,700	44,700
Enhancement of technologies and facilities of existing hydropower plants *(Note 1)*	14,740	11,236
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
Total	59,780	56,276

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

Note 2: The actual net proceeds from the Placing of the Company 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 2016 annual report. As at 31 December 2016, the Group has utilised HK$55.3 million of the net proceeds from the Placing.

The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. As of the date of this announcement, the Directors are not aware of any material change to the planned use of the proceeds from the plan as stated in the Prospectus.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong and in the PRC.

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

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

Long Position in the shares of the Company ("Shares")

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

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

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

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

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

Name of Shareholder	**Nature of interest**	**Number of Shares held**	**Approximate shareholding percentage** *(%)*
Victor River *(Note 1)*	Beneficial owner	6,000,000,000 Shares (L)	65.67
Ms. Chen Congling *(Note 1)*	Interest of spouse	6,000,000,000 Shares (L)	65.67
Bright Century Resources Ltd. *(Notes 2 and 3)*	Beneficial owner, person having a security interest in Shares	880,040,000 Shares (L)	9.63
	Other	400,000,000 Shares (S)	4.38
China Orient Asset Management Corporation *(Note 2)*	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest of controlled corporation	880,040,000 Shares (L)	9.63
		400,000,000 Shares (S)	4.38
Haitong International Investment Fund SPC – Fund I SP	Beneficial owner	606,144,000 Shares (L)	6.64

Notes:

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

2. Bright Century Resources Ltd. is wholly owned by Dong Yin Development (Holdings) Limited and Dong Yin Development (Holdings) Limited is wholly owned by China Orient Asset Management Corporation.

3. The Shares held by Bright Century Resources Ltd. are held in the capacities of beneficial owner (relating to 400,000,000 Shares), person having a security interest in Shares (relating to 480,040,000 Shares) and other (relating to 400,000,000 Shares).

4. (L) – Long position, (S) – short position

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

Directors' Interests in Competing Business

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

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities during the six months ended 30 June 2017.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective and during the period under review, no share options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 30 June 2017.

Code on Corporate Governance Practice

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

Code of Conduct for Securities Transactions by Directors

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

Audit Committee

The Company has established the audit committee ("Audit Committee") in accordance with the requirements of the CG Code. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and the interim report of the Group for the six months ended 30 June 2017. The Audit Committee is of opinion that the condensed consolidated financial statements of the Group for the six months ended 30 June 2017 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Fujian Province, the PRC, 14 August 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 Announcements" page of the website of the GEM at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.haitian-energy.com.