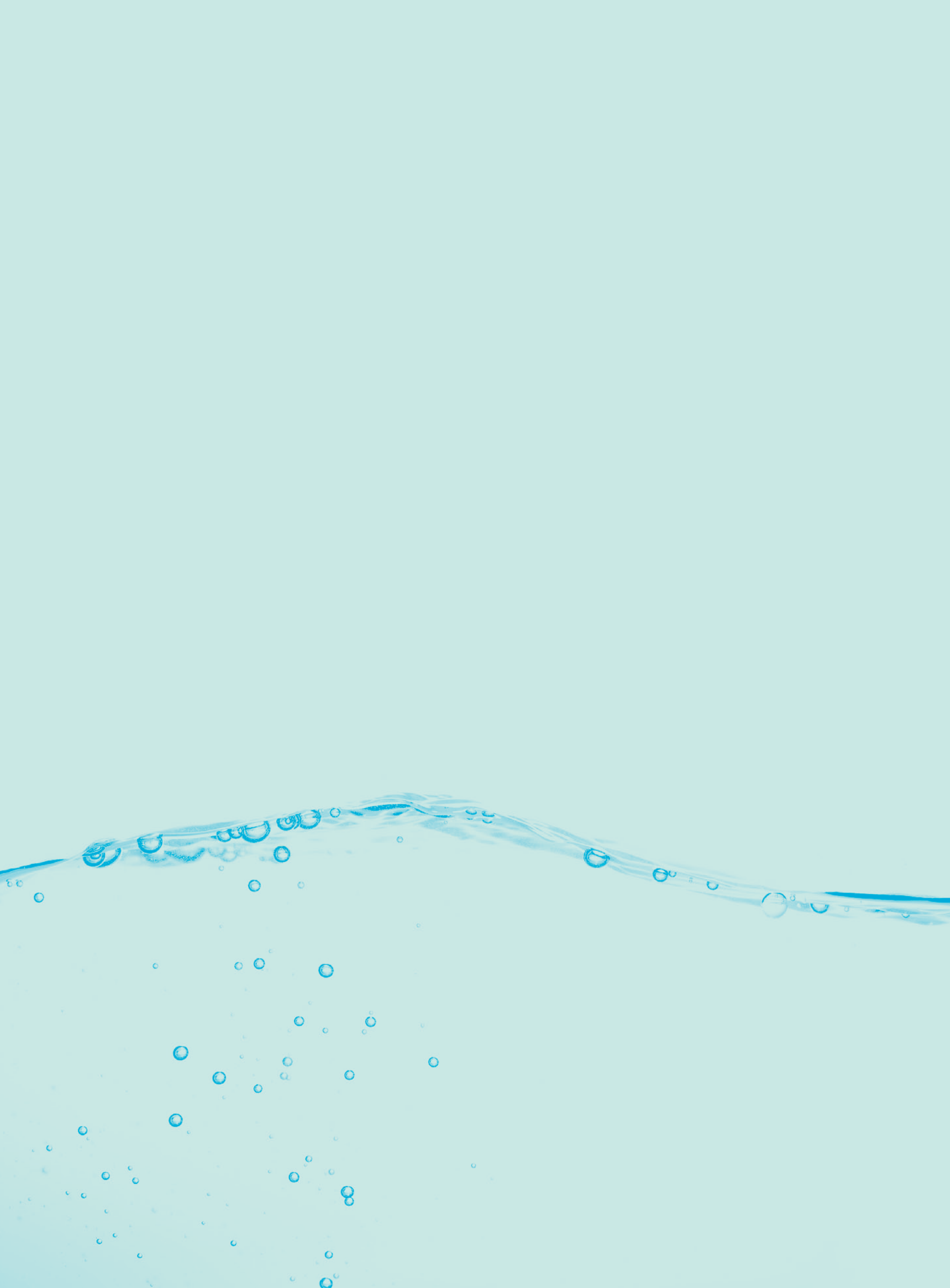
HAITIAN ENERGY
INTERNATIONAL LIMITED
海天能源國際有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1659

ANNUAL REPORT 2017



CONTENTS

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

Mr. Cheng Chuhan
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Audit Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Remuneration Committee

Mr. Xie Zuomin *(Chairman)*
(appointed on 31 January 2018)
Mr. Lin Yang *(Chairman)* (ceased to be the chairman of Remuneration Committee on 31 January 2018)
Mr. Cheng Chuhan
Mr. Chan Kam Fuk

Nomination Committee

Mr. Cheng Chuhan *(Chairman)*
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Compliance Committee

Mr. Zheng Xuesong *(Chairman)*
Mr. Lin Yang
Mr. Cheng Chuhan
Mr. Chan Kam Fuk
Mr. Chen Congwen
Mr. Lin Tian Hai
Mr. Xie Zuomin

Compliance Officer

Mr. Lin Yang

Company Secretary

Mr. Cheong Iok

Authorised Representatives

Mr. Lin Tian Hai
Mr. Cheong Iok

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

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Fuzhou City, Fujian Province
PRC

Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Industrial Bank Co., Ltd, Xian Branch
Industrial Bank Co., Ltd, Hong Kong Branch
Bank of Communications, Fuzhou Taijiang Branch

Company Website

www.haitian-energy.com

Stock Code

01659

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors"), I am pleased to present the full year results of the Company, together with its subsidiaries (referred to as the "Group") for the year ended 31 December 2017.

Thanks to the unswerving efforts of the Board and our employees, the listing of the Group's shares was transferred to the Main Board from GEM on 5 February 2018. The transfer not only represents a recognition of the Group's success in the past, but also lays a foundation for the Group's leaping development. In view of the opportunities brought about by China's "One Belt One Road" strategy, the Group will adopt a strategy of "Going Abroad", consolidate global resources, actively conduct cross-border mergers and acquisitions, and cooperate with excellent overseas power companies along the route of "One Belt One Road" initiative (Including companies in the US and Europe) in many areas.

Business Review

The Group is mainly engaged in the hydropower generation by self-owned and leased plants and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the People's Republic of China (the "PRC"). At present, the Group possesses ten (six wholly-owned and four non wholly-owned) hydropower plants, namely Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Fu'anJiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Huangqiling-II Hydropower Plant, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant and Cheling-II Hydropower Plant, and two 110 kV electricity transmission lines with total length of 190 km in Fujian Province in the PRC. The total installed capacity attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 85.47 MW.

The Group has proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Based on the current progress in the project, the Directors of the Company estimated that the main part of the project will be completed in 2019, and the project will start to contribute revenue to the Group upon its completion.

Financial Review

For the year ended 31 December 2017, the electricity sold by the Group amounted to 397,777 MWh, representing a decline of 35.1% as compared with the previous year. Revenue amounted to RMB171.6 million, representing a decline of 27.5% as compared with the previous year. Profit and total comprehensive income attributable to the owners of the Group amounted to RMB26.4 million, representing a decrease of 35.1% as compared with the previous year. The decrease is mainly because of the decrease in precipitation in the operation locations of the Group's hydropower plants (including both self-owned plant and leased plant).

Outlook

Hydropower is a renewable clean energy whose development has been encouraged by Chinese government for a long period of time, and also constitutes the most important component of the "Green Electricity" advocated by the International Energy Agency. It boasts sound value for long-term investment. The Group will continue to seek and acquire small and medium-size hydropower plants with promising outlooks and appreciation potential. Since the "Thirteen Five-Year" plan has encouraged the development of hydropower and under the policy guidance of the government work report which is significantly encouraging the development of clean energies and promoting the energy-saving emission reduction, the Board believes that small and medium-size hydropower plants have greater potential for future developments and investments, and will continue to present the Group with unprecedented development opportunities and benefits. As such, the Group will strive to optimize the operation and management of its existing projects and accelerate the acquisition of and facilitate the operation and management of newly-acquired projects, in an effort to improve the performance of its existing businesses.

Acknowledgements

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

Lin Yang
Chairman
23 March 2018

BUSINESS REVIEW

The Group is principally engaged in the hydropower generation by self-owned and leased plants and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the PRC. As at 31 December 2017, the Group possessed two 110 kV electricity transmission lines with total length of 190 km and ten (six wholly-owned and four non wholly-owned) hydropower plants, namely, Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Fu'an Jiulong-I Hydropower Station, Fu'an Jiulong-II Hydropower Station, Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant in Fujian Province in the PRC. The total installed capacity of the Group attributable to the Group's equity interests in the various hydropower plants mentioned above amounted to approximately 85.47 MW. The operational details of the self-owned hydropower plants are listed as below:

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

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

Indicators	2017	2016
Installed capacity (MW)	**11.25**	11.25
Gross generation (MWh) attributed to the Group	**26,173**	37,369
Applicable on-grid tariff (RMB/KWh), including Value Added Tax ("VAT")	**0.38**	0.38

Qianping Hydropower Plant（周寧縣前坪水電站）

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

Indicators	**2017**	2016
Installed capacity (MW)	**10.00**	10.00
Gross generation (MWh) attributed to the Group	**33,665**	52,337

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Co., Ltd.: 0.37 (2016: 0.37); To China Water Conservancy and Hydropower Twelfth engineering Bureau Co., Ltd. and Zhouning Pumped Storage Power Station Construction Bureau: 0.88 (2016: N/A)


Jiulong Hydropower Plant（周寧縣九龍水電站）

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

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

Indicators	**2017**	2016
Installed capacity (MW)	**5.00**	5.00
Gross generation (MWh) attributed to the Group	**17,931**	25,105

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Co., Ltd.: 0.321 (2016: 0.321); To China Water Conservancy and Hydropower Twelfth engineering Bureau Co., Ltd. and Zhouning Pumped Storage Power Station Construction Bureau: 0.88 (2016: N/A)

Extension Development of Jiulong Hydropower Plant

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

In September 2012, the Group proactively initiated the Jiulong Hydropower Plant enhancement of technologies and extension project. Based on the current construction progress, the Directors estimate the overall construction work will be completed in 2019.

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

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

Indicators	2017	2016
Installed capacity (MW)	**4.50**	4.50
Gross generation (MWh) attributed to the Group	**17,463**	25,795
Applicable on-grid tariff (RMB/KWh), including VAT	**0.37**	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 km^2. The reservoir possesses the function of "daily adjustment（日調節）".

Indicators	2017	2016
Installed capacity (MW)	**20.00**	20.00
Gross generation (MWh) attributed to the Group	**64,821**	88,783

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


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

Indicators	**2017**	2016
Installed capacity (MW)	**30.00**	30.00
Gross generation (MWh) attributed to the Group	**72,853**	108,572

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

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

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

Indicators	**2017**	2016
Installed capacity (MW)	**9.00**	9.00
Gross generation (MWh) attributed to the Group	**23,223**	31,998
Applicable on-grid tariff (RMB/KWh), including VAT	**0.351**	0.351

Cheling-II Hydropower Plant（車嶺二級電站）

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

Indicators	**2017**	2016
Installed capacity (MW)	**15.00**	15.00
Gross generation (MWh) attributed to the Group	**48,911**	80,116

Applicable on-grid tariff (RMB/KWh), including VAT	To State Grid Fujian Shouning Electricity Limited Company（國網福建壽寧縣供電有限公司）: 0.287 (2016: 0.287);
Electricity Charges, including VAT	To Shouning Ronghua Metal Products Company ("Ronghua Metal")（壽寧榮華金屬制品有限公司）: 0.57 (2016: 0.57) of peak period, 0.32 (2016: 0.32) of low period.

Kengdou Hydropower Plant（坑兜電站）

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

Indicators	**2017**	2016
Installed capacity (MW)	**3.20**	3.20
Gross generation (MWh) attributed to the Group	**10,132**	16,768

Applicable on-grid tariff (RMB/KWh), including VAT	Electricity of peak period: 0.384 (2016: 0.384) Electricity of low period: 0.32 (2016: 0.32)

Save as the ten self-owned plants mentioned above, the Group has leased four hydropower plants, namely, Baizhang Hydropower Plant, Wangshe-II Hydropower Plant, Jingshan Hydropower Plant, and Dongxi Hydropower Plant. The operational details of the leased hydropower plants are listed as below:

Baizhang Hydropower Plant（百丈水電站）

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

Indicators	**2017**	2016
Installed capacity (MW)	**1.00**	1.00
Gross generation (MWh) attributed to the Group	**2,037**	3,219

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

Wangshe-II Hydropower Plant（王社二級水電站）

Wangshe-II Hydropower Plant is 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 18 MW, Wangshe-II Hydropower Plant commenced power generation for sale in March 2005.

Indicators	**2017**	2016
Installed capacity (MW)	**18.00**	18.00
Gross generation (MWh) attributed to the Group	**62,271**	96,585

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

Dongxi Hydropower Plant（東溪水電站）

Dongxi Hydropower Plant is 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 3.2 MW, Dongxi Hydropower Plant commenced power generation for sale in January 2006.

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

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

Jingshan Hydropower Plant（景山水電站）

Jingshan Hydropower Plant is 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 4 MW, Jingshan Hydropower Plant commenced power generation for sale in November 2005.

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

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

Major Customers and Suppliers

For the year of 2017, most of the revenues from power generation of the Group are derived from the following five customers, namely State Grid Zhejiang Wenzhou Electricity Company*（國網浙江省電力公司溫州供電公司）, State Grid Fujian Zhouning Electricity Limited Company*（國網福建周寧縣供電有限公司）, State Grid Fujian Fu'an Electricity Limited Company*（國網福建福安市供電有限公司）, State Grid Fajian Shouning Electricity Limited Company*（國網福建壽寧供電有限公司）and Shouning Ronghua Metal Products Company ("Ronghua Metal")*（壽寧榮華金屬制品有限公司）, each of which contributes approximately 65%, 17%, 10%, 4% and 3% to the total revenues from hydropower generation, respectively.

Due to the nature of the business, Shouning County Water Resources Board（壽寧縣水利局）, Shouning County Mazhuping Reservoir（壽寧縣麻竹坪水庫）, Zharong County Donglion Hydropower Investments Co., Ltd.（拓榮縣東聯水電投資有限公司）and Shouning County Dongxi Hydropower Co., Ltd.（壽寧縣東溪水電有限公司）, which are regarded as the major suppliers of the Group for its operation.

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

Key Risk Factors

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

Seasonality in the Group's business

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

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

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

* *English names are identification purpose only.*

Uncertainties in securing additional hydropower plants

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

Risk of non-compliance with PRC regulatory requirements

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

Compliance with regulations

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

Relationships with employees, customers and suppliers

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

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

The Group's major customers and suppliers are disclosed under the headline of "Major Customers and Suppliers" in the section of "Management Discussion and Analysis". The Group strives to maintain fair and co-operating relationship with the customers and suppliers.

Financial Review

Revenue

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

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

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

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

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

Gross Profit and Gross Margin

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

Administrative Expenses

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

Other Operating Expenses

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

Finance Costs

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

Income Tax Expense

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

Profit for the year and Total Comprehensive Income

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

Basic and Diluted Earnings per Share

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

Liquidity and Financial Resources

The Group generally finances its operations from internally generated cash flows and borrowings. The Group maintained strong cash and bank balances of approximately RMB476.7 million as at 31 December 2017 (2016: RMB528.1 million). As at 31 December 2017, the Group had net current asset of RMB375.4 million (2016: RMB361.4 million).

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

Bank Borrowings and Obligations Under Finance Leases

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

Debenture

On 3 September, 2014, the Group issued HK$30.0 million (equivalent to approximately RMB23.67 million) debenture carries fixed coupon rate of 8% per annum which is payable in arrears every year and will be matured in September 2017. The purpose of the issuance is for daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises. In September 2017, all the debenture holders agreed to extend the debenture for another four years with same terms and the debenture will be matured in September 2021.

Pledge of Assets

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

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

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

As at 31 December 2017 and 2016, the entire equity interest of Fujian Sifang Hydropower Investment Co., Ltd.（福建省四方水電投資有限公司）("Sifang Hydropower") and 71% equity interest of Shouning Fuyuan Hydropower Co., Ltd.（壽寧縣富源水電有限公司）("Fuyuan Hydropower"), indirect subsidiaries of the Company, have been pledged to a bank for securing a bank borrowing with a principal of RMB300.0 million.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2017 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2017 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the current year.

Capital Structure

The total number of the issued shares of the Company was 9,136,000,000 shares (2016: 9,136,000,000 shares) as at 31 December 2017.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Final Dividend

The Directors do not recommend the payment of the final dividend for year ended 31 December 2017 (2016: nil).

Employees and Remuneration Policies

As at 31 December 2017, the Group employed approximately 222 employees, including Directors and the chief executive (2016: 223 employees). Total staff costs for the year under review, including Directors' and the chief executive's emoluments, amounted to approximately RMB17.6 million (2016: RMB14.8 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

Other Information

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

The following is a comparison of the Group's future plan as set out in the Company's prospectus dated 28 June 2012 (the "Prospectus") with actual business progress for the year ended 31 December 2017.

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2017
Enhancement of technologies and facilities of existing hydropower plants	The Group has commenced the extension development of Jiulong Hydropower Plant with approval of the Municipal National Development and Reform Commission in Fujian Province which obtained in August 2016. Based on the current construction progress, the Directors estimate the overall construction will be completed in 2019.

The net proceeds from the placing of the shares of the Company ("Placing") from the date of listing (i.e. 6 July 2012) (the "Listing Date"), to 31 December 2017 had been fully applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2017 HK$'000	Actual use of proceeds from the Listing Date to 31 December 2017 HK$'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	14,740
Enhancement of technologies and facilities of newly acquired hydropower plants	210	210
Enhancement of safety management	130	130
Total	59,780	59,780

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

Note 2: The actual net proceeds from the Placing were approximately HK$59.8 million, which was lower than the estimated net proceeds of approximately HK$62.3 million, mainly due to the Placing price of the shares fixing at HK$0.30 per share, lower than the midpoint of the indicative Placing price range of HK$0.31 per share in the Prospectus. Accordingly, the allocation of the net proceeds from the Placing for acquisition of hydropower plants was adjusted to HK$44.7 million.

Reference is made to the updates on the use of proceeds in the Group's 2017 interim report. As at 30 June 2017, the Group has utilised HK$56.3 million of the net proceeds from the Placing.

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

Executive Directors

Mr. Lin Yang, aged 55, is the founder of the Group. He has been appointed as an executive Director since 27 August 2010 and is the chairman of the Board. Mr. Lin is mainly responsible for the overall strategic planning and corporate policy making for the operational direction of the Group. He possesses many years of experience in corporate planning, business development and project investment. Prior to the establishment of the Group, Mr. Lin acted as assistant general manager and general manager of Fuan Oriental Plastic Factory*（福安市東方塑料廠）, a factory with principal business of production and sale of plastic products mainly in the PRC market, respectively, during the period from 1995 to 2002 where he was responsible for plastic trading and management affairs. Before that, he worked in a few other plastic factories in the PRC. Mr. Lin obtained a certificate in Administrative Management*（行政管理專業成人高等教育專業證書）from the Fujian Normal University*（福建師範大學）in October 1995. In 2009, Mr. Lin completed a Private Equity Investment Fund Advanced Programme in the Beijing University*（北京大學私募股權投資基金高級研修班）and passed the examinations.

Mr. Lin was appointed as deputy chairman of the Third Standing Committee of the China Commercial Association General of Canada, Fujian Commerce Association of Canada（加拿大中華總商會福建商會 第三屆常務理事會常務副會長）in 2006. Mr. Lin is the father, brother-in-law and cousin-in-law of the executive Directors, Mr. Lin Tian Hai, Mr. Chen Congwen and Mr. Zheng Xuesong, respectively.

Mr. Zheng Xuesong, aged 45, has been an executive Director since 14 October 2010 and is the chief executive officer of the Group. He has over 18 years of experience in hydropower plants development and management. Mr. Zheng is mainly responsible for overseeing the day-to-day management of the Group. Prior to joining the Group, Mr. Zheng worked for Fujian Muyang River Hydropower Development Co., Ltd.*（福建穆陽溪水電開發有限公司）for the period from February 1995 to January 2003 as an assistant operation supervisor and head of technical department. During the period from November 1993 to January 1995, Mr. Zheng worked in sales department of Mingdong Zhongmin Enameled Wire Factory*（閩東中閩漆包線廠）. In 2010, Mr. Zheng was appointed as the vice chairman of Energy Association of Ningde City of Fujian province*（寧德市能源行業協會）. Mr. Zheng is the cousin-in-law of Mr. Lin Yang and the uncle of Mr. Lin Tian Hai. Mr. Zheng finished high school education in September 1993 in Zhouning County, Ningde City, Fujian Province.

Mr. Chen Congwen, aged 50, has been an executive Director since 14 October 2010 and is the chief financial officer of the Group. Mr. Chen is mainly responsible for the financial planning and management of the Group. He has over 23 years of experience in finance and corporate management. Mr. Chen has a Certificate of Accounting Employment Qualification*（會計從業資格證書）issued to him by the Ningde Fuan Financial Bureau*（寧德市福安市財政局）of the PRC in January 2006. He completed a 3 years' course in Finance and Accounting*（計財系財務會計三年制本（專）科）at Fujian Commercial College（福建省商業高等專科學校）in July 1988. During the period from August 1988 to November 2003, Mr. Chen worked as finance manager for Fuan City Administration Bureau for Industry and Commerce*（福安市工商行政管理局）. Mr. Chen is the brother-in-law of Mr. Lin Yang and the uncle of Mr. Lin Tian Hai.

Mr. Lin Tian Hai, aged 31, has been appointed as an executive Director since 30 January 2013 and is the deputy chief executive officer of the Group. Mr. Lin Tian Hai obtained a Bachelor Degree of Business Administration and Management from the University of Toronto in Canada in May 2011. Mr. Lin Tian Hai joined the Group in July 2012 and is mainly responsible for the investor relationship of the Group. He has worked in private equity and investment banking sectors and has substantial experiences in project management and corporate financing. Mr. Lin Tian Hai is the son of Mr. Lin Yang.

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

Independent Non-Executive Directors

Mr. Cheng Chuhan, aged 45, has been appointed as an independent non-executive Director since 14 October 2010. Mr. Cheng is responsible for the supervision of management, participation in the direction of the Company's business and affairs and ensuring interests of all Shareholders are taken into account. Mr. Cheng graduated from Fuzhou University*（福州大學）with a bachelor's degree in Economics in July 1994. Mr. Cheng has over 18 years of experience in the accounting and audit industry. During the period from April 2004 to September 2007, Mr. Cheng worked for Meridian Industries (Asia Pacific) Ptd Ltd. in Singapore as a deputy general manager responsible for managing the finance and investment of the corporation. During the period from May 1998 to March 2004, Mr. Cheng was an audit manager of Chan Hock Seng & Co. Certified Public Accounts in Singapore.

Mr. Chan Kam Fuk, aged 52, has been appointed as an independent non-executive Director since 14 October 2010. Mr. Chan is responsible for the supervision of management, participation in the direction of the Company's business and affairs and ensuring interests of all Shareholders are taken into account. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA, and practising director of Centurion ZD CPA Limited and Grandeur CPA Limited, accounting firms in Hong Kong. He is a practising certified public accountant in Hong Kong, member of CPA Australia, and certified tax adviser of the Taxation Institute of Hong Kong. Prior to joining the Group, Mr. Chan acted as an executive director of a Hong Kong listed company, namely, Ecopro Hi-Tech Holdings Limited (now known as Jun Yang Financial Holdings Limited) (Stock Code: 397) from 15 January 2001 and retired on 31 August 2001, and acted as an independent non-executive director of two Hong Kong listed companies, namely, Info Communication Holdings Limited (now known as Sage International Group Limited) (Stock Code: 8082) and Wing Hing International Holdings Limited (now known as Taung Gold International Limited) (Stock Code: 621) for the periods from 30 September 2004 to 14 December 2007 and from 30 October 2009 to 20 April 2010, respectively. In addition, Mr. Chan acted as (i) an executive director of Swing Media Technology Group Ltd., a corporation listed in the Singapore Exchange ("SGX") from 19 May 2003 and redesignated as non-executive director on 11 November 2006 because of his own personal working schedule, and (ii) an independent non-executive director of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited) whose shares are also listed on the SGX from 28 October 2003 and retired by rotation on 30 July 2010. Mr. Chan was an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 366) from 16 June 2014 to 15 September 2016. Mr. Chan has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in March 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995.

Mr. Chan and his accounting firm, Dominic K.F. Chan & Co., CPA, have been reprimanded by the disciplinary committee of the Hong Kong Institute of Certified Public Accountants (the "Institute"). Both Mr. Chan and his firm have been required to pay penalty and costs. The disciplinary proceedings were brought on a complaint that they failed or neglected to observe, maintain or otherwise apply a professional standard issued by the Institute, and involved a finding of breaches of audit and accounting standards by the firm in relation to the issuance of unqualified Accountants' Report on the unaudited pro forma financial information set out in a major transaction circular of a listed company. However, there was no allegation or finding of fraud or dishonesty made against Mr. Chan or his firm.

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Mr. Xie Zuomin, aged 73, has been appointed as an independent non-executive Director since 21 April 2015. Mr. Xie is responsible for the supervision of management, participation in the direction of the Company's business and affairs and ensuring interests of all Shareholders are taken into account. Mr. Xie obtained a Bachelor's Degree in Electrical Engineering from Harbin Institute of Technology in the PRC in August 1970. Mr. Xie holds the title of senior economist*（高級經濟師）awarded by Fujian Province Department of Human Resources*（福建省人事廳）in January 2004. From 2003 to 2008, Mr. Xie was a member of the Fujian Province Committee of the Chinese People's Political Consultative Conference*（福建省政協委員）as well as the vice chairman of the Sub-Committee of Education and Publicity*（學習宣傳委）. From May 1996 to August 2005, he had served as the general manager as well as the Secretary of the Communist Party of China* ("CPC") in Fujian Ship Building Industry Group Company Limited*（福建省船舶工業公司總經理及黨委書記）.

Mr. Xie had also been a member of the Ningde Prefectural Committee of the CPC*（寧德市地委）, the Secretary of the Ningde City Committee of the CPC*（寧德市委書記）and the Director of the Ningde Municipal People's Congress*（寧德市人大主任）between 1994 and 1996. From 1990 to 1996, Mr. Xie had served as the Secretary of Fujian Ningde City (County-level City) Committee of the CPC*（福建寧德市（縣級市）市委書記）. He had been the Director General of Fujian Ningde District Two Light Industry Bureau*（福建寧德地區二輕工業局局長）from March 1987 to August 1990. From January 1984 to March 1987, Mr. Xie had been the County Head of Fujian Fuding County*（福建福鼎縣縣長）. During the period from August 1983 to July 1985, Mr. Xie attended training at the Fujian Provincial CPC Party School for Young Cadre*（中共福建省委黨校中青年幹部）. Mr. Xie worked at Bureau of Materials and Equipments of Fujian Fuding County*（福建福鼎縣物資局）from 1976 to 1983. He had worked as a 404T technician in Jijiang City*（技江市）of Hubei Province from August 1970 to September 1976. Mr. Xie has also been the chairman of Fujian Ship Building Industry Association since 2006.

Senior Management

Mr. Wang Xiaoyun, aged 53, is the vice president of the Group. He joined the Group in March 2003 acting as the general manager of Fujian Dachuan Hydropower Development Co., Ltd (formerly known as Zhouning Qianping Hydroelectric Development Co., Ltd.*（周寧縣前坪水電開發有限公司）), an indirect wholly-owned subsidiary of the Company. He has been the vice president of Fuan Liyuan Hydropower Co., Ltd and Fujian Dachuan Hydropower Development Co., Ltd, both are subsidiaries of the Group, from March 2007. Mr. Wang has over 14 years' experience in the development, construction and management of hydropower plants. He has extensive professional experiences in the development, construction and operation management of hydropower plants. Mr. Wang finished high school education in July 1984 in Ningde Area Ethnic Secondary School*（寧德地區民族中學）in Fujian Province.

Mr. Wu Zengsheng, aged 46, is the vice president of the Group and is responsible for the operation management of hydropower plants and the construction of regional power grids. Mr. Wu obtained a Bachelor's Degree in Economic Management from the People's Liberation Army Nanjing Institute of Politics*（解放軍南京政治學院）in July 2001. Mr. Wu has been responsible for regional power grids and operation management of hydropower plants in Sifang Hydropower Group since 1992 and joined the Group after its acquisition by the Group, and has therefore accumulated extensive practical experience.

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Mr. Shen Weiwang, aged 61, is an electrical engineer of the Group and is responsible for the operation management of electrical engineer system of hydropower plants. Mr. Shen joined the Group in January 2004. Mr. Shen obtained a Bachelor's Degree specialised in water and electricity facility in July 1987 from Fujian Yong'an College of Water Conservancy And Electric Power*（福建永安水利水電學校）. Mr. Shen has extensive practical experiences in the management of electrical engineer system of hydropower plants.

Ms. Lin Yuwen, aged 50, is the general manager of the Human Resources Department of the Group. She joined the Group in March 2003 and has been working in the Group's finance and accounting department where she gained many years of professional experiences in human resources management and administrative management. Ms. Lin finished secondary school education in July 1983 in Fuan Number 4 Secondary School*（福安第四中學）, Fujian Province.

Mr. Zhou Mingliao, aged 76, graduated from Zhejiang University with a Bachelor's Degree in Water Conservancy and Hydropower Engineering in July 1964. He holds the title of senior engineer awarded by Human Resources and Social Security Department of Fujian Province*（福建省人力資源和社會保障廳）in May 1989 and has been granted the Expert Special Subsidy by the State Council since 1996. Mr. Zhou acted as the senior adviser of the Group. He was the director of Ningde Municipal Water Conservancy and Hydropower Engineering Bureau*（寧德市水電工程局局長）and senior engineer and was awarded as the "Labour Model"*（勞動模範稱號）of Fujian Province in 1998.

Mr. Ye Bisen, aged 75, is currently the senior adviser of the Group. He holds the title of senior technician awarded by the Social and Labour Insurance Bureau of Fujian Province*（福建省社會勞動保險局）in March 1996. Mr. Ye has over 32 years of experiences in hydropower generation industry. He had worked in Xiamen Electric Motor Factory*（廈門電機廠）and Nanping Hydropower Equipment Manufacturing Factory*（南平水電設備製造廠）. He acted as a hydropower expert to participate in the construction of hydropower plant in Thailand and Vietnam during the period from 1991 to 1993.

Mr. Chen Xinbin, aged 45, is the assistant general manager of the Group. He was issued the certificate of his qualification as a Safe Production Supervisor*（安全生產管理人員）by Fujian Administration of Work Safety*（福建省安全生產監督管理局）and Fujian Office of the State Electricity Regulatory Commission*（國家電力監督委員會福建省電力監督專員辦公室）in August 2010 which was valid until 17 August 2013. Mr. Chen took correspondence course in Electrical Power System and its Automatization*（電力系統及其自動化專業函授課程）at Fuzhou University*（福州大學）from September 2000 to January 2004 and fulfilled the requirements for graduation. Mr. Chen was approved as a Middle Class Hydropower Engineer*（水利水電專業中級工程師）by Ningde Human Resources Bureau*（寧德市人事局）on 4 December 2006. Prior to joining the Group in January 2008, Mr. Chen worked for Huanglanxi Hydropower Co., Ltd*（黃蘭溪水力發電有限公司）in which he was responsible for operation of hydropower plant from 1998 to 2008.

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

Mr. Zhang Qigui, aged 43, has worked as an operation supervisor*（運行主任）and technical head*（技術站長）with Qianyuan Hydropower since October 1999 at the Jiulong Hydropower Plant. Mr. Zhang took a three years' course in Electrical and Mechanical Engineering*（機電工程三年制普通專科）at The Open University of Fujian*（福建廣播電視大學）and fulfilled the requirements for graduation in July 1999.

Mr. Cheong Iok, aged 35, is deputy chief financial officer of the Group and company secretary and authorised representative of the Company, who holds a bachelor's degree of business administration in business management from City University of Hong Kong. Mr. Cheong is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in financial management, auditing and accounting in an international accounting firm and listed companies in Hong Kong.

Mr. Gao Ming, aged 45, is assistant of chief financial officer of the Group, who holds a diploma in Accounting from Xiamen University*（廈門大學）. Mr. Gao is a member of the Chinese Institute of Certified Public Accountants*（中國註冊會計師）and a member of the China Certified Tax Agents Association*（中國註冊稅務師協會）. He has worked in a Chinese accounting firm around 3 years. He joint Fujian Sifang Hydropower Investment Co., Ltd（福建省四方水電投資有限公司）in 2005. He is familiar with accounting, tax law, economy law and possess many experience in hydropower industry.

Ms. Wu Xiaoqing, aged 35, is the finance manager of the Group. Ms. Wu completed a two years' course in Accounting*（會計學（財會方向）兩年制專科）at The Open University of China*（中央廣播電視大 學）in January 2007. She joined the Company since June 2010. Prior to joining the Group, she worked for Ningde Jiaocheng Chaoda Trading Co. Ltd.*（寧德市蕉城區超達貿易有限公司）where she was responsible for accounting and finance work.

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DIRECTORS' REPORT

The Board is pleased to present the directors' report together with the audited financial statements of the Group for the year ended 31 December 2017.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 41 to the consolidated financial statements. The Group is principally engaged in hydropower generation by self-owned and leased hydropower plants and provision of operating, repair and maintenance and installation services in relation to electricity supplies in the PRC.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 4 to 5 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in this Directors' Report on pages 28 to 36. Also, the financial risk management objectives and policies of the Group can be found in Note 6(b) to the consolidated financial statements. No significant events affecting the Group that have occurred subsequent to the year ended 31 December 2017. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Review on pages 18 to 21 of this Annual Report. Environmental, social and governance report is provided on pages 37 to 44. In addition, discussions on the Group's relationships with its employees, customer and suppliers and compliance with regulations which have a significant impact on the Group are contained in the Management Discussion and Analysis on pages 44 to 45.

Segmental Information

The Group's segment information and revenue for the year ended 31 December 2017 are set out in Note 8 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 61 to 63.

The Directors do not recommend the payment of final dividends for the year ended 31 December 2017.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 40 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB215.4 million. The amount of RMB215.4 million includes the Company's share premium and special reserve, net of accumulated loss which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Property, Plant and Equipment and Prepaid Lease Payment

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

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements, is set out on page 136 of this Annual Report. This summary does not form part of the audited financial statements.

Share Capital

Details of the Company's share capital and movements during the year are set out in Note 28 to the consolidated financial statements.

Pre-emptive Rights

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

Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr. Cheng Chuhan
Mr. Chan Kam Fuk
Mr. Xie Zuomin

Directors' and Senior Management's Biographies

Biographies details of the Directors and the senior management of the Group are set out on pages 23 to 27 of this Annual Report.

Directors' Service Contracts

For the year ended 31 December 2017, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all of the independent non-executive Directors are independent.

Emoluments of Directors and Five Highest Paid Individuals

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

Management Contracts

As at 31 December 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

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

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

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective on 19 June 2012, no share options were granted, exercised or cancelled by the Company under the Scheme during the year under review and there were no outstanding share options under the Scheme as at 31 December 2017. Details of the scheme is set out in Note 36 to the consolidated financial statements.

Equity-linked Agreements

Save for the Scheme as disclosed in the section headed "Share Option Scheme" above, the Company has not entered into any equity-linked agreement for the year ended 31 December 2017.

Directors' Interests in Transaction, Arrangement and Contract

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

Directors' Interests in Competing Business

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

Non-Competition Undertaking

In order to eliminate any future competing business with the Group, a deed of non-competition undertaking dated 19 June 2012 (the "Original Non-competition Deed") and a deed of amendment supplemental to the Original Non-competition Deed dated 2 February 2018 ("Amendment Deed") were given by Mr. Lin Yang and Victor River Limited ("Victor River") in favour of the Group.

In addition, in order to protect the interests of the independent Shareholders, the following arrangements will be adopted by the Company in respect of the implementation of the Original Non-competition Deed and Amendment Deed:

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

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

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

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

Confirmation on compliance with the terms of the Original Non-competition Deed for the year ended 31 December 2017 was received from each of Mr. Lin Yang and Victor River. The independent non-executive Directors had reviewed and confirmed that Mr. Lin Yang and Victor River have complied with the Original Non-competition Deed and the Original Non-competition Deed has been enforced by the Company in accordance with its terms.

Directors' Indemnities

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

Change in Director's Information

Mr. Lin Yang ceased to be the chairman of the remuneration committee of the Board and remains as a member of the remuneration committee of the Board, and Mr. Xie Zuomin has been appointed as a member of and the chairman of the remuneration committee of the Board, both with effect from 31 January 2018.

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

As at 31 December 2017, the interests or short positions of the Directors and chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Law of Hong Kong ("SFO")) which 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long Position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate shareholding percentage (%)
Mr. Lin Yang (Note)	Interest of controlled corporation	5,284,808,000 Shares	57.85

Note: 5,284,808,000 shares are held by Victor River, which is wholly and beneficially owned by Mr. Lin Yang. Accordingly, Mr. Lin Yang is deemed to be interested in the shares held by Victor River under the SFO.

Save for disclosed above, as at 31 December 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 recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Scheme" and "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as the Directors are aware, as at 31 December 2017, other than Directors or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Interests and Short Positions of the Directors and chief executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above, the following persons had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in register required to be kept by the Company under section 336 of the SFO.

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares held		Approximate shareholding percentage (%)
Victor River (Note 1)	Beneficial owner	5,284,808,000 Shares	(L)	57.85
Ms. Chen Congling (Note 1)	Interest of spouse	5,284,808,000 Shares	(L)	57.85
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 ISP	Beneficial owner	606,144,000 Shares	(L)	6.64

Notes:

1. *Victor River is wholly and beneficially owned by Mr. Lin Yang. Accordingly, Mr. Lin Yang is deemed to be interested in the 5,284,808,000 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 5,284,808,000 Shares owned by Mr. Lin Yang 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 31 December 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.

Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

Connected Transactions

The Directors are not aware of any material connected transaction of the Group that shall be disclosed in this annual report under the Listing Rules.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section on pages 45 to 55.

Events after the Reporting Period

The Group has no significant events after the reporting period.

Sufficiency of Public Float

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

Auditor

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the 2018 annual general meeting.

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

Fuzhou, the PRC, 23 March 2018

About This Report

Overview

The Environmental, Social and Governance Report (the "ESG Report") of Haitian Energy International Limited (the "Company") describes the principle upheld and the work carried out by the Company and its subsidiaries (collectively the "Group" or "we") performed as a corporate citizen in our business operations. The ESG Report gives details of the Group's contribution to the environment, society and governance in 2017. For the content of corporate governance, please refer to the Corporate Governance Report provided on pages 45 to 55.

Scope

The ESG Report covers the overall policies of the Group's core business in Mainland China on environmental protection and social aspects from 1 January 2017 to 31 December 2017 (the "Year"), and describes the key indicators on environmental protection of the office area and three power stations, namely, Cheling-II Hydropower Plant*（車嶺二級電站）, Liuchai Hydropower Plant*（劉柴電站）and Xiadongxi Hydropower Plant*（下東溪電站）, of the Group's wholly-owned subsidiaries, namely, Shouning County Xinyuan Hydropower Co., Ltd.（壽寧縣新源水電有限公司）("Xinyuan Hydropower"), Shouning County Fuyuan Hydropower Co., Ltd.*（壽寧縣富源水電有限公司）("Fuyuan Hydropower"), and Fujian Sifang Hydropower Investment Co., Ltd.*（福建省四方水電投資有限公司）("Sifang Hydropower") (collectively "the covered area"). The Group will continue to monitor the performance on environmental and social performance, and will consider covering more business in the ESG Report in the future.

Guidelines

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and with reference to the "China Power Industry Development Report (2017)" prepared by the China Electricity Council and the "Guidelines for GHG Emissions Accounting Methods and Reports" published by the National Development and Reform Commission to calculate key performance indicators.

Stakeholder Involvement

We appreciate the support and trust of stakeholders to the Group's business development. The preparation of the ESG Report has received high attention of colleagues from all departments, laying a solid foundation for the sustainable development of the Group. We have collected information about the environmental and social work carried out by the Group in 2017, which helps to formulate our business strategies.

Information and Feedback

For details about the Group's environmental and corporate governance, please refer to the official website (www.haitian-energy.com) and annual report of the Company. The Group values your opinion on this report, if you have any queries or suggestions, please call at: (852) 3565 5283.

* *English names are for identification purpose only.*

Corporate Philosophy on Environmental and Social

The Group mainly engages in hydropower generation by self-owned and leased plants and provision of operating, repair and maintenance and installation services in relation to electricity suppliers in the People's Republic of China ("PRC"). We are committed to the development of renewable clean energy industry, in contributing to low-carbon activities. Hydroelectric power is a clean and renewable energy. We are devoted to providing sustainable energy to reduce the harm on earth. Meanwhile, we have established an effective staff management system and contributed to the society, so as to achieve a high level of corporate social governance. The Group attaches great importance to providing high-quality products for clients by constantly planning for, implementing and checking all processes in hydropower generation to ensure that all products conform to national standards.

Green Operation

The increase of global greenhouse gas can be attributed to fossil fuels, while the use of renewable energy not only can improve the environment, but can also help realize sustainable development. We are active in providing cost-effective energy for clients. To raise the environmental management level of all power plants, we have formulated strict environmental protection system and measures. All of hydropower plants under our management comply with the requirements set forth in the Notice of General Office of Fujian Provincial People's Government on Strengthening the Management of Hydropower Resource Development, Utilization Projects and Opinion of Fujian Provincial People's Government on Further Standardizing the Management of Hydropower Resource Development, and Notice of the General Office of the Fujian Provincial People's Government on Strengthening the Management of Water Energy Resources Development and Utilization Projects and the law and regulation regarding to emissions.

Energy Conservation

In order to advocate the concept of environmental protection and build the awareness of resource conservation, we have set up an energy conservation system to encourage employees to reduce resource consumption. We aim that each employee would be able to take the responsibility of energy conservation. We encourage employees to use daylight wherever possible, reduce the use of electric lamps, reduce the number of electric lamps in office areas that are higher than brightness demand, and require each department to reduce the excessive use of energy by turning off lights while leaving. In order for employees to use electric lamps on demand, the Group has divided the office space into a number of different lighting areas and has set up independent switches in these areas. Beyond that, employees must turn off electronic equipment during non-office hours, and make settings for electronic equipment to enter a power saving mode while idle. To reduce energy consumption and extend the service life of air conditioning, we have set the temperature of air conditioning not lower than 26 degrees Celsius. We also allow employees to work in casual wear on Friday or under the hot weather, so as to reduce the use of air conditioning. Meanwhile, we have chosen a server of higher capacity to reduce energy consumption.

In addition to reducing the use of energy, we have also improved the efficiency of energy use. At the time of purchasing, we choose to purchase high energy efficient electronic equipment. We avoid installing the air conditioning at any location of long-term exposure to direct sunlight. In terms of repair and maintenance, we keep lighting devices and electric lamps clean, and clear the filters of air conditioners regularly. To keep improving our energy consumption, we conduct monthly electricity statistics to monitor energy consumption, and take appropriate measures for improvement. We also properly selected the operation mode of the power station based on the height of the reservoir and weather conditions to increase the utilization of water energy. During the Year, the direct and indirect energy consumption of the covered areas is as follows: ：

Indicators	2017
Consumption of non-renewable fuel (MWh)	236
Energy consumption for electricity purchased for consumption (MWh)	181
Less: electricity sold (MWh)	186,585
Total consumption of direct and indirect energy (MWh)	(186,168)
Average consumption of direct and indirect energy per MWh of electricity sold (MWh/MWh)	(1)

Water Resource Management

In order to provide clean energy, we have been collecting rainwater for hydropower generation. A dam can help precipitate and clean the water to be used for power generation. The operation process will not produce any industrial wastewater. We have a septic tank in each hydropower plant to ensure our domestic sewage discharge conforms to national standards, and will not pollute any river. In face of water resource crisis, the Group realizes that sewage treatment is not our only feasible measure, as water conservation can never be ignored. To this end, the Group uses faucets and urinals with water conservation labels, and uses dual-flushing toilets, with water pressure dropping to a minimum degree to the extent feasible, so as to reduce unnecessary water consumption. Besides, we actively promote water conservation towards employees, and remind them to reduce water consumption and close the tap. Beyond that, we will also check water equipment and water meter reading regularly to ensure no water leakage. The Group was unable to collect the water consumption of hydropower plant which used natural spring water. During the Year, the water consumption of Sifang office area was 911 cubic meters, and the average water consumption per MWh of power sold was 0.005 cubic meters.

Emissions Reduction

Our hydropower stations use water to generate electricity. The green electricity can replace traditional thermal power generation, and thus reduce emissions of sulphur dioxide and nitrogen oxides as well as greenhouse gases from the thermal power generation process, achieving low-carbon and emissions reduction to improve local air quality and mitigate climate change. For the year ended 31 December 2017, the gross generation of Cheling-II Hydropower Plant, Liuchai Hydropower Plant and Xiadongxi Hydropower Plant was 186,585 MWh. Compared with domestic coal-fired power plants, it is equivalent to a reduction of over 15 tons of carbon dioxide, 73 tons of sulfur dioxide, 67 tons of nitrogen oxides and 15 tons of dust emissions.

In addition to saving energy and water, we have also taken different measures to reduce greenhouse gases produced during the operation of the Group. In terms of transportation, we encourage employees to take public transportation or share transportation wherever possible. We also encourage employees to replace any unnecessary overseas business travel with video conference. If a business travel is inevitable, we encourage employees to use direct flights to reduce carbon emissions caused by each flight. We also pay attention to the management of our fleet's carbon emissions by providing regular maintenance for our vehicles, conducting regular check and inflating each tire, so as to improve the energy efficiency of vehicles. In addition to vehicle management, we also banned the idling of car engine to reduce the energy wasted by vehicles. During the Year, 48 kilograms of nitrogen oxides, 0.36 kilograms of sulphur dioxide and 4 kilograms of particulate matter were emitted by vehicles in the covered areas. We hold internal activities at locations with convenient transportation and give priority to local suppliers when purchase materials to pro-actively reduce the carbon emissions caused indirectly by holding activities. During the Year, the greenhouse gas emissions and emissions reduction of the covered areas are set out as follows:

Indicators	**2017**
Total Greenhouse gas emissions (tons)	191
Greenhouse gas emissions per MWh of electricity sold on average (kg/MWh)	1.02
Total greenhouse gas emissions avoided through hydropower (tons)	153,373
Total greenhouse gas emissions avoided through planting trees (kg)	230
Total greenhouse gas emissions avoided through recycled paper (kg)	1,981

Waste Disposal

Domestic waste is the main non-hazardous waste produced by the Group. We have been dedicated to the reduction of waste output by replacing disposable goods with reusable goods. Besides, we also reuse envelopes, spring binders, file cards and other stationery supplies, and use refills for purpose of reusing penholders. During the Year, 12 tons of non-hazardous waste was produced in the covered areas, and an average of 0.06kg of non-hazardous waste was generated per MWh of electricity sold. We also generated a small amount of hazardous waste. Hazardous waste is properly collected by us and transferred to qualified recycling companies for professional treatment in order to reduce the environmental pollution. During the Year, 340kg of hazardous waste was generated in the covered areas and an average of 0.002kg of hazardous waste was generated per MWh of electricity sold.

Paperless Office

We actively promote paperless office, and reduce file printing by using emails or QQ for file transmission, to minimize paper and resource consumption. We use Office Automation system to perform administrative procedures such as announcement, training applications, and vacation applications to achieve paperless office. All of our files shall be drafted, copied, reviewed and modified directly on a computer wherever possible, with only the final version to be printed out in a one-time manner. If a piece of scratch paper is needed, it shall be limited to reusable paper, so as to reduce the use of white paper. Our computers conduct double-sided printing by default, and have posters that will remind employees to use reusable paper for printing. Beyond that, we also regularly monitor paper consumption and take appropriate measures for improvement.

People Oriented

The Group has a well-established human resources system and a development pattern for cultivating talents, expecting employees to carry out business activities under five beliefs of the Group: enthusiasm, diligence, honesty, obedience and cleanness. Employees are the most valuable assets of the Group, so we will give sincere care to each employee, hoping them grow up together with the Group. We strictly abide by the labor law in all the operating areas, the Employment Ordinance of Hong Kong, the Labor Law of the PRC.

Recruitment

The Group will recruit talents as per the request of different departments. Our recruitment consists of two types, including internal recruitment or promotion; and external recruitment. Any employee with outstanding performance can get promoted through self-recommendation or recommendation by his/her supervisor, so as to satisfy the employee's development needs. On the other hand, we will also recruit talents from outside sources. To ensure candidates meet our requirements and to maintain the fairness of recruitment procedures, candidates are required to take part in two rounds of interview, have their information verified before joining the Group. Our recruitment follows the principle of fairness, impartiality and openness, irrespective of any race, religion, gender, age, disability, etc.. Our recruitment process includes age verification and identification, such as ID checks, so as to avoid the recruitment of child labors. Before being employed, employees must sign a labour contract that clearly set forth such information as job description, salary, insurance and benefits, and working hours, thus preventing any form of forced labor.

Employee Benefits

Based on the Group's business nature, Saturday and Sunday are normal working days. Power station employees' rest days of each week will be determined by department supervisors. If working overtime is needed, we will arrange employees to work overtime in accordance with the relevant provisions of the Labor Law of the PRC. Our employees enjoy statutory holidays, marriage leave, funeral leave, annual leave, compensatory leave, sick leave, maternity leave and personal leave. If any employee is required to work during statutory holidays, we will pay remuneration in accordance with the relevant provisions of applicable laws, employee handbook and labor contract. In addition to basic salary, the Group might also give bonus for incentive purpose, depending on our business results of the Year. In addition to covering all kinds of social insurance for employees as per the state and local requirements on social insurance, we will provide employees with high-temperature subsidies and typhoon subsidies. We will also provide bonuses to employees on Chinese holidays and staff birthdays. For the resigning staff, the Group pays outstanding wages on time pursuant to the requirement of the law.

Development and Training

To build a strong team to promote the Group's development, we continuously supervise the performance of our employees and provide training for them. To ensure the competence of employees, we will carry out appraisal for employees annually. Performance appraisal of an employee will be conducted by his/her department supervisor and manager in an objective manner according to his/her work performance, professional skills, work attitude, year-round record of merits and flaws, etc.. An employee's appraisal record will serve as a basis for becoming a full member, promotion, salary adjustment, and year-end bonus or punishment. We establish promotion mechanisms based on the principle of fairness and openness and will not tolerate any form of discrimination. When assessing employees for the promotion, we will take full consideration of his/her personal quality, competence and past appraisal records. In order to ensure that the operating capability of the power station staff meets the job requirements, we will consider the performance of their written examinations and on-site assessments before promoting the staff in power station. In the event of job vacancies, we will consider giving internal promotions to competent employees in recognition of their efforts and contributions. Moreover, we hope to enhance the Group's competitiveness by increasing the knowledge and skills of our employees through training. We provide pre-employment training for new employees, mainly on the functions and objectives of the department, the structure of the department, his/her responsibilities and instructions to follow, operating skills and work procedures, and the rules and regulations of the Group and department in which the employee serves. On top of this, we also provide on-the-job training. The Group will provide technical training for employees at special posts, and these employees are required to obtain professional qualifications. Through different trainings, we expect to enhance the overall quality of employees and develop their potential.

Health and Safety

As a responsible employer, the Group aims at pursuing "production safety to achieve zero casualties and accidents occurring due to negligence and avoid major property losses and safety accidents throughout the Year". We seriously implement the Rules of Safe Operation in Power Industry, Regulations on the Supervision of Power Safety, Law of the PRC on the Prevention and Treatment of Occupational Diseases, and all laws and regulations concerning occupational safety. We are committed to creating a safe workplace to protect the health and safety of employees.

Labor Safety and Hygiene System

To implement the policy of "safety first, prevention foremost, and comprehensive treatment", we have established the Safety Production Management Committee which regularly reviews the safety production of each power station. The committee summarizes the safety indicators and the completion of safety management annually and identifies potential problems in the safety management system. In order to enhance the safety awareness of the power stations, we signed the letter of responsibility for work safety with each power station and established a reward and penalty mechanism, under which all units were required to plan before work, supervise and inspect during work, and appraise reward and penalty and analyze and summarize after work. We also required the power station to hold a monthly safety analysis meeting and operation meeting to discuss and analyze the problems existing in the safety production during the month and put forward a rectification plan.

Prevention Action

Safety protection equipment plays an important role in preventing occupational diseases and accidents at work. Therefore, operators and maintenance personnel must wear protective equipment during work in accordance with safety regulations. All safety equipment, such as insulating tools, insulating gloves, and electroscopes, must be subject to test by national test center and be deemed qualified. Furthermore, every power station is required to establish a record of safety equipment and regularly check the test date, ensuring that the safety equipment can protect employees. We will also regularly organize trainings on the use of safety equipment for employees to learn to check the reliability of safety equipment and use, maintain and preserve safety equipment in a correct way. In addition to providing protective facilities, we will also formulate emergency plans for safe production accidents. Each power station assembles different professional teams to respond quickly after a production accident occurs to prevent further ramifications. To further enhance employees' safety awareness, the Group implemented a safety accountability system and strengthened the inspection of hazards in the power stations to ensure the safe production and operation of various types of equipment. The Group conducted major safety inspections and rectifications of equipment during the year.

Publicity and Education

To ensure production safety, the Group provides safety education and training to enhance the safety technology quality of employees. Through safety education, we aim to strengthen the accountability system and consciousness of employees regarding work safety for them to comprehend the knowledge of production safety, raise the level of management and operating technique, and improve their self-protection ability. We implement a three-level safety education system, where all employees are required to take part in training and pass the examination. In addition to all kinds of education training, we hold safety day and safety month activities on a regular basis to effectively enhance the safety awareness of employees. For example, on the safety day, we will share previous experiences and lessons in respect of production safety, discuss articles about production safety, review conduction safety, and analyze the pre-control of danger points.

Emphasis on Our Service Quality

The Group adheres to the client-first philosophy and lays emphasis on service quality. We have a well-established system to supervise the entire supply chain. From contractor selection to verification process supervision, we have established excellent service performance. In addition to services, we have also developed measures regarding client privacy and anti-corruption to gain more trust of clients.

Common Development with Suppliers

Given the Group's business characteristics, most materials purchased daily are office supplies or materials used for the repair and operation of power stations. Our purchase is based on each department's operation and repair plans as well as the inventory level to avoid excessive purchases and waste. The Group formulated procurement policies to select reliable suppliers and service providers to support business operations. Apart from taking into account the factors such as reputation, quality and price-performance ratio of suppliers, we give priority to suppliers who perform well in social responsibility or satisfy the requirement set out in our environmental protection policy, to encourage suppliers to forge sustainable development society together with the Group. We will clearly inform our suppliers of our product requirements and our procurement system to mitigate social risks arising from the supply chain. The quality inspection department will confirm the acceptance of the materials purchased for the operation of the power station under the standards specified in contracts, and promptly notify the purchasing department of the acceptance results to ensure that the quality of the materials meets the Group's safety and quality standards. We continuously monitor the performance of our suppliers. If a breach of the Group policy is found, we will terminate the cooperation relationships with the suppliers concerned immediately until the underlying situation improves.

Ensure Power Stability

The Group is committed to maintaining the stability and reliability of power supply. For this purpose, we have formulated policies for the work of employees, operation of equipment and power stations, as well as the inspection of hydraulic structures, so as to protect the operation safety of hydropower stations and ensure the stable supply of electricity. We have established the corresponding systems for equipment and power station operation and provided on-the-job training for our staff to ensure proper operation management of the whole hydropower station. We have also formulated an inspection system for hydraulic structures and carry out inspection in a regular basis. In addition to daily inspection, we also conduct an annual detailed examination to ensure safety and stability of hydraulic structures. We conduct rating on the equipment condition of hydropower stations for effective performance of maintenance work. We carry out periodic maintenance for equipment of power stations according to the needs of different equipment, and carry out individual maintenance for hydropower stations based on the information obtained from inspection. Apart from maintenance, we also conduct technical renovation and make preventive testing to ensure safety of hydropower stations. Our maintenance not only covers production facilities, construction machinery, power supply and communications equipment, but also mechanical and electrical equipment of dams, and power transmission equipment of hydropower stations. We also conduct major technical measure renovation, general technical measure renovation to ensure the safety of power station operation.

Business Ethics

We firmly believe that honesty, integrity and fairness are valuable assets of the Group. We attach great importance to the confidential information of the Group and its partners. We strictly abide by the laws and regulations concerning privacy. Employees are required to regularly update the computer passwords and are prohibited from installing software on computers without the approval of the Group. Confidentiality obligations will be set out in contracts if the cooperation with a supplier involves technical issues or the Group's confidential information. We are committed to ensuring that the information provided by the Group on different platforms is clear and accurate and prohibiting false, misleading information or misrepresentation in any form of communications.

Anti-Corruption

To ensure employees are aware of the importance of anti-corruption, we have set up basic discipline behavior standards for reference and obedience of all employees. We prohibit employees from soliciting or accepting any interests from any persons who have business dealings with the company, so as to remain objective in business operation. If there is any conflict between personal interests and the Group's interests, the employee concerned shall make it clear to the Group to prevent any appearance of inequality, abuse of rights or even corruption. We have established a complaint mechanism, which is open to everyone. Any person who suspects an employee of any violation may report to the management. After receipt of a report, we will deal with it in a fair and effective manner. If a violation of discipline is confirmed, the employee will receive disciplinary punishment. To protect the safety of the reporter, all complaint information will be treated absolutely confidential. In 2017, the Group received no report about violation or corruption.

Charity and Public Welfare

As a responsible social enterprise, the Group is devoted to making contribution to communities, establishing long-term contacts with communities, and building a high-quality living environment for citizens. During this Year, we sponsored Shantian Village, Shouning County to care for the needs of the community where the power plant operated. In February 2018, the Group also donated HK$1 million to the Community Chest of Hong Kong for the purpose of promoting the services for children, youth and family, elderly services, medical and health services, rehabilitation and crime prevention services in Hong Kong to improve the development of communities in Hong Kong. As a responsible enterprise, we will continue to care for the community and encourage employees to actively participate in charity activities and work together to create a harmonious society.

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2017.

Corporate Governance Practices

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company has applied and adopted the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the Year ended 31 December 2017, the Company has complied with the code provisions set out in the CG Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

Board of Directors

Board Composition

The Board of the Company currently comprises seven members, of which four are executive Directors namely Mr. Lin Yang (Chairman), Mr. Zheng Xuesong (Chief Executive Officer ("CEO")), Mr. Chen Congwen (Chief Financial Officer ("CFO")) and Mr. Lin Tian Hai (Deputy CEO) and three are independent non-executive Directors namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk and Mr. Xie Zuomin. Each of the Directors' respective biographical details are set out in the section headed "Directors and Senior Management Profiles" of this annual report. The Board included at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year ended 31 December 2017. The family relationships among the board members, if any, are disclosed under "Directors and Senior Management Profiles" section in this annual report.

Role and Function

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

Delegation by the Board

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

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

Corporate Governance Functions

For the year ended 31 December 2017, the Board and the compliance committee of the Company (the "Compliance Committee") have performed the corporate governance duties which include the following:

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

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

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

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

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

Board Meetings

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

Number of Meetings and Attendance Records

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

For the year ended 31 December 2017, four regular Board meetings for review and approval of financial statements were held and the attendance records of individual Directors at the Board meetings are set out below:

Name of Directors	Meeting attended/ Eligible to attend Board
Executive Directors	
Mr. Lin Yang *(Chairman)*	4/4
Mr. Zheng Xuesong	4/4
Mr. Chen Congwen	4/4
Mr. Lin Tian Hai	4/4
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Xie Zuomin	4/4

Chairman and CEO

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

Appointment and Re-election of Directors

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

Confirmation of Independence

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules for the year ended 31 December 2017.

Directors' Continuous Professional Development

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

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2017, the Company has received training record from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the CG Code.

During the year ended 31 December 2017, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

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

Notes:

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

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

Company Secretary

The company secretary of the Company (the "Company Secretary") assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. Mok Ming Wai ("Ms. Mok") has tendered her resignation as the Company Secretary and Mr. Cheong Iok ("Mr. Cheong") has been appointed as the Company Secretary, both with effect from 2 May 2017. Both Ms. Mok and Mr. Cheong has taken no less than 15 hours of relevant professional trainings to update their skills and knowledge during the year ended 31 December 2017.

Audit Committee

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

During the year ended 31 December 2017, the Audit Committee held four meetings and performed the above mentioned duties. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Xie Zuomin	4/4

Compliance Committee

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

During the year ended 31 December 2017, four meetings were held by the Compliance Committee. The following table shows the attendance of individual members at the meetings held during the year:

Name of Directors	**Meeting attended/ Eligible to attend**
Executive Directors	
Mr. Lin Yang	4/4
Mr. Zheng Xuesong	4/4
Mr. Chen Congwen	4/4
Mr. Lin Tian Hai	4/4
Independent non-executive Directors	
Mr. Cheng Chuhan	4/4
Mr. Chan Kam Fuk	4/4
Mr. Xie Zuomin	4/4

Remuneration Committee

During the year ended 31 December 2017, the Remuneration Committee consists of an executive Director, namely Mr. Lin Yang and two independent non-executive Directors namely Mr. Cheng Chuhan and Mr. Chan Kam Fuk. Mr. Lin Yang ceased to be the chairman of the Remuneration Committee and remains as a member of the Remuneration Committee, and Mr. Xie Zuomin has been appointed as a member of and the chairman of the Remuneration Committee, both with effect from 31 January 2018. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensures none of the Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

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

During the year ended 31 December 2017, one meeting was held by the Remuneration Committee. The following table shows the attendance of individual members held during the year:

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

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

	2017	2016
Nil to HK$1,000,000 (equivalent to approximately RMB866,000) (2016: RMB855,000)	**11**	11

Nomination Committee

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

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

During the year ended 31 December 2017, one meeting was held by the Nomination Committee. The following table shows the attendance of individual members held during the year:

Name of Directors	Meeting attended/ Eligible to attend
Independent non-executive Directors	
Mr. Cheng Chuhan	1/1
Mr. Chan Kam Fuk	1/1
Mr. Xie Zuomin	1/1

Directors' Securities Transactions

The Company has adopted a model code for securities transactions by Directors (the "Model Code") on terms which are the same as the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Model Code throughout the year and up to the date of the 2017 annual report.

Shareholders' Rights

Convene an extraordinary general meeting

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

Enquires to the Board

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

Putting forward proposals at a general meeting

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

Directors' attendance at general meeting

For the year ended 31 December 2017, the Company held an annual general meeting. All the Directors have attended the annual general meeting.

Auditor's Remuneration

During the year ended 31 December 2017, the fees paid/payable to SHINEWING (HK) CPA Limited and its affiliate company, the auditor of the Company, in respect of audit and non-audit services provided by them to the Group were as follows:

	RMB'000
Audit Service	**780**
Non-Audit services	
Review of financial information of the Group	**173**
Others	**329**
Total	**1,282**

Risk Management and Internal Controls

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2017, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Directors' Responsibility Statement

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

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

Constitutional Documents

During 2017, there were no changes to the Company's constitutional documents.

Investor Relations and Communication

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

信永中和
ShineWing

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

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

Opinion

We have audited the consolidated financial statements of Haitian Energy International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 61 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on goodwill

Refer to notes 3 and 18 to the consolidated financial statements.

The key audit matter

The Group has goodwill of approximately RMB24,039,000 relating to the acquisition of its subsidiaries in prior years.

It is one of key audit matters because of its significance to the consolidated financial statements and the involvement of a significant degree of judgment by the directors of the Company when considering the impairment of goodwill.

How the matter was addressed in our audit

We assessed the reasonableness of the assumptions and estimates adopted in cashflow forecasts which were prepared by the directors of the Company. By performing industrial analysis and referencing to the Group's historical figures and approved future operating plans, we challenged if there is any inconsistency of the market trend and historical information of the Group for the assumptions and estimates adopted in the forecasts.

We also challenged the assumptions used by directors of the Company by comparing assumptions made by management in prior years with actual events as well as the current year's assumptions and future operating plans.

Valuation of intangible assets

Refer to notes 3 and 19 to the consolidated financial statements.

The key audit matter

The Group has development right granted by the relevant authority in the People's Republic of China (the "PRC") in prior years in relation to the development on additional hydropower plant in Bapu Stream, Zhouning County, Fujian Province, amounted to approximately RMB7,689,000 which was included in the intangible assets. The final approval on the developing the additional hydropower plant was granted by the local government in 2016 and the construction of the hydropower plant commenced during the year. However, no income of the hydropower plant will be generated until the completion of the construction.

It is one of key audit matters because of its significance to the consolidated financial statements and the involvement of a significant degree of judgment by the directors of the Company when considering the impairment of the intangible asset.

How the matter was addressed in our audit

We have discussed with the directors of the Company and obtained and reviewed the written representation and board minutes, as to the latest plan of the construction and the expected commencement date of generating income.

We assessed the reasonableness of assumptions and estimates used in the valuation report published by the third party specialists, based on our knowledge of the hydropower industry and the Group's historical experience and future operating plans. We challenged the reasonableness of the assumptions and estimates with reference to the historical figures of the Group and reviewed the underlying documentations including quotation from the subcontracting parties for development of hydropower plant, etc. The assessment also included our arithmetic accuracy of the forecast through recalculation.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
Revenue	7	**171,627**	236,761
Cost of sales		**(65,713)**	(83,797)
Gross profit		**105,914**	152,964
Other income	9	**6,173**	2,767
Administrative expenses		**(18,987)**	(17,620)
Other operating expenses		**(688)**	(3,876)
Finance costs	10	**(38,584)**	(50,929)
Profit before tax		**53,828**	83,306
Income tax expense	11	**(20,214)**	(27,740)
Profit for the year and total comprehensive income for the year	12	**33,614**	55,566
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**26,416**	40,706
Non-controlling interests		**7,198**	14,860
		33,614	55,566
Earnings per share (RMB cents)	15		
Basic and diluted		**0.29**	0.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	16	**662,775**	669,485
Prepaid lease payments	17	**16,177**	16,584
Goodwill	18	**24,039**	24,039
Intangible assets	19	**8,899**	9,125
Deposits paid for acquisition of land use right		**2,500**	2,500
Other deposits and prepayments	20	**6,488**	12,732
Deferred tax assets	29	**106**	103
		720,984	734,568
Current assets			
Trade and other receivables	21	**33,436**	19,192
Prepaid lease payments	17	**408**	408
Bank balances and cash	22	**476,670**	528,060
		510,514	547,660
Current liabilities			
Trade and other payables	23	**39,235**	48,946
Amount due to a related company	24	**–**	168
Amount due to a director	24	**–**	514
Income tax payables		**13,523**	16,720
Secured bank borrowings	25	**67,690**	60,986
Debentures	26	**–**	26,835
Obligations under finance leases	27	**14,647**	32,072
		135,095	186,241
Net current assets		**375,419**	361,419
Total assets less current liabilities		**1,096,403**	1,095,987

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	28	**9,303**	9,303
Reserves		**443,140**	416,724
Equity attributable to owners of the Company		**452,443**	426,027
Non-controlling interests		**53,895**	60,497
Total equity		**506,338**	486,524
Non-current liabilities			
Secured bank borrowings	25	**494,290**	507,630
Obligations under finance leases	27	**14,906**	48,052
Debentures	26	**25,077**	–
Deferred tax liabilities	29	**55,792**	53,781
		590,065	609,463
		1,096,403	1,095,987

The consolidated financial statements on page 61 to 135 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Mr. Lin Yang
Director

Mr. Chen Congwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Equity transaction reserve RMB'000	Statutory reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	8,883	139,325	362	48,622	(1,127)	16,851	24	88,432	301,372	47,087	348,459
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	–	40,706	40,706	14,860	55,566
Appropriation to statutory reserve	–	–	–	–	–	8,654	–	(8,654)	–	–	–
Derecognition through disposal of a subsidiary	–	–	–	–	–	(10)	–	10	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,450)	(1,450)
Issue of shares upon placing of shares (note 28 (i))	420	83,586	–	–	–	–	–	–	84,006	–	84,006
Transaction costs attributable to issue of shares upon placing of shares	–	(57)	–	–	–	–	–	–	(57)	–	(57)
At 31 December 2016	**9,303**	**222,854**	**362**	**48,622**	**(1,127)**	**25,495**	**24**	**120,494**	**426,027**	**60,497**	**486,524**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,416**	**26,416**	**7,198**	**33,614**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**–**	**8,893**	**–**	**(8,893)**	**–**	**–**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,800)**	**(13,800)**
At 31 December 2017	**9,303**	**222,854**	**362**	**48,622**	**(1,127)**	**34,388**	**24**	**138,017**	**452,443**	**53,895**	**506,338**

Notes:

(i) Other reserve

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

(ii) Special reserve

The special reserve represents the aggregate amount of:

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

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

(iii) Statutory reserve

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

(iv) Capital reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**53,828**	83,306
Adjustments for:			
Finance costs		**38,584**	50,929
Depreciation for property, plant and equipment		**23,333**	24,339
Loss on disposal of subsidiaries	32	**–**	2,558
Exchange difference		**(1,758)**	1,702
Amortisation of prepaid lease payments		**407**	488
Amortisation of intangible assets		**226**	358
Government grants		**(1,019)**	(356)
Interest income		**(1,627)**	(1,845)
Operating cash flows before movements in working capital		**111,974**	161,479
Increase in trade and other receivables		**(19,158)**	(4,379)
(Decrease) increase in trade and other payables		**(11,757)**	12,279
Decrease in amount due to a related company		**(168)**	(691)
Decrease in amount due to a director		**(514)**	(34)
Cash generated from operations		**80,377**	168,654
Income tax paid		**(21,403)**	(28,611)
NET CASH FROM OPERATING ACTIVITIES		**58,974**	140,043
INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	32	**–**	4,090
Interest income received		**1,729**	1,743
Purchase of property, plant and equipment		**(15,844)**	(2,429)
Repayment from (advance to) a loan receivable		**4,530**	(4,530)
NET CASH USED IN INVESTING ACTIVITIES		**(9,585)**	(1,126)

	2017 **RMB'000**	2016 RMB'000
FINANCING ACTIVITIES		
New secured bank borrowings raised	**64,350**	319,916
Repayment to secured bank borrowings	**(70,986)**	(193,465)
Interest paid	**(39,317)**	(50,232)
Repayment of obligations under finance leases	**(44,045)**	(41,488)
Government grants received	**1,019**	356
Placing of new shares	**–**	84,006
Transaction costs attributable to issue of shares upon placing of new shares	**–**	(57)
Dividend paid to non-controlling interests	**(11,800)**	(1,450)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(100,779)**	117,586
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(51,390)**	256,503
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**528,060**	271,557
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**476,670**	528,060

1. General

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

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

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

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

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

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

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

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

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

Amendment to HKAS 7 Disclosure Initiative

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

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in Note 35. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 35, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKASs and HKFRSs issued but not yet effective

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

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

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2019.*
[3] *Effective for annual periods beginning on or after 1 January 2021.*
[4] *Effective date not yet been determined.*

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

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

HKFRS 9 (2014) Financial Instruments

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

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

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

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

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

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

HKFRS 9 (2014) Financial Instruments (continued)

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

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

The directors of the Company have performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and lease receivables. The application of the expected credit loss model may result in earlier recognition of credit loss for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have any material impact on amounts reported in the Group's consolidated financial statements.

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

HKFRS 15 Revenue from Contracts with Customers

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

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

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

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

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

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major source of revenue of the Group are sales of electricity and provision of operating services to the customers. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over the goods/services are transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

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

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessees accounting, and is replaced by a model where a right-of –use asset at cost and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payment in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of –use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. A preliminary assessment indicates that the lease arrangements of the Group will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies (continued)

Goodwill

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

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

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

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

Property, plant and equipment

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

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

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

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

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

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

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

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

Other financial liabilities

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

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

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

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

3. Significant Accounting Policies (continued)

Revenue recognition

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

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

Operating services income is recognised in the period when the services are provided.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

3. Significant Accounting Policies (continued)

Leasing (continued)

Leasehold land and buildings

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

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

Borrowing costs

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

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

Retirement benefits costs

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

Short-term employee benefits

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

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

3. Significant Accounting Policies (continued)

Taxation

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

Government grants

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

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

Foreign currencies

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

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

Fair value measurement

When measuring fair value except for the Group's leasing transactions, for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Significant Accounting Policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying accounting policies

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

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

Critical judgements in applying accounting policies (continued)

De facto control over Juyuan Hydropower

Shouning County Juyuan Hydropower Co., Ltd.* 壽寧縣聚源水電有限公司 ("Juyuan Hydropower") is a subsidiary of the Group although the Group has only 38% ownership interest in Juyuan Hydropower. The Group has 38% ownership interest since December 2014 from the acquisition of Fujian Haitian Huajin Huifu Energy Development Co., Ltd.* 福建省海天華金匯富能源發展有限公司 ("Huajin Huifu") and the remaining 62% of shareholdings are owned by two shareholders that are unrelated to the Group. Details of particulars of Juyuan Hydropower are set out in Note 41.

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

Recall of allotted state-owned lands

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

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

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

Key sources of estimation uncertainty

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

Estimated impairment loss on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of trade and other receivables was approximately RMB33,436,000 (2016: RMB19,192,000), net of allowance for impairment of RMB1,765,000 (2016: RMB1,803,000). No impairment loss on trade and other receivables has been recognised in profit or loss during the years ended 31 December 2017 and 2016.

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

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, prepaid lease payments and intangible assets, recoverable amount of the assets needs to be determined if there is indication that those assets may be impaired. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flows generated by these assets are discounted to their present value, which requires significant judgement relating to items such as level of sale volumes, selling prices, amount of operating costs and discount rates. The Group uses all readily available information in determining the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volumes, selling prices, operating costs and discount rates. As at 31 December 2017, the carrying amounts of property, plant and equipment, prepaid lease payments and intangible assets were approximately RMB662,775,000 (2016: RMB669,485,000), RMB16,585,000 (2016: RMB16,992,000) and RMB8,899,000 (2016: RMB9,125,000) respectively. No impairment loss was recognised during the years ended 31 December 2017 and 2016.

Useful lives of property, plant and equipment

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

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

Key sources of estimation uncertainty (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use or the fair value less cost of disposal of the CGU to which goodwill has been allocated. Estimation of the value-in-use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimation of the fair value less costs of disposal requires the Group to make a selection of comparable market transactions with necessary adjustments. As at 31 December 2017 and 2016, the carrying amounts of goodwill were approximately RMB24,039,000. Details of the recoverable amount calculations are disclosed in Note 18.

5. Capital Risk Management

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

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

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

6. Financial Instruments

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**512,303**	556,907
Financial liabilities		
Amortised cost	**653,479**	721,203

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

6. Financial Instruments (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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

	2017	2016
	RMB'000	RMB'000
HK$		
Assets	**1,819**	7,654
Liabilities	**(27,382)**	(28,605)
	(25,563)	(20,951)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against HK$ for the year ended 31 December 2017. 5% (2016: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2017	2016
	RMB'000	RMB'000
Post-tax profit or loss	**1,278**	1,048

6. Financial Instruments (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate secured bank borrowings (Note 25) and debentures (Note 26) for the years ended 31 December 2017 and 2016. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 22), secured bank borrowings (Note 25) and obligations under finance leases (Note 27). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

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

For variable-rate bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2017 would increase/decrease by approximately RMB4,291,000 (2016: RMB4,703,000).

For variable-rate bank borrowings and obligations under finance leases, if the interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2017 would decrease/increase by approximately RMB9,959,000 (2016: RMB10,917,000).

6. Financial Instruments (continued)

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

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

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

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% of trade receivables as at 31 December 2017 and 2016.

The Group has concentration of credit risk as 44% (2016: 51%) of total trade receivables was due from the largest customer, and all the trade receivables as at 31 December 2017 was due from the Group's only seven (2016: six) customers.

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

Liquidity risk

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

6. Financial Instruments (continued)

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

Liquidity risk (continued)

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

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

Liquidity tables

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017						
Non-derivative financial liabilities						
Trade and other payables	36,869	–	–	–	36,869	36,869
Secured bank borrowings	95,118	129,036	331,662	109,454	665,270	561,980
Obligations under finance leases	16,745	15,304	–	–	32,049	29,553
Debentures	2,012	2,012	29,106	–	33,130	25,077
	150,744	146,352	360,768	109,454	767,318	653,479

6. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity tables (continued)

	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not exceeding five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2016						
Non-derivative financial liabilities						
Trade and other payables	44,946	–	–	–	44,946	44,946
Amount due to a related company	168	–	–	–	168	168
Amount due to a director	514	–	–	–	514	514
Secured bank borrowings	91,360	72,270	376,313	150,679	690,622	568,616
Obligations under finance leases	37,516	33,010	18,380	–	88,906	80,124
Debentures	28,988	–	–	–	28,988	26,835
	203,492	105,280	394,693	150,679	854,144	721,203

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

(c) Fair value measurements of financial instruments

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

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

7. Revenue

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

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

	2017 **RMB'000**	2016 RMB'000
Sales of electricity	**152,347**	236,761
Provision of operating and installation services	**19,280**	–
	171,627	236,761

8. Segment Information

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The directors of the Company have chosen to organise the Group around differences in services. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segment of the Group.

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

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

8. Segment Information (continued)

(a) Segment revenue and results

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

For the year ended 31 December

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of 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.

8. Segment Information (continued)

(b) Segment assets and liabilities

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

At 31 December

	Jointly shared by hydropower generation by self-owned and by leased plants		Electricity supplies operation and installation services		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**742,397**	748,865	**12,100**	156	**754,497**	749,021
Unallocated corporate assets						
– Other receivables					**225**	5,044
– Bank balances and cash					**476,670**	528,060
– Deferred tax assets					**106**	103
Total assets					**1,231,498**	1,282,228
Segment liabilities	**77,633**	46,211	**3,396**	1,105	**81,029**	47,316
Unallocated corporate liabilities						
– Other payables					**2,656**	2,312
– Income tax payables					**13,523**	16,720
– Secured bank borrowings					**517,530**	568,616
– Obligations under finance leases					**29,553**	80,124
– Debentures					**25,077**	26,835
– Deferred tax liabilities					**55,792**	53,781
Total liabilities					**725,160**	795,704

8. Segment Information (continued)

(b) Segment assets and liabilities (continued)

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

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

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

(c) Other segment information

For the year ended 31 December

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

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

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

8. Segment Information (continued)

(c) Other segment information (continued)

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

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

(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:

	2017	2016
	RMB'000	RMB'000
Customer A[1 and 2]	**99,852**	153,106
Customer B[1]	**25,555**	37,551
Customer C[3]	**19,280**	–

1 *Revenue from hydropower generation by self-owned plants.*

2 *Revenue from hydropower generation by leased plants.*

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

9. Other Income

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

Notes:

(i) Other interest income was arising from a loan receivable. Details are set out in Note 21 to the consolidated financial statement.

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

10. Finance Costs

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

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

11. Income Tax Expense

	2017 **RMB'000**	2016 RMB'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**18,206**	25,564
Deferred taxation (Note 29)		
Current year	**2,008**	2,176
	20,214	27,740

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

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

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

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

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**53,828**	83,306
Tax calculated at tax rate of 25% (2016: 25%)	**13,457**	20,827
Tax effect of expenses not deductible for tax purpose	**7,838**	7,164
Tax effect of income not taxable for tax purpose	**(1,112)**	(238)
Utilisation of tax loss previously not recognised	**–**	(13)
Tax effect of tax loss not recognised	**31**	–
Income tax expense	**20,214**	27,740

12. Profit For The Year

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's emoluments (Note 13)	**2,068**	1,510
Other staff costs (excluding directors and the chief executive):		
Salaries, wages and other benefits	**14,231**	11,634
Severance payment	**21**	327
Retirement benefits scheme contribution	**1,276**	1,329
	17,596	14,800
Auditor's remuneration	**780**	727
Depreciation for property, plant and equipment	**23,333**	24,339
Amortisation of prepaid lease payments (included in cost of sales)	**407**	488
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**226**	358
Net exchange loss	**–**	503
Loss on disposal of subsidiaries (Note 32) (included in other operating expenses)	**–**	2,558
Operating lease charge in respect of leased hydropower plants (included in cost of sales)	**24,317**	37,505
Operating lease charges in respect of properties (included in administrative expenses)	**1,077**	1,067

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2016: seven) directors and the chief executive were as follows:

Year ended 31 December 2017

	Directors			Director and chief executive	Independent non-executive directors			
	Mr. Lin Yang	Mr. Chen Chongwen	Mr. Lin Tian Hai (note (i))	Mr. Zheng Xuesong	Mr. Chan Kam Fuk	Mr. Cheng Chuhan	Mr. Xie Zuomin	
	Hong Kong RMB'000	The PRC RMB'000	Canada RMB'000	The PRC RMB'000	The PRC RMB'000	The PRC RMB'000	The PRC RMB'000	Total RMB'000
Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings								
Fees	260	104	104	173	69	69	69	848
Emoluments paid or payable in respect of a director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings								
Other emoluments:								
Salaries and other benefits in kind	–	–	576	–	–	–	–	576
Discretionary bonus (note (ii))	13	150	112	341	3	3	3	625
Contributions to retirement benefits	–	9	–	10	–	–	–	19
	13	159	688	351	3	3	3	1,220
Total emoluments	273	263	792	524	72	72	72	2,068

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

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

Year ended 31 December 2016

	Directors			Director and chief executive	Independent non-executive directors			
	Mr. Lin Yang	Mr. Chen Chongwen	Mr. Lin Tian Hai (note (i))	Mr. Zheng Xuesong	Mr. Chan Kam Fuk	Mr. Cheng Chuhan	Mr. Xie Zuomin	
	Hong Kong RMB'000	The PRC RMB'000	Canada RMB'000	The PRC RMB'000	The PRC RMB'000	The PRC RMB'000	The PRC RMB'000	Total RMB'000
Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings								
Fees	257	103	103	172	68	68	68	839
Emoluments paid or payable in respect of a director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings								
Other emoluments:								
Salaries and other benefits in kind	–	–	565	–	–	–	–	565
Discretionary bonus (note (ii))	21	21	21	21	–	–	–	84
Contributions to retirement benefits	–	11	–	11	–	–	–	22
	21	32	586	32	–	–	–	671
Total emoluments	278	135	689	204	68	68	68	1,510

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

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

Notes:

(i) During the year ended 31 December 2017, rental expenses of Mr. Lin Tian Hai's director's quarter of approximately RMB576,000 (2016: RMB565,000) was borne by the Group.

(ii) The discretionary bonus is based on the relevant individual's performance and the Company's performance and profitability and the prevailing market conditions.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2016: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures presented above. The emoluments of the remaining one (2016: three) individual(s) were as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances, and other benefits	**750**	810
Retirement benefits scheme contribution	**18**	66
	768	876

Their emoluments were individually below approximately RMB866,000 (2016: RMB855,000) (equivalent to HK$1,000,000) for the years ended 31 December 2017 and 2016.

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2017 and 2016.

14. Dividend

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

15. Earnings Per Share

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

(a) Basic

	2017 **RMB'000**	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**26,416**	40,706

	2017 **'000**	2016 '000
Weighted average number of ordinary shares	**9,136,000**	9,099,934

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

(b) Diluted

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

16. Property, Plant and Equipment

	Buildings RMB'000	Dams RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	136,511	275,785	342,329	1,464	2,231	9,184	767,504
Additions	–	–	–	64	715	1,866	2,645
Transfer	140	–	–	–	–	(140)	–
Derecognised on disposal of a subsidiary (Note 32(b))	(4,258)	(11,880)	(4,762)	(4)	–	–	(20,904)
At 31 December 2016	132,393	263,905	337,567	1,524	2,946	10,910	749,245
Additions	–	–	96	78	2,329	14,120	16,623
Transfer	188	681	2,760	–	–	(3,629)	–
At 31 December 2017	132,581	264,586	340,423	1,602	5,275	21,401	765,868
DEPRECIATION							
At 1 January 2016	8,859	17,079	31,544	495	439	–	58,416
Charge for the year	4,076	6,324	13,405	189	345	–	24,339
Derecognised on disposal of a subsidiary (Note 32(b))	(366)	(1,028)	(1,598)	(3)	–	–	(2,995)
At 31 December 2016	12,569	22,375	43,351	681	784	–	79,760
Charge for the year	3,708	6,331	12,433	180	681	–	23,333
At 31 December 2017	16,277	28,706	55,784	861	1,465	–	103,093
CARRYING AMOUNTS							
At 31 December 2017	116,304	235,880	284,639	741	3,810	21,401	662,775
At 31 December 2016	119,824	241,530	294,216	843	2,162	10,910	669,485

16. Property, Plant and Equipment (continued)

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

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

As at 31 December 2017, certain of property, plant and equipment with carrying values of approximately RMB244,941,000 (2016: RMB257,828,000) was situated on allotted state-owned lands which were granted from the relevant PRC government authorities who has authority to recall the allotted state-owned lands at any time by their discretion. Allotted state-owned lands represent the land located in the PRC granted by the PRC government with no consideration for the purpose of national welfare. The directors of Company, with reference to the opinion of its PRC legal advisor, considered that the allotted state-owned lands would not be recalled in the foreseeable future based on their past experience and no change on the usage of those lands since the grant date from relevant PRC government authorities to the end of the reporting period, hence the property, plant and equipment situated on the allotted state-owned lands does not impair their values to the Group.

As at 31 December 2017 and 2016, certain property, plant and equipment were pledged for secured bank borrowings and obligations under finance leases as disclosed in Note 34.

As at 31 December 2017 and 2016, certain property, plant and equipment of approximately RMB42,530,000 and RMB139,796,000 were held under finance leases respectively.

17. Prepaid Lease Payments

Analysed for reporting purposes as:

	2017 **RMB'000**	2016 RMB'000
Current assets	**408**	408
Non-current assets	**16,177**	16,584
	16,585	16,992

The prepaid lease payments are located in the PRC and are amortised over the useful lives ranging from 39 years to 50 years on a straight-line basis.

18. Goodwill

	2017 RMB'000	2016 RMB'000
COST AND CARRYING AMOUNTS		
At 1 January	**24,039**	25,178
Derecognised through disposal of a subsidiary (Note 32(b))	**–**	(1,139)
At 31 December	**24,039**	24,039

	2017 RMB'000	2016 RMB'000
IMPAIRMENT TESTING ON GOODWILL		
Hydropower generation:		
周寧縣乾元水電開發有限公司 Zhouning Qianyuan Hydropower Development Co., Ltd.* ("Qianyuan Hydropower") (note (i))	**3,759**	3,759
福安市九隆水電開發有限公司 Fu'an Jiulong Hydropower Development Co., Ltd.* ("Fu'an Jiulong") (note (i))	**9,501**	9,501
Huajin Huifu (note (i))	**10,556**	10,556
	23,816	23,816
Hydropower operation service:		
壽寧縣廣源水電營運有限公司 Shouning Guangyuan Hydropower Operation Management Co., Ltd.* ("Guangyuan Hydropower") (note (ii))	**223**	223
	24,039	24,039

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

18. Goodwill (continued)

Notes:

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

The recoverable amounts of Qianyuan Hydropower, Fu'an Jiulong and Huajin Huifu have been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 15.20% (2016: 14.84%), 15.07% (2016: 14.82%) and 14.43% (2016: 14.43%) respectively. Cash flows beyond 5-year period are projected using zero growth rate for both years. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue from electricity sales and unit price, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs. In the opinion of the directors of the Company, no impairment was necessary for the years ended 31 December 2017 and 2016.

(ii) Guangyuan Hydropower

The recoverable amounts of Guangyuan Hydropower has been determined based on the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and a discount rate of 20.48% (2016: 19.65%). Cash flows beyond 5-year period are projected using zero growth rate for the year. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue mainly from operating service income, such estimations are based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. In the opinion of the directors of the Company, no impairment was necessary for the years ended 31 December 2017 and 2016.

19. Intangible Assets

	Customer contract RMB'000	Development rights RMB'000	Total RMB'000
COST			
At 1 January 2016, 31 December 2016 and 31 December 2017	680	10,535	11,215
AMORTISATION			
At 1 January 2016	548	1,184	1,732
Charge for the year	132	226	358
At 31 December 2016	680	1,410	2,090
Charge for the year	–	226	226
At 31 December 2017	680	1,636	2,316
CARRYING VALUES			
At 31 December 2017	–	8,899	8,899
At 31 December 2016	–	9,125	9,125

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

The development rights represent two development rights granted by the relevant PRC government authorities for the Group to i) develop additional hydropower plants in Bapu Stream, Zhouning County, Fujian Province, the PRC for an operating period of 50 years and ii) to construct and operate Fu'an Jiulong-I Hydropower Station and Fu'an Jiulong-II Hydropower Station in Fuan City, Fujian Province for remaining useful life of 56 years from the date of acquisition of Fu'an Jiulong. The rights are amortised over the remaining operating period.

20. Other Deposits and Prepayments

Included in the other deposits and prepayments of approximately RMB6,143,000 (2016: RMB12,669,000) represents the amortised cost of refundable secured deposit for the obligations under finance leases as detailed in note 27. The nominal value of refundable secured deposit is RMB6,400,000 (2016: RMB13,200,000) and it will be refunded by lessor upon expiry of lease term of 5 years. Discounting impact has been accounted for based on the 5-year time deposit rate of The People's Bank of China of 4.75% (2016: 4.75%). The remaining balances are the prepayment of property insurance which is amortised throughout the 3-year insured period.

21. Trade and Other Receivables

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

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

The Group does not hold any collateral over these balances.

21. Trade and Other Receivables (continued)

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

	2017 RMB'000	2016 RMB'000
Within 30 days	**26,331**	10,545
Over 180 days	**1,021**	–
	27,352	10,545

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

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

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

	2017 RMB'000	2016 RMB'000
Over 180 days	**1,021**	–

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

	2017 RMB'000	2016 RMB'000
1 January	**1,803**	1,803
Written off against other receivables	**(38)**	–
31 December	**1,765**	1,803

At 31 December 2017, included in the impairment loss are individually impaired trade and other receivables with an aggregate balance of approximately RMB1,765,000 (2016: RMB1,803,000) which are due to long outstanding.

As at 31 December 2017 and 2016, certain trade receivables were pledged for secured bank borrowings and obligations under finance leases as disclosed in Note 34.

22. Bank Balances and Cash

Bank balances carry interest at market rates of 0.01% to 0.3% per annum during the year ended 31 December 2017 (2016: 0.01% to 0.35% per annum).

23. Trade and Other Payables

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

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

	2017 RMB'000	2016 RMB'000
Within 30 days	**4,150**	5,609
31 to 60 days	**1,934**	3,915
61 to 90 days	**2,756**	3,607
91 to 180 days	**7,377**	11,936
Over 180 days	**3,392**	2,799
	19,609	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.

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

24. Amounts Due to a Related Company/a Director

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

25. Secured Bank Borrowings

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

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

	2017	2016
Effective interest rates:		
Fixed-rate borrowings	**4.57%**	4.83% to 5.09%
Variable-rate borrowings	**4.41% to 6.37%**	4.41% to 6.37%

The Group's bank borrowings were denominated in RMB.

During the year ended 31 December 2017, the Group obtained new borrowings of approximately RMB64,350,000 (2016: RMB319,916,000). The proceeds were used to repay the existing bank borrowings, finance the Group's operation and the development of the hydropower plant of Bapu Stream. Details of the pledged assets are disclosed in Note 34.

26. Debentures

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

On 3 September 2014, the Company had issued HK$30,000,000 debentures at par value carrying a fixed coupon rate of 8% per annum with an initial maturity of 3 years. The purpose of the debentures is for the daily management and operation of the Group and future acquisition of appropriate hydropower projects when opportunity arises. On 1 September 2017, the maturity date of the debentures was extended for another 4 years until 3 September 2021 under the agreement between the Group and the debenture holders. Other terms remain unchanged.

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

27. Obligations Under Finance Leases

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

27. Obligations Under Finance Leases (continued)

In prior years, the Group entered into sales and leaseback arrangements. Pursuant to which certain of their property, plant and equipment for hydropower generation have been sold and have been leaseback with a lease term of 5 years. 10% of the lease proceed is regarded as secured deposit and will be refunded to the Group on the expiry of lease term. As at 31 December 2017, the security deposit has been discounted to its present value at approximately RMB6,143,000 (2016: RMB12,669,000) and included in other deposits and prepayments in note 20. The effective interest rate for the obligations under finance leases for the year ended 31 December 2017 is 8.15% (2016: 6.67% to 9.38%) per annum.

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

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 as disclosed in Note 34.

28. Share Capital

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
At 1 January 2016, ordinary shares of HK$0.005 each	4,000,000,000	20,000	
Share subdivision (note (ii))	12,000,000,000	–	
At 31 December 2016 and 2017, ordinary shares of HK$0.00125 each	16,000,000,000	20,000	
Issued and fully paid:			
At 1 January 2016, ordinary shares of HK$0.005 each	2,184,000,000	10,920	8,883
Issue of shares upon placing of shares (note (i))	100,000,000	500	420
Share subdivision (note (ii))	6,852,000,000	–	–
At 31 December 2016, 1 January 2017 and 31 December 2017, ordinary shares of HK$0.00125 each	9,136,000,000	11,420	9,303

Notes:

(i) *On 3 February 2016, the Company issued 100,000,000 new ordinary shares to an independent third party, Bright Century Resources Limited, at a price of HK$1.00 per share. The net proceeds raised from the subscription are approximately HK$99,932,000 (equivalent to approximately RMB83,949,000).*

(ii) *At the extraordinary general meeting held on 16 May 2016, an ordinary resolution was duly passed under which each issued and unissued ordinary shares of the Company of HK$0.005 each was subdivided into four ordinary shares of the Company of HK$0.00125 each (the "2016 Share Subdivision") with effect from 17 May 2016. Upon the effect of the 2016 Share Subdivision, the authorised share capital of the Company of HK$20,000,000 was divided into 16,000,000,000 shares of HK$0.00125 each.*

All the shares issued during the year ended 31 December 2016 rank pari passu in all respects with the existing shares.

29. Deferred Taxation

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

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**106**	103
Deferred tax liabilities	**(55,792)**	(53,781)
	(55,686)	(53,678)

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

	Timing difference on impairment of other receivables RMB'000	**Accelerated tax deprecation** RMB'000	**Fair value adjustment on property, plant and equipment** RMB'000	**Fair value adjustment on prepaid lease payments** RMB'000	**Fair value adjustment on intangible assets** RMB'000	**Total** RMB'000
At 1 January 2016	(199)	9,667	41,360	1,165	516	52,509
Charged (credited) to consolidated statement of profit or loss (Note 11)	–	3,572	(1,325)	(26)	(45)	2,176
Derecognised on disposal of a subsidiary	–	–	(904)	(103)	–	(1,007)
At 31 December 2016	(199)	13,239	39,131	1,036	471	53,678
Charged (credited) to consolidated statement of profit or loss (Note 11)	–	3,269	(1,225)	(24)	(12)	2,008
At 31 December 2017	(199)	16,508	37,906	1,012	459	55,686

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2017, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB271,564,000 (2016: RMB230,401,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2017, no deferred tax asset has been recognised on the tax losses of approximately RMB124,000 (2016: nil) due to the unpredictability of future profit streams. The unrecognised tax losses mentioned above will be expired within next five years.

30. Operating Leases

(a) Lease commitments as lessee

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

	2017 RMB'000	2016 RMB'000
Within one year	573	931
In the second to fifth year inclusive	–	517
	573	1,448

The leases typically run for a fixed initial period of one to three years during the year ended 31 December 2017 and 2016. Rental are fixed over the term of leases.

(b) Other commitments

At the end of the reporting period, the Group has commitments for future variable lease payments under non-cancellable operating leases for hydropower plants.

The leases run for an initial period of one to three years during the year ended 31 December 2017 and 2016. Lease payments may be changed to reflect market rate of the leases. Provision for contingent rent and terms of renewal was established in the leases.

31. Capital Commitments

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

32. Disposal of Subsidiaries

(a) Disposal of Prolific Sky Limited and its subsidiaries

In 2016, an aggregate of 100% shareholding of a direct wholly-owned subsidiary, Prolific Sky Limited and its subsidiaries ("Prolific Sky Group"), was sold at USD100 (equivalent to RMB661) to an independent third party, Cai Yun Investment Limited. The Prolific Sky Group was inactive since acquisition. The loss on disposal of subsidiaries recognised in profit or loss was 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.

32. Disposal of Subsidiaries (continued)

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

In December 2016, the Group entered into a sale and purchase 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:	
Cash consideration	5,000

Analysis of assets and liabilities over which control was lost:	**RMB'000**
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	**(24,977)**
Net assets disposed of	**7,558**
Loss on disposal of a subsidiary:	
Consideration received	**5,000**
Less: Net assets disposed of	**(7,558)**
Loss on disposal (included in other operating expenses)	**(2,558)**
Net cash inflow arising on disposal:	
Cash consideration	**5,000**
Less: bank balance and cash disposed of	**(911)**
	4,089

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.

33. Changes in Ownership Interests in Subsidiaries

During the year ended 31 December 2016, 49% equity interest of a wholly-owned subsidiary, Blooming Business Global Limited ("Blooming Business Global"), was disposed of at USD49 to an independent third party, Kang Jin Global Limited. After the completion of the disposal, Blooming Business Global, together with its directly wholly-owned inactive subsidiaries, Haitian Yuan Hui Investments (HK) Limited and 天海源匯投資諮詢（深圳）有限公司, were still recognised as the Company's subsidiaries due to the control over the board of Blooming Business Global was retained by the Group. Such disposal does not result in a loss of control.

The difference between the fair value of consideration received by the Group and the carrying amount of the interest disposal of approximately RMB300 is recognised by the Group as equity transaction reserve.

34. Pledge of Assets

At the end of the reporting period, the Group pledged the following assets to banks and certain lessors for borrowings and obligations under finance leases granted to the Group.

	2017 **RMB'000**	2016 RMB'000
Prepaid lease payments	**9,135**	9,358
Property, plant and equipment	**142,252**	280,952
	151,387	290,310

The carrying amounts of trade receivables of the Group in which the electricity tariff collection rights were pledged are as follows:

	2017 **RMB'000**	2016 RMB'000
Carrying amount of trade receivables pledged for finance leases	**1,928**	20
Carrying amount of trade receivables (intra-group balances before elimination) pledged for bank borrowings	**30,313**	43,480
	32,241	43,500

As at 31 December 2017, the entire equity interest of Fu'an Jiulong, indirect subsidiary of the Company, has been pledged to the lessor for securing obligations under finance leases.

As at 31 December 2016, the entire equity interests of Qianyuan Hydropower and Fu'an Jiulong, indirect subsidiaries of the Company, have been pledged to the lessor for securing obligations under finance leases.

34. Pledge of Assets (continued)

As at 31 December 2017 and 2016, two subsidiaries of the Company, Dachuan Hydropower and Fuan Liyuan Hydropower Co., Ltd.*, 福安市力源水電開發有限公司 ("Liyuan Hydropower") have provided corporate guarantees in relation to obligations under finance leases of the Group for a maximum amount of each RMB259,200,000 (2016: RMB259,200,000).

As at 31 December 2017 and 2016, the entire equity interest of Sifang Hydropower and 71% equity interest of Fuyuan Hydropower have been pledged to a bank for securing a bank borrowing with a principal of RMB300,000,000.

35. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in other payable) RMB'000	**Dividend payable** (included in other payable) RMB'000	**Secured bank borrowings** (Note 25) RMB'000	**Debentures** (Note 26) RMB'000	**Obligations under finance leases** (Note 27) RMB'000	**Total** RMB'000
At 1 January 2017	716	–	568,616	26,835	80,124	676,291
Financing cash flows						
Addition	–	–	64,350	–	–	64,350
Repayment	(39,317)	(11,800)	(70,986)	–	(44,045)	(166,148)
Non-cash changes						
Finance cost	38,584	–	–	–	–	38,584
Capitalisation in the cost of qualifying assets (Note 10)	779	–	–	–	–	779
Distribution declared	–	13,800	–	–	–	13,800
Settlement by deposit (Note 38)	–	–	–	–	(6,526)	(6,526)
Exchange realignment	–	–	–	(1,758)	–	(1,758)
At 31 December 2017	762	2,000	561,980	25,077	29,553	619,372

* *English name is for identification purpose only.*

36. Share-Based Payment Transactions

Equity-settled share option schemes of the Company

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

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

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

No share option has been granted since the Scheme has been adopted. As at 31 December 2017 and 2016, there are no outstanding share options issued under the Scheme.

37. Retirement Benefits Plans

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The PRC, other than Hong Kong

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The only obligation to the Group with respect to the retirement benefit scheme is to make the specific contributions.

The total costs charged to profit or loss of approximately RMB1,295,000 (2016: RMB1,351,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

38. Major Non-Cash Transaction

During the year ended 31 December 2017, the Group has settled part of the obligation under finance lease of approximately RMB6,526,000 (2016: nil) with other deposits paid in prior years.

39. Related Parties Transactions

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

	2017 **RMB'000**	2016 RMB'000
Amount due from a related company		
福建省海興能源集團有限公司 ("海興能源") (note)	**9**	10

Note:

Mr. Chen Congwen, a director of the Company has beneficial interest in this company. The amount is unsecured, non-interest bearing and repayable on demand. During the year ended 31 December 2017, the Group paid rental expenses of approximately RMB74,000 (2016: RMB74,000) to 海興能源 for leasing of the office premises.

(ii) In addition, the Group has acquired certain motor vehicles of approximately RMB1,594,000 and RMB160,000 from 海興能源 and 福建省海峽典當有限公司 respectively. Certain directors of the Company have beneficial interest in those companies.

(iii) The amount due to a related company as disclosed in Note 24 represented amount due to Haitian Mining Resources (HK) Limited in which Mr. Lin Yang, a director of the Company has beneficial interest. During the year ended 31 December 2016, the Group paid management fee of approximately RMB257,000 (2017: nil) to this related company for administrative and accounting services. The management fee charged was mutually agreed between both parties.

(iv) The amount due to a director as disclosed in note 24 represented amount due to Mr. Lin Tian Hai. In 2016, the Group entered into a new lease agreement with Mr. Lin Tian Hai, with a lease term of 3 years and a monthly rental of approximately RMB23,000 upon the expiry of the existing agreement. During the year ended 31 December 2017, the Group paid rental expenses of approximately RMB273,000 (2016: RMB273,000) and paid rental deposit of nil (2016: RMB20,000) to this related party for leasing of the office premises. On the other hand, in 2016, Mr. Lin Tian Hai paid the Group's expense on its behalf of approximately RMB221,000 (2017: nil).

39. Related Parties Transactions (continued)

(v) The Group sold carbon credits known as Certified Emission Reductions, generated from the electricity generation which had been registered as Clean Development Mechanism ("CDM") projects in February 2009. On 3 August 2011, National Development and Reform Commission ("NDRC") of the PRC and related PRC authorities promulgated the 2011 CDM Measures, which specified that any entity, which became a foreign-owned enterprise upon the change in shareholding subsequent to the approval by NDRC, will be disqualified automatically in the CDM project.

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

(vi) Under a deed of indemnity dated 19 June 2012, the controlling shareholder and ultimate holding company, Victor River Limited, had jointly and severally undertaken to provide indemnities on all penalties which would be incurred or suffered by the Group as a result of any non-compliance with PRC regulatory requirements in relation to the loans advancing to a related company on or before the listing of the shares of the Company on the Stock Exchange.

(vii) Pursuant to a deed of indemnity dated 16 December 2014, a substantial shareholder and a director of the Company, Mr. Lin Yang, has undertaken to provide indemnity of a maximum of approximately RMB8,649,000 which would be incurred or suffered by the Group as a result of any recourse action taken by the trade and other creditors.

(viii) Compensation of key management personnel

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

	2017 **RMB'000**	2016 RMB'000
Short-term benefits	**4,068**	3,064
Post-employment benefits	**183**	150
	4,251	3,214

The remuneration of directors and key management is determined by the remuneration committee having regards to the performance of individuals.

40. Statement of Financial Position of the Company

	2017 RMB'000	2016 RMB'000
Non-current asset		
Investments in subsidiaries	**74,102**	74,102
Current assets		
Other receivables	**215**	183
Amounts due from subsidiaries (note (i))	**233,822**	252,460
Bank balances and cash	**108**	5,484
	234,145	258,127
Current liabilities		
Other payables	**2,252**	1,768
Debentures	**–**	26,835
Amounts due to subsidiaries (note (i))	**56,204**	60,072
	58,456	88,675
Net current assets	**175,689**	169,452
Total assets less current liabilities	**249,791**	243,554
Capital and reserves		
Share capital	**9,303**	9,303
Reserves (note)	**215,411**	234,251
Total equity	**224,714**	243,554
Non-current liability		
Debentures	**25,077**	–
	249,791	243,554

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

Notes:

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

(ii) Movement in reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	139,325	18,622	(11,466)	146,481
Profit for the year and total comprehensive income for the year	–	–	4,241	4,241
Issue of shares upon placing of shares (Note 28(i))	83,586	–	–	83,586
Transaction costs attributable to issue of shares upon placing of shares	(57)	–	–	(57)
At 31 December 2016	222,854	18,622	(7,225)	234,251
Loss for the year and total comprehensive expense for the year	–	–	(18,840)	(18,840)
At 31 December 2017	222,854	18,622	(26,065)	215,411

41. Particulars of Principal Subsidiaries of the Company

(a) General information of subsidiaries

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

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2017		2016		
				Directly	Indirectly	Directly	Indirectly	
Haitian Hydropower (HK) Limited	Hong Kong	Ordinary	HK$100	–	**100%**	–	100%	Investment holding
Fujian Dachuan (note i)	The PRC	Registered capital	RMB45,000,000	–	**100%**	–	100%	Hydropower generation
Liyuan Hydropower (note i)	The PRC	Registered capital	RMB18,000,000	–	**100%**	–	100%	Hydropower generation
Qianyuan Hydropower (note i)	The PRC	Registered capital	RMB19,000,000	–	**100%**	–	100%	Hydropower generation
Fu'an Jiulong (note i)	The PRC	Registered capital	RMB6,120,000	–	**100%**	–	100%	Hydropower generation
Huajin Huifu (note i)	The PRC	Registered capital	RMB60,000,000	–	**100%**	–	100%	Investment holding

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

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Principal activities
				2017		2016		
				Directly	Indirectly	Directly	Indirectly	
Guangyuan Hydropower (note i)	The PRC	Registered capital	RMB500,000	–	**100%**	–	100%	Provision of power operation services
Fujian Sifang Hydropower Investment Co., Ltd.* 福建省四方水電投資有限公司 (note i)	The PRC	Registered capital	RMB80,000,000	–	**100%**	–	100%	Hydropower generation
Fuyuan Hydropower (note i)	The PRC	Registered capital	RMB64,200,000	–	**71%**	–	71%	Hydropower generation
Shouning County Xinyuan Hydropower Co., Ltd.* ("Xinyuan Hydropower") 壽寧縣新源水電有限公司 (note i)	The PRC	Registered capital	RMB22,000,000	–	**60%**	–	60%	Hydropower generation
Juyuan Hydropower (notes i and ii)	The PRC	Registered capital	RMB6,000,000	–	**38%**	–	38%	Hydropower generation
Shouning County Shengyuan Hydropower Co., Ltd.* 壽寧縣盛源水電投資有限公司 (note i)	The PRC	Registered capital	RMB26,800,000	–	**100%**	–	100%	Hydropower generation

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

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

(a) General information of subsidiaries (continued)

Notes:

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

ii *The Group has only 38% ownership in Juyuan Hydropower, the directors of the Company concluded that the Group has a control over Juyuan Hydropower as the Group has domination in the board of directors and management team of Juyuan Hydropower.*

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

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

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

Principal activities	Principal place of business	Notes	Number of subsidiaries 2017	2016
Investment holding	BVI	(a,b)	**6**	6
Investment holding	Hong Kong	(a,b)	**3**	3
Investment holding	PRC	(a,c)	**1**	1
Inactive	Hong Kong	(a,b)	**2**	2
Inactive	PRC	(a,b,c)	**5**	4
			17	16

Notes:

(a) *During the years ended 31 December 2016 and 2017, certain entities were incorporated in BVI, Hong Kong or PRC.*

(b) *During the year ended 31 December 2016, certain entities were disposed of in BVI, Hong Kong or PRC.*

(c) *The entities established in the PRC in 2016 and 2017 are wholly foreign-owned enterprises.*

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

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

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

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Fuyuan Hydropower	The PRC	**29%**	29%	**4,991**	8,668	**37,656**	38,465
Xinyuan Hydropower	The PRC	**40%**	40%	**2,379**	4,944	**16,143**	21,764

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

	2017	2016
	RMB'000	RMB'000
Fuyuan Hydropower		
Current assets	**38,529**	52,241
Non-current assets	**214,345**	220,960
Current liabilities	**(29,181)**	(31,549)
Non-current liabilities	**(96,603)**	(111,773)
Equity attributable to owners of Fuyuan Hydropower	**89,434**	91,414
Non-controlling interests	**37,656**	38,465

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

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

	2017 RMB'000	2016 RMB'000
Revenue	**42,517**	62,431
Expenses	**(25,306)**	(32,544)
Profit for the year	**17,211**	29,887
Profit for the year and total comprehensive income for the year attributable to owners of Fuyuan Hydropower	**12,220**	21,219
Profit for the year and total comprehensive income for the year attributable to the non-controlling interests	**4,991**	8,668
Profit for the year and total comprehensive income for the year	**17,211**	29,887
Dividends to non-controlling interests	**5,800**	1,450
Net cash inflow from operating activities	**23,672**	44,353
Net cash (outflow) inflow from investing activities	**(612)**	2
Net cash outflow from financing activities	**(22,113)**	(44,758)
Net cash inflow (outflow)	**947**	(403)

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

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

	2017 **RMB'000**	2016 RMB'000
Xinyuan Hydropower		
Current assets	**9,507**	36,366
Non-current assets	**38,154**	34,579
Current liabilities	**(5,196)**	(14,974)
Non-current liabilities	**(2,106)**	(1,560)
Equity attributable to owners of Xinyuan Hydropower	**24,216**	32,647
Non-controlling interests	**16,143**	21,764
Revenue	**17,405**	29,818
Expenses	**(11,457)**	(17,457)
Profit for the year	**5,948**	12,361

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

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

	2017 RMB'000	2016 RMB'000
Profit for the year and total comprehensive income for the year attributable to owners of Xinyuan Hydropower	**3,569**	7,417
Profit for the year and total comprehensive income for the year attributable to the non-controlling interests	**2,379**	4,944
Profit for the year and total comprehensive income for the year	**5,948**	12,361
Dividends paid to non-controlling interests	**8,000**	-
Net cash inflow from operating activities	**3,821**	13,204
Net cash (outflow) inflow from investing activities	**(65)**	3
Net cash outflow from financing activities	**(4,418)**	(15,014)
Net cash outflow	**(662)**	(1,807)

FINANCIAL SUMMARY

RESULTS	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**171,627**	236,761	206,653	64,539	30,164
Profit before tax	**53,828**	83,306	77,868	50,515	9,068
Income tax expense	**(20,214)**	(27,740)	(22,300)	(8,495)	(2,979)
Profit for the year and total comprehensive income for the year	**33,614**	55,566	55,568	42,020	6,089

ASSETS AND LIABILITIES	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**510,514**	547,660	288,646	174,509	64,771
Non-current assets	**720,984**	734,568	782,669	806,647	166,728
Total assets	**1,231,498**	1,282,228	1,071,315	981,156	231,499
Current liabilities	**135,095**	186,241	176,916	177,430	15,593
Non-current liabilities	**590,065**	609,463	545,940	596,628	93,500
Total liabilities	**725,160**	795,704	722,856	774,058	109,093
Net assets	**506,338**	486,524	348,459	207,098	122,406
Total equity	**506,338**	486,524	348,459	207,098	122,406