

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE

On 19 October 2018, Sifang Hydropower, an indirectly wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Ningde Tong Yuan to jointly establish Zherong Tong Yuan with a total registered capital of RMB150 million. According to the Joint Venture Agreement, Sifang Hydropower agreed to contribute RMB60 million in cash, accounting for 40% of the registered capital of the Zherong Tong Yuan. After the establishment of the Zherong Tong Yuan, it will become an associate of the Group.

As at the date of this announcement, Mr. Lin Yang is the ultimate beneficial owner of Victor River Limited which is the controlling shareholder of the Company and the chairman of the board of director of the Company, and Mr. Lin Yang, Mr. Chen Congwen and Mr. Lin Tian Hai are the executive Directors of the Company. Ningde Tong Yuan is ultimately owned and controlled by Mr. Xie who is the nephew of Mr. Lin Yang, the brother-in-law's nephew of Mr. Chen Congwen, and the cousin of Mr. Lin Tian Hai, and Ningde Tong Yuan and Mr. Xie are therefore deemed connected persons of the Company in accordance with the provisions under Chapter 14A of the Listing Rules, and the entering into of the Joint Venture Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the transaction under the Joint Venture Agreement is more than 0.1% but less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

INTRODUCTION

On 19 October 2018, Sifang Hydropower, an indirectly wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Ningde Tong Yuan to jointly establish Zherong Tong Yuan with a total registered capital of RMB150 million. After the establishment of the Zherong Tong Yuan, it will become an associate of the Company.

JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreements are summarized as follows:–

Date: 19 October 2018

Parties: (1) Sifang Hydropower; and
(2) Ningde Tong Yuan

Capital Contribution:	Parties	RMB <i>million</i>
	Sifang Hydropower	60
	Ningde Tong Yuan	90

Scope of business of the Joint Venture: Subject to approval by the relevant government authorities, the scope of business of the Joint Venture shall principally be, including but not limited to hydropower generation, supply of electricity, investment, construction and operation of power grid and provision of services related to energy science and technology researches.

Organisation and Management: The organ of authority of the Joint Venture shall be vested in its shareholders.

The Joint Venture will establish a board of directors, which will consist of 3 members, one of which is nominated by Sifang Hydropower and two by Ningde Tong Yuan. The board has one chairman which shall be the director to be nominated by Ningde Tong Yuan.

The Joint Venture will appoint a general manager who will be responsible under the board of directors of the Joint Venture and will assist in the management.

The Joint Venture has no supervisory board but will have 1 supervisor.

Transfer of interest and First Right of Refusal: Each of the Joint Venture's shareholders may transfer to any other Joint Venture's shareholder(s) all or any part of its capital commitment in the Joint Venture. If any of the Joint Venture's shareholder(s) wishes to transfer to any third party all or any part of its capital commitment in the Joint Venture, it shall obtain consent from majority of the other Joint Venture's shareholders in advance. The other Joint Venture's shareholders shall have the first right of refusal to any proposed transfer of equity interest in the Joint Venture by any Joint Venture's shareholder(s) on the same terms and conditions.

Shareholding Structure

The registered capital of the Joint Venture will be RMB150 million and the following table sets out the shareholding structure of the Joint Venture immediately after the completion of the Capital Contribution:

Shareholder	Immediately after Capital Contribution	
	Registered capital (RMB million)	Shareholding percentage
Sifang Hydropower	60	40%
Ningde Tong Yuan	90	60%
Total	<u>150</u>	<u>100%</u>

The Capital Contribution by Sifang Hydropower will be in cash which will be financed by the internal resources of the Group.

The Capital Contribution by Ningde Tong Yuan will be RMB4.3 million in fixed assets based on the book value and the remaining RMB85.7 million in cash. The fixed assets is a 110kV electricity transmission line with total length of 27.3km from Transformer Station of Fujian Zherong Electricity Supply Co., Ltd. (福建柘榮供電公司) to Zhejiang Taishun Yayang Transformer Station (浙江泰順雅陽變電站).

The Joint Venture after establishment will be a subsidiary of Ningde Tong Yuan and an associate of the Group.

The Capital Contribution amounts are determined after arm's length negotiation among the parties and with reference to the Joint Venture's capital requirements for its future business development and the registered capital of companies of similar size in the industry.

GENERAL INFORMATION AND RELATIONSHIP OF THE PARTIES

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. For more information on the Group, please visit its official website at www.haitian-energy.com (the information that appears in this website does not form part of this announcement).

Ningde Tong Yuan is a company established and subsisting under the laws of the PRC with limited liability and is principally engaged in power grid construction and trading of electricity in Fujian Province.

As at the date of this announcement, the ultimate beneficial owner of Ningde Tong Yuan is Mr. Xie who is the nephew of Mr. Lin Yang, the ultimate beneficial owner of Victor River Limited which is the controlling shareholder of the Company and Chairman of Board of Director of the Company. Mr. Xie is also the brother-in-law's nephew of Mr. Chen Congwen and the cousin of Mr. Lin Tian Hai, and Mr. Lin Yang, Mr. Chen Congwen and Mr. Lin Tian Hai are the executive Directors of the Company. Mr. Xie and Nigde Tong Yuan are therefore deemed connected persons of the Group.

REASONS FOR AND BENEFITS OF THE FORMATION OF JOINT VENTURE

The Group is principally engaged in the hydropower generation by self-owned and leased plants and sales of electricity is the major source of revenue of the Group. The continue development of electricity power grid would enlarge the electricity sales cover area and the revenue could be increased as the Group is able to sell the electricity to those state grid with higher on-grid tariff. The Group currently possesses two 110kV electricity transmission lines with 190 km and the Xiadongxi Hydropower Plant, Liuchai Hydropower Plant, Kengdou Hydropower Plant, Cheling-II Hydropower Plant, and Huangqiling-II Hydropower Plant sells the electricity to State Grid Zhejiang Wenzhou through that transmission lines.

Ningde Tong Yuan owns the 110kV electricity transmission line with total length of 27.3km from the Transformer Station of Fujian Zherong Electricity Supply Co., Ltd. (福建柘榮供電公司) to Zhejiang Taishun Yayang Transformer Station (浙江泰順雅陽變電站) (“Transmission Line”) and the Transmission Line will be injected to Zherong Tong Yuan as capital contribution by Ningde Tong Yuan. Zherong Tong Yuan will continue to construct two more transformer stations and three transmission lines to link up with the Group’s existing electricity power grid including Ma Tou Shan Hydropower Plant, Qianping Hydropower Plant, Jiulong Hydropower Plant, Fu’an Jiulong-I Hydropower Station and Fu’an Jiulong-II Hydropower Station, and the near hydropower plants which available for leasing. Upon completion of the construction, the electricity generated from the aforesaid hydropower plants could sell to State Grid Zhejiang Wenzhou at a higher on-grid tariff so as to increase the revenue of the Group.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Joint Venture Agreement are conducted on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ningde Tong Yuan and Mr. Xie are deemed connected persons of the Company in accordance with the provisions under Chapter 14A of the Listing Rules, and the entering into of the Joint Venture Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the transaction under the Joint Venture Agreement is more than 0.1% but less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders’ approval requirement.

The establishment of Zherong Tong Yuan was approved by the Board on 19 October 2018. Mr. Lin Yang, Mr. Chen Congwen and Mr. Lin Tian Hai have abstained from voting on the Board resolution approving the transaction. Save as mentioned above, none of the other Directors has material interest in the matter and hence no other Director has abstained from voting on such Board resolution.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“Mr. Xie”	Mr. Xie Dongyu who is the ultimate beneficial owner of Ningde Tong Yuan and the nephew of Mr. Lin Yang, the brother-in-law’s nephew of Mr. Chen Congwen, and the cousin of Mr. Lin Tian Hai
“Board”	the board of Directors of the Company
“Company”	Haitian Energy International Limited, an exempted company with limited liability incorporated in Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares is listed on the Hong Kong Stock Exchange (stock code 1659)
“connected person(s)”	Has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Joint Venture Agreement”	the Agreement dated 19 October 2018 entered into between Sifang Hydropower and Ningde Tong Yuan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningde Tong Yuan”	Fujian Ningde City Tong Yuan Electricity Technology Co., Ltd. (福建省寧德市通源電力科技有限公司)
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.00125 each in the share capital of the Company
“Sifang Hydropower”	Fujian Sifang Hydropower Investment Co., Ltd. (福建省四方水電投資有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zherong Tong Yuan” or “Joint Venture”	Zherong County Tong Yuan Electricity Technology Co., Ltd. (柘榮縣通源電力科技有限公司)
“State Grid Zhejiang Wenzhou”	State Grid Zhejiang Wenzhou Electricity Company (國網浙江省電力公司溫州供電公司)
“%”	Per cent.

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

Fujian Province, the PRC, 19 October 2018

At the date of this announcement, the Board comprises three executive Directors, namely Mr. Lin Yang, Mr. Chen Congwen and Mr. Lin Tian Hai; and three independent non-executive Directors, namely Mr. Cheng Chuhan, Mr. Chan Kam Fuk and Mr. Xie Zuomin.