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華潤電力控股有限公司

China Resources Power Holdings Company Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 836)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY OF OPERATING RESULTS

The board of directors (the “Board”) of China Resources Power Holdings Company Limited (the “Company”) announces the audited financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

For 2016, profit attributable to owners of the Company (“Net Profit”) amounted to approximately HK\$7,708 million, representing a decrease of HK\$2,317 million or 23.1% from a Net Profit of approximately HK\$10,025 million for 2015. Basic earnings per share for 2016 is HK\$1.62, representing a decrease of 22.9% from basic earnings per share of HK\$2.10 for 2015.

During the year, retirement of obsolete power assets as a result of technological advancements and impairment provisions on goodwill made for certain power projects due to their forthcoming shut-down or expiration of cooperation reduced the Net Profit of the Group by approximately HK\$334 million. Pursuant to the national policies, the Group plans to implement its shutdown plan of some of its coal mines gradually from 2017 to 2020. Losses from the shutdown of these coal assets, offset partly by the increase in fair value of certain coal assets and has been recorded in 2016, reduced the Net Profit of the Group by approximately HK\$748 million. For details, please refer to “Operating expenses” under the section headed “Operating results”.

The Board resolved to recommend a final dividend of HK\$0.75 per share for 2016. Including the interim dividend of HK\$0.125 per share paid in October 2016, total dividend paid and proposed for 2016 is HK\$0.875 per share.

	For the year ended	
	31 December	
	2016	2015
Turnover (<i>HK\$'000</i>)	66,212,590	71,435,875
Profit attributable to owners of the Company (<i>HK\$'000</i>)	7,708,373	10,025,241
Basic earnings per share (<i>HK\$</i>)	1.62	2.10
Dividend per share (<i>HK\$</i>)	0.875	0.85

As at 31 December 2016, equity attributable to owners of the Company and total assets of the Group amounted to HK\$69,021 million and HK\$200,111 million, respectively. Cash and cash equivalents of the Group amounted to HK\$4,347 million, with net debt to shareholders' equity ratio standing at approximately 124.6%.

	As at 31 December	
	2016	2015
Equity attributable to owners of the Company (<i>HK\$'000</i>)	69,020,906	70,917,575
Total assets (<i>HK\$'000</i>)	200,111,469	208,085,879
Cash and cash equivalents (<i>HK\$'000</i>)	4,347,022	7,273,945
Pledged and restricted bank deposits (<i>HK\$'000</i>)	1,092,114	723,404
Bank and other borrowings (<i>HK\$'000</i>)	91,463,402	88,517,336
Net debt to shareholders' equity (%)	124.6	113.5
EBITDA interest coverage (<i>times</i>) ⁽¹⁾	6.9	8.3

Details of the operating results are set out in the section headed "Operating Results" below.

Note:

- (1) Excluding non-cash income and expenses, being impairment losses, changes in the fair value of derivative financial instruments and exchange gains or losses.

BUSINESS REVIEW FOR 2016

The Group is engaged in the development, construction and operation of power plants, including large-scale efficient coal-fired generation units, wind farms, hydro-electric plants, gas-fired power plants and photovoltaic power projects as well as construction and operation of coal mines.

China's total power generation reached 6.0 trillion kWh in 2016, representing an increase of 5.2% compared with 2015. Thermal power generation amounted to 4.3 trillion kWh, representing an increase of 2.4% compared with 2015. Wind power generation amounted to 0.24 trillion kWh, representing an increase of 30.1% compared with 2015.

In 2016, due to the policy of reducing overcapacity in the coal industry, national restrictions on coal production and improvement in macro-economic growth, in particular the manufacturing sector, in the second half of 2016, supply in the domestic coal market was tight with coal prices rising sharply in the second half of 2016 but began to reverse somewhat after the government took measures towards the end of the year.

In 2016, as a result of the oversupply in thermal power generation capacity and rapid growth in hydropower generation, the average utilisation hours for thermal generation units in China decreased by 199 hours or 4.6% year on year to 4,165 hours. Most power plants of the Group are large-scale efficient generation units mainly located in regions with relatively strong demand for electricity which give us certain competitive advantages. The average full-load equivalent utilisation hours of the subsidiary coal-fired power plants under the Group which were operational for the full year of 2016 reached 4,922 hours, representing an increase of 0.3% compared to 4,906 hours for the full year of 2015, and exceeding the national average utilisation hours for thermal power plants by 757 hours.

In 2016, the average utilisation hours for wind power generation units in China was 1,742 hours. Wind farms of the Group are mainly located in regions with low curtailment including Eastern, Central and Southern China. The average full-load equivalent utilisation hours of our wind farms which were operational for the full year of 2016 reached 2,084 hours, exceeding the national average level for wind power generation units by 342 hours.

Growth of generating capacity

As at 31 December 2016, the Group's total attributable operational generation capacity increased to 36,184MW from 34,731MW as at the end of 2015.

As at 31 December 2016, attributable operational generation capacity of the Group's coal-fired power plants amounted to 31,066MW, accounting for 85.9% of the Group's total attributable operational generation capacity, representing a decrease of 0.8 percentage point compared to the end of 2015. Wind, gas-fired, hydro and photovoltaic capacity amounted to 4,632MW, 77MW, 280MW and 130MW, respectively, and together accounting for 14.1% of the Group's total attributable operational generation capacity, representing an increase of 0.8 percentage point compared to the end of 2015.

Gross and net generation volume

The total gross generation volume of the Group's consolidated operating power plants amounted to 160,571,282MWh in 2016, representing an increase of 6.1% from 151,278,105MWh in 2015.

The total net generation volume of the Group's consolidated operating power plants amounted to 151,589,740MWh in 2016, representing an increase of 6.1% from 142,906,824MWh in 2015.

For the 27 consolidated coal-fired power plants which were in commercial operation for the entire year of 2016 and 2015, both gross and net generation volumes increased by 0.3%. The average full-load equivalent utilisation hours of the 27 subsidiary coal-fired power plants in 2016 amounted to 4,922 hours, representing an increase of 0.3% from 4,906 hours in 2015.

In 2016, the total net generation volume of the Group's subsidiary power plants that participated in direct power supply amounted to 31,212,527MWh, and the average tariff of the direct power supply volumes compared with the average tariff of the power plants that participated in direct power supply was at a discount of approximately 11.0%. As the reform of the power industry advances, the Group accelerated collaboration with other business units of China Resources (Holdings) Company Limited ("CR Group"), our controlling shareholder. In 2016, the Group provided direct power supply for companies including but not limited to China Resources Cement Holdings Limited and China Resources Microelectronics Limited, and provided monthly centralized bidding agency services to electricity users in Guangdong Province. In 2016, the Group provided approximately 818,271 MWh of direct power supply to connected parties of CR Group, representing approximately 2.6% of its total direct power supply volume.

On-grid tariff adjustment

The on-grid tariffs of coal-fired power plants throughout the People's Republic of China ("PRC") was cut effective on 1 January 2016. The rate of adjustment in the regions in which the Group's coal-fired power plants operate varied from region to region ranging from RMB16.5/MWh to RMB46.5/MWh, among which, the arithmetic average on-grid tariff for the subsidiary coal-fired power plants decreased by RMB32.4/MWh, or approximately 7.7%, and is one of the reasons causing the decrease of the Group's coal-fired power plants' profitability.

Fuel costs

Average unit fuel cost for the Group's consolidated operating coal-fired power plants in 2016 was RMB156.18/MWh, representing a year-on-year increase of 6.8%. Average standard coal cost for the Group's consolidated operating coal-fired power plants in 2016 was RMB509.86/tonne, representing an increase of 7.8% from the previous year.

In 2016, the average net generation standard coal consumption rate of the Group's subsidiary coal-fired power plants was 305.00g/kWh, representing a decrease of 1.98g/kWh or 0.6% from 306.98g/kWh in 2015.

Environmental expenses

In 2016, the total amount of environmental expenses incurred by the Group's subsidiary coal-fired power plants was RMB95 million, representing a decrease of 21.3% compared to 2015, mainly because as at 31 December 2016, the installation of ultra-low emission facilities has been completed for 49 units in the subsidiary power plants with a total attributable operational generation capacity of 21,211MW, representing approximately 78% of the Group's subsidiary coal-fired attributable operational capacity.

Development of renewable energy projects

In 2016, the Group continued to increase its investment in renewable energy projects, including the development and construction of wind farms, photovoltaic power projects and hydro-electric projects. At the end of 2016, the Group's grid-connected wind power capacity reached 5,227MW (among which 4,632MW attributable capacity has completed trial runs and has commenced commercial operations), and wind power capacity under construction was 473MW; attributable operational photovoltaic generation capacity reached 130MW and photovoltaic capacity under construction was 20MW; attributable operational hydro-electric generation capacity reached 280MW and hydro-electric capacity under construction was 107MW.

Coal mine operations

In 2016, the subsidiary and associate coal mines of the Group produced a total of approximately 14.74 million tonnes of coal (aggregation of each mine's production volume), representing an increase of 6.0% from 2015, among which, 12.46 million and 2.28 million tonnes were produced by the subsidiary coal mines and associate coal mines, respectively.

Capital expenditure

In 2016, the total cash capital expenditure of the Group amounted to approximately HK\$16,900 million, among which, HK\$2,600 million was used in the upgrading of existing coal-fired units for ultra-low emission reduction, safety and energy saving and refinement of heat supply technology, approximately HK\$6,400 million was used in the construction of coal-fired units, approximately HK\$7,500 million was used in the construction of wind farms, photovoltaic power projects and hydro-electric projects, and approximately HK\$400 million was used in the upgrading and construction of coal mines.

PROSPECTS FOR 2017 AND THE FUTURE

The growth rate of power consumption is expected to remain stable year-on-year in 2017, with ample power supply to meet demand, and oversupply in certain regions.

Thermal coal supply tightened in the second half of 2016 due to the policy of reducing overcapacity and controlling production volume in the coal industry, as a result, market prices of thermal coal increased sharply. However, taking into account the general oversupply situation in the coal industry and a series of measures taken by the Chinese government to ensure stable supply of thermal coal, including releasing production volume from safe, efficient and advanced coal mines and speeding up the recovery of coal inventory in the supply chain, thermal coal prices in 2017 are expected to decrease as compared with the end of 2016 and are expected to remain stable.

In 2017, the Group will continue to implement lean management throughout its operational power plants, with which the Group aims to improve its operational efficiency, as well as improve and optimise various production and operation indicators. Meanwhile, the Group will further reduce emission and actively perform its social obligations in energy conservation and emission reduction. In 2017, the Group plans to upgrade 6 coal-fired generation units in its subsidiary power plants with total attributable operational generation capacity of 1,581MW with ultra-low emission facilities to further lower the emission of sulfur dioxide, nitrogen oxide and particulates.

In 2017, the Group has no additional coal-fired units to commission.

As at the end of 2016, our coal-fired power plants under construction include 2x660MW ultra-supercritical generation units in Wujianfang, Inner Mongolia, 70% owned by the Group and expected to commence operation in 2018; 2x1,000MW ultra-supercritical generation units in Caofeidian (Phase II), Hebei, 90% owned by the Group and expected to commence operation in 2018; and 2x660MW ultra-supercritical generation units in Jinzhou Project, 50% owned by the Group and expected to commence operation in 2019.

The Group is expected to commence construction of two heat and power cogeneration projects in 2017, including: 2x350MW units in Hebei Yundong, 95% owned by the Group and designed to supply heat to cater household demand in Cangzhou areas in Hebei Province. The units are required to commence heat supply during the winter season in 2018; and 2x350MW units in Shandong Dongming, 70% owned by the Group and designed to supply heat and steam to cater demand from petrochemical projects in Dongming areas in Shandong Province. The units are required to commence heat supply to petrochemical projects by March 2019.

The Group will continue to increase its investment in renewable energy projects, including the development and construction of wind farms, photovoltaic power projects and hydro-electric plants. The goal of the Group is to add 1,100MW to 1,500MW of renewable energy projects every year, including wind farms and photovoltaic power projects. To achieve this goal, the Group will be required to obtain approvals from the PRC government for projects which meet internal investment hurdle rates, have the right construction conditions and complete construction as scheduled, all of which are subject to certain external factors. The Group's target is to grow its renewables business, primarily in wind power, to 25% of its total attributable operational generation capacity by 2020.

With the advancement of reform in the Chinese power industry, the Group will actively monitor development opportunities arising from the gradual liberalization of the power retail business and new power distribution networks.

As at the date of this announcement, the estimated cash capital expenditure of the Group for 2017 is expected to be approximately HK\$15.6 billion, including approximately HK\$2.0 billion for technical upgrades for energy saving and efficiency improvement of existing operational coal-fired units, including the installation of ultra-low emission facilities; approximately HK\$5.0 billion for the construction of coal-fired units; and approximately HK\$8.6 billion for the construction of wind farms, photovoltaic power projects and hydro-electric plants. The Group will control the pace of capital expenditure based on macro-economic

conditions of China, in particular demand and supply of electricity, government policies for energy and related industries and the Group's strategies, and make prompt and necessary adjustment based on market conditions and general policies of the government.

According to the plan of the Group as at the date of this announcement, the attributable operational generation capacity at the end of 2017, 2018 and 2019 is expected to reach approximately 35,500MW, 40,500MW and 43,900MW, respectively. The above figures are estimates as at the reporting date and are subject to various external factors, including government approvals, projects meeting certain investment hurdle rates and construction progress. The Group will make prompt and necessary adjustment to its future pipeline growth plans including the construction schedule and type of generation units to be constructed according to the macro-economic conditions of China, in particular demand and supply of electricity, government policies for energy and related industries and strategic plans of the Group. Since the Group has a relatively mature and sizable operational scale, it is expected that the control of and adjustment to the timing of commissioning of a particular unit will not have a material negative impact on the general operations of the Group.

Unless there is a material change in the Group's business, results of operations and financial condition and subject to the approval by shareholders of the annual general meeting for the relevant financial year, the Company will maintain a stable dividend per share for the financial years 2016, 2017 and 2018. Total dividend paid and proposed in the financial year 2016 is HK\$0.875 per share.

OPERATING RESULTS

Our audited results of operations for the years ended 31 December 2016 and 2015 are as follows:

Consolidated Income Statement For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover	<u>66,212,590</u>	<u>71,435,875</u>
Operating expenses		
Fuels	(27,199,184)	(25,954,316)
Repairs and maintenance	(2,142,577)	(1,982,380)
Depreciation and amortisation	(9,882,488)	(9,787,203)
Employee benefit expenses	(5,530,489)	(5,250,986)
Consumables	(920,790)	(992,543)
Impairment charges	(1,282,288)	(4,372,893)
Tax and surcharge	(1,124,157)	(1,297,822)
Others	<u>(3,734,114)</u>	<u>(3,734,350)</u>
Total operating expenses	<u>(51,816,087)</u>	<u>(53,372,493)</u>
Other income	1,923,016	2,088,708
Other gains/(losses) — net	<u>35,262</u>	<u>(143,988)</u>
Operating profit	16,354,781	20,008,102
Finance costs	(3,557,220)	(3,216,382)
Share of results of associates	288,995	(717,586)
Share of results of joint ventures	<u>(44,968)</u>	<u>247,113</u>
Profit before income tax	13,041,588	16,321,247
Income tax expense	<u>(4,398,440)</u>	<u>(5,808,868)</u>
Profit for the year	<u>8,643,148</u>	<u>10,512,379</u>
Profit for the year attributable to:		
Owners of the Company	7,708,373	10,025,241
Non-controlling interests		
— Perpetual capital securities	150,164	421,534
— Others	<u>784,611</u>	<u>65,604</u>
	<u>934,775</u>	<u>487,138</u>
	<u>8,643,148</u>	<u>10,512,379</u>
Earnings per share attributable to owners of the Company during the year		
— Basic	HK\$1.62	HK\$2.10
— Diluted	<u>HK\$1.61</u>	<u>HK\$2.10</u>

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>8,643,148</u>	<u>10,512,379</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(5,326,643)	(6,221,279)
Share of other comprehensive income of investments accounted for using the equity method	(203,312)	(228,479)
Release to profit or loss in relation to disposal of associates	—	(100,441)
Release to profit or loss in relation to disposal of a subsidiary	—	(349,149)
Fair value changes on cash flow hedges, net of tax	44,123	59,313
Changes in fair value of available-for-sale investments, net of tax	<u>22,543</u>	<u>(175,979)</u>
Total items that may be reclassified subsequently to profit or loss, net of tax	<u>(5,463,289)</u>	<u>(7,016,014)</u>
Total comprehensive income for the year, net of tax	<u>3,179,859</u>	<u>3,496,365</u>
Attributable to:		
Owners of the Company	2,327,122	3,668,030
Non-controlling interests		
— Perpetual capital securities	150,164	421,534
— Others	<u>702,573</u>	<u>(593,199)</u>
	<u>852,737</u>	<u>(171,665)</u>
Total comprehensive income for the year	<u>3,179,859</u>	<u>3,496,365</u>

Consolidated Balance Sheet
As at 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	138,275,197	142,845,210
Prepaid lease payments	3,344,692	3,344,056
Mining rights	14,902,898	15,815,897
Exploration and resources rights	151,677	161,947
Prepayment for non-current assets	2,784,169	2,789,219
Investments in associates	8,459,278	9,484,351
Loans to an associate	508,923	—
Investments in joint ventures	3,610,368	3,694,388
Goodwill	1,567,684	1,760,924
Deferred income tax assets	725,131	556,150
Available-for-sale investments	1,471,665	1,497,284
Loans to an available-for-sale investee company	424,099	303,214
	<u>176,225,781</u>	<u>182,252,640</u>
Current assets		
Inventories	3,124,403	2,306,640
Trade receivables, other receivables and prepayments	14,765,870	14,587,390
Loans to an associate	21,911	23,395
Loans to joint ventures	192,535	170,528
Loans to an available-for-sale investee company	—	89,673
Loans to non-controlling shareholders of subsidiaries	32,979	16,114
Amounts due from associates	162,862	465,471
Amounts due from joint ventures	143,821	137,249
Amounts due from other related companies	2,171	39,430
Pledged and restricted bank deposits	1,092,114	723,404
Cash and cash equivalents	4,347,022	7,273,945
	<u>23,885,688</u>	<u>25,833,239</u>
Total assets	<u><u>200,111,469</u></u>	<u><u>208,085,879</u></u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	22,257,732	22,252,458
Other reserves	6,746,795	10,408,713
Retained earnings	<u>40,016,379</u>	<u>38,256,404</u>
	<u>69,020,906</u>	<u>70,917,575</u>
Non-controlling interests		
— Perpetual capital securities	—	5,897,219
— Others	<u>5,543,957</u>	<u>6,924,549</u>
	<u>5,543,957</u>	<u>12,821,768</u>
Total equity	<u><u>74,564,863</u></u>	<u><u>83,739,343</u></u>
LIABILITIES		
Non-current liabilities		
Borrowings	70,166,815	61,113,715
Deferred income tax liabilities	2,590,741	2,459,682
Deferred income	955,922	958,222
Retirement and other long-term employee benefits obligations	<u>171,642</u>	<u>149,764</u>
	<u>73,885,120</u>	<u>64,681,383</u>
Current liabilities		
Trade payables, other payables and accruals	28,337,920	28,622,007
Amounts due to associates	253,426	796,493
Amounts due to joint ventures	653,476	908,628
Amounts due to other related companies	544,165	577,667
Current income tax liabilities	575,912	1,330,166
Borrowings	21,296,587	27,403,621
Derivative financial instruments	<u>—</u>	<u>26,571</u>
	<u>51,661,486</u>	<u>59,665,153</u>
Total liabilities	<u><u>125,546,606</u></u>	<u><u>124,346,536</u></u>
Total equity and liabilities	<u><u>200,111,469</u></u>	<u><u>208,085,879</u></u>

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	13,041,588	16,321,247
Adjustments for:		
Depreciation for property, plant and equipment	9,428,679	9,364,433
Amortisation of mining rights	360,138	342,868
Amortisation of prepaid lease payments	93,671	79,902
Impairment charges on property, plant and equipment	1,000,347	2,409,462
(Reversal)/provision of impairment charges on prepaid lease payments	(3,071)	9,396
Impairment charges on mining rights	119,687	1,219,930
Impairment charges on goodwill	136,370	425,728
Impairment charges on inventories	19,670	32,982
Provision for impairment of doubtful accounts	9,285	275,395
Exchange (gains)/losses	(219,397)	630,030
Interest expense	3,557,220	3,216,382
Interest income	(279,427)	(300,445)
Fair value changes on derivative financial instruments	17,552	145,458
Share of results of associates	(288,995)	717,586
Share of results of joint ventures	44,968	(247,113)
Dividends received from available-for-sale investments	(78,778)	(187,899)
Net losses on disposal of property, plant and equipment	447,066	7,696
Net (gains)/losses on disposal of prepaid lease payments	(4,760)	728
Net gains on disposal of a subsidiary	(26,121)	(550,731)
Net gains on disposal of other equity investments	(203,556)	(41,258)
Changes in working capital:		
(Increase)/decrease in inventories	(1,005,845)	731,820
(Increase)/decrease in trade receivables, other receivables and prepayments	(1,117,764)	3,927,353
Increase in trade payables, other payables and accruals	2,447,716	54,851
Increase/(decrease) in retirement and other long-term employee benefits obligations	21,878	(641,460)
Income tax paid	<u>(5,223,601)</u>	<u>(5,955,463)</u>
CASH INFLOWS FROM OPERATING ACTIVITIES - NET	<u>22,294,520</u>	<u>31,988,878</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from associates	1,633,123	1,300,457
Dividend received from joint ventures	27,889	409,192
Dividend received from available-for-sale investments	75,327	520,980
Interest received	90,937	247,284
(Increase)/decrease of pledged and restricted bank deposits	(368,710)	49,029
Acquisition of property, plant and equipment, prepaid lease payments, mining rights and exploration and resources rights	(16,319,256)	(16,811,289)
Proceeds from disposal of property, plant and equipment	145,121	92,235
Proceeds from disposal of prepaid lease payments	6,840	—
Proceeds from disposal of a subsidiary	34,274	904,548
Proceeds from disposal of other equity investments	200,409	1,173,955
Loans to associates	(609,619)	(1,242,161)
Loans repaid by a joint venture	37,566	—
Loans to an available-for-sale investee company	(74,016)	(132,124)
Loans repaid by other related parties	34,485	—
Capital contributions into available-for-sale investments	(30,160)	(152,409)
Capital contributions into associates	(96,699)	(20,263)
Proceeds from repayment of capital contributions for an available-for-sale investment	42,378	—
Capital contributions into joint ventures	(146,868)	(118,200)
Cash outflows on acquisition of interests in a joint venture	(50,254)	—
Government grants related to assets	<u>99,029</u>	<u>116,684</u>
CASH OUTFLOWS FROM INVESTING ACTIVITIES - NET	<u>(15,268,204)</u>	<u>(13,662,082)</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	37,360,832	37,680,307
Proceeds from issuance of corporate bonds	9,379,850	—
Repayment of bank and other borrowings	(39,326,437)	(39,142,633)
Repayment of bonds	—	(7,079,475)
Redemption of perpetual capital securities	(5,835,750)	—
Coupon payment on perpetual capital securities	(210,915)	(421,421)
Proceeds from issuance of shares for exercised options	3,454	20,230
Proceeds from sale of shares held for share award scheme	—	24,347
Capital contributions to acquisition of additional interest in a subsidiary	(188,087)	—
Proceeds from disposal of interests in a subsidiary without loss of control	—	389,555
Capital contributions from non-controlling interests	404,851	31,792
Advances from associates	—	170,314
Repayment of advances to associates	(492,095)	(349,627)
Repayment of advances to joint ventures	(225,291)	(20,289)
(Repayment of advances to)/advances from other related companies	(37,153)	2,793
Repayment of advances to an intermediate holding company	(132)	—
Advances from non-controlling interests of subsidiaries	19,520	109,301
Interests paid	(3,923,506)	(4,256,227)
Dividends paid to owners of the Company	(4,175,587)	(3,689,874)
Dividends paid to non-controlling interests of the subsidiaries	<u>(2,333,321)</u>	<u>(2,340,444)</u>
CASH OUTFLOWS FROM FINANCING ACTIVITIES - NET	<u>(9,579,767)</u>	<u>(18,871,351)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,553,451)	(544,555)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,273,945	8,285,135
EXCHANGE LOSSES	<u>(373,472)</u>	<u>(466,635)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>4,347,022</u></u>	<u><u>7,273,945</u></u>

Overview

Net Profit for 2016 amounted to approximately HK\$7,708 million, representing a decrease of approximately 23.1% as compared with 2015.

Basis of preparation of financial statements and principal accounting policies

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments which are carried at fair value.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622, the Laws of Hong Kong).

As at 31 December 2016, the Group had net current liabilities of approximately HK\$27,776 million. The Board is of the opinion that, taking into account the banking facilities undrawn by the Group as well as the current operation conditions of the Group, the Group has sufficient working capital to enable it to meet in full its financial obligations as they fall due for at least the following twelve months from the balance sheet date. Therefore, these financial statements have been prepared on a going concern basis.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- HKFRS 14 “Regulatory deferral accounts”
- Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operations”
- Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”

- Amendments to HKAS 16 and HKAS 41 “Agriculture: bearer plants”
- Amendment to HKAS 27 “Equity method in separate financial statements”
- Annual improvements 2014
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 “Investment entities: applying the consolidation exception”
- Amendments to HKAS 1 “Disclosure initiative”

The adoption of these amendments to standards did not have any material impact on the Group.

(ii) New and amended standards, not yet adopted by the Group

The following new and amended standards have been issued but are not effective for the financial year beginning after 1 January 2016 and have not been early adopted by the Group:

- Amendments to HKFRS 10 and HKAS 28 on “Sale or contribution of assets between an investor and its associate or joint venture”
- Amendments to HKAS 12 “Income taxes”
- Amendments to HKAS 7 “Statement of cash flows”
- HKFRS 9 “Financial instruments”
- HKFRS15 “Revenue from contracts with customers”
- HKFRS 16 “Leases”

Management is in the process of making an assessment of the impact of the above new and amended standards. Management is not yet in a position to state what impact they would have, if any, on the Group’s results of operations and financial positions.

TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue received and receivable arising on sales of electricity, heat generated by thermal power plants and sales of coal, net of value-added tax, during the year.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of electricity	59,484,597	64,961,164
Of which: Sales of power generated from thermal power plants	53,449,457	59,625,645
Sales of power generated from renewable energy	6,035,140	5,335,519
Heat supply	3,128,114	3,182,704
Sales of coal	<u>3,599,879</u>	<u>3,292,007</u>
	<u>66,212,590</u>	<u>71,435,875</u>

The Group's turnover for 2016 was HK\$66,213 million, representing a 7.3% decrease from HK\$71,436 million in 2015, mainly attributable to two rounds of on-grid tariff cuts for coal-fired power plants in the first half of 2015 and at the beginning of 2016, respectively. In addition, as the Group's revenue was substantially denominated in Renminbi ("RMB"), and with the depreciation of RMB against the Hong Kong dollar ("HKD"), the value of turnover presented in HKD recorded a year-on-year decrease. However, the above factors were partially offset by a year-on-year increase of 6.1% in total net generation volume of the consolidated operating power plants.

The Group is currently engaged in three main business areas - thermal power (inclusive of coal-fired and gas-fired power plants), renewable energy (inclusive of wind farms, hydro-electric and photovoltaic power projects) and coal mining.

SEGMENT REVENUE AND RESULTS

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

For the year ended 31 December 2016

	Thermal power <i>HK\$'000</i>	Renewable energy <i>HK\$'000</i>	Coal mining <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales	56,577,571	6,035,140	3,599,879	—	66,212,590
Inter-segment sales	<u>—</u>	<u>—</u>	<u>99,232</u>	<u>(99,232)</u>	<u>—</u>
Total	<u>56,577,571</u>	<u>6,035,140</u>	<u>3,699,111</u>	<u>(99,232)</u>	<u>66,212,590</u>
Segment profit/(loss)	<u>13,835,139</u>	<u>3,010,846</u>	<u>(320,448)</u>	<u>—</u>	<u>16,525,537</u>
Unallocated corporate expenses					(960,483)
Interest income					279,427
Fair value changes on derivative financial instruments					(17,552)
Gains on disposal of a subsidiary					26,121
Gains on disposal of other equity investments, net					203,556
Finance costs					(3,557,220)
Share of results of associates					288,995
Share of results of joint ventures					(44,968)
Dividend income from available-for-sale investments					78,778
Exchange gains					<u>219,397</u>
Profit before income tax					<u>13,041,588</u>

For the year ended 31 December 2015

	Thermal power	Renewable energy	Coal mining	Eliminations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue					
External sales	62,808,349	5,335,519	3,292,007	—	71,435,875
Inter-segment sales	<u>—</u>	<u>—</u>	<u>224,870</u>	<u>(224,870)</u>	<u>—</u>
Total	<u>62,808,349</u>	<u>5,335,519</u>	<u>3,516,877</u>	<u>(224,870)</u>	<u>71,435,875</u>
Segment profit/(loss)	<u>21,901,302</u>	<u>2,671,712</u>	<u>(4,097,682)</u>	<u>—</u>	<u>20,475,332</u>
Unallocated corporate expenses					(772,075)
Interest income					300,445
Fair value changes on derivative financial instruments					(145,458)
Gains on disposal of a subsidiary					550,731
Gains on disposal of other equity investments, net					41,258
Finance costs					(3,216,382)
Share of results of associates					(717,586)
Share of results of joint ventures					247,113
Dividend income from available-for-sale investments					187,899
Exchange losses					<u>(630,030)</u>
Profit before income tax					<u>16,321,247</u>

Inter-segment sales are charged at prevailing market rates.

Geographical information

Substantially all of the Group's non-current assets are located in the PRC, and operations for the year were substantially carried out in the PRC.

Operating expenses

Operating expenses mainly comprise fuels, repairs and maintenance, depreciation and amortisation, employee benefit expenses, consumables, tax and surcharge, impairment charges, and other operating expenses. Other operating expenses include water charges, safety production expenses of coal, office rent, production maintenance fees, utility expenses and other management expenses. Operating expenses in 2016 amounted to HK\$51,816 million, representing a decrease of 2.9% from HK\$53,372 million in 2015.

Fuels for 2016 amounted to approximately HK\$27,199 million, representing an increase of HK\$1,245 million or 4.8% from HK\$25,954 million for 2015, which was mainly due to a 5.1% increase in sales volume of electricity and a 6.8% increase in the average unit fuel cost for the consolidated coal-fired power plants of the Group in 2016 on a year-on-year basis.

In 2016, repairs and maintenance costs increased by approximately HK\$160 million or 8.1% to approximately HK\$2,143 million, which was mainly attributable to the fact that the repairs and maintenance costs in 2016 for the five coal-fired generation units newly commissioned in the first half of 2015 increased over last year, and the number of units which undertook repair and maintenance in 2016 increased as compared with that in 2015.

In 2016, depreciation and amortisation expenses increased by approximately HK\$95 million or 1.0 % to HK\$9,882 million, mainly due to the new commissioning of coal-fired generation units and wind and photovoltaic power projects.

Employee benefit expenses increased by approximately HK\$279 million or 5.3% to HK\$5,530 million from approximately HK\$5,251 million in 2015, mainly due to the new commissioning of coal-fired generation units and wind and photovoltaic power projects.

Tax and surcharge decreased by HK\$174 million or 13.4% from HK\$1,298 million in 2015 to HK\$1,124 million, mainly because interest income from inter-company loans and other taxable items have applied value added tax rates instead of business tax rates effective from 1 May 2016.

Impairment losses decreased by 70.7% from approximately HK\$4,373 million in 2015 to approximately HK\$1,282 million in 2016, mainly including: (1) impairment provisions of approximately HK\$269 million made for certain obsolete power assets, including shutting down of small-scale generation units and obsolete environmental protection, safety and energy saving equipment; (2) write-off of goodwill for a few acquired projects, including HK\$116 million for Xingning Power Plant and approximately HK\$20 million for Dannan Wind Farm in Shantou; (3) provisions for impairment of inventories and trade receivables of certain projects amounting to HK\$29 million in aggregate; and (4) a number of subsidiary coal mines have been scheduled to shut down over the period of 2017 to 2020 based on government policies. Impairment was made for the mining assets to be shut down, however this was partially offset by the increase in fair value of certain operational coal mines or mines that are expected to commence production due to the improvement in their operational conditions. The net impairment of the coal mines amounted to approximately HK\$848 million. Based on the Group's stakes in the power and coal assets stated above, share of total impairment losses recognised in the Group's Net Profit amounted to approximately HK\$1,082 million.

Other operating expenses for 2016 amounted to approximately HK\$3,734 million, in line with 2015. Other operating expenses mainly included other production costs for coal operations such as safety production fees and production maintenance fees in an aggregated amount of approximately HK\$481 million; other production costs for power operations such as discharge fees, utility expenses and water charges in an aggregated amount of approximately HK\$1,757 million; and management fees such as office rent, building management fees, professional fees, transportation costs and other administrative fees in an aggregated amount of approximately HK\$1,496 million.

Other income and other gains - net

In 2016, other income amounted to approximately HK\$1,923 million, representing a decrease of 7.9% as compared with approximately HK\$2,089 million in 2015, mainly attributable to a reduction in income from sales of scrap materials as a result of a decrease in the market price of the by-products such as fly ash and a reduction in dividend income. Other income for the year mainly included sale of scrap materials of approximately HK\$490 million, government grant and subsidies of approximately HK\$593 million, interest income of approximately HK\$279 million, service income from heat connection contracts of approximately HK\$225 million and dividend income of approximately HK\$79 million.

Other gains - net were approximately HK\$35 million, including loss on disposal of property, plant and equipment of HK\$447 million, gains on disposal of subsidiary and other equity investments of HK\$230 million, exchange gains of HK\$219 million and insurance indemnity income of HK\$26 million.

Operating profit

Operating profit represents profit from subsidiaries before deduction of finance costs, income tax expense and non-controlling interests. Operating profit amounted to approximately HK\$16,355 million for 2016, representing a decrease of 18.3% from HK\$20,008 million for 2015. Besides the influence of exchange rate fluctuations, the decrease was mainly due to (1) two rounds of on-grid tariff cuts for coal-fired power plants in the first half of 2015 and the beginning of 2016, respectively; and (2) increase in unit fuel cost of subsidiary coal-fired power plants, partially offset by (1) increase in profit contribution from coal operations due to increase in volume and price of coal sales; (2) decrease in impairment charges; and (3) profit contribution from newly commissioned units.

Finance costs

Finance costs amounted to approximately HK\$3,557 million in 2016, representing an increase of HK\$341 million or 10.6% from HK\$3,216 million in 2015, mainly due to (1) capitalised interests decreased by HK\$480 million over the last year; (2) finance costs increased by HK\$172 million due to non-deductible input value-added tax of interest expenses from internal borrowing after implementing the value-added tax reform. In 2016, average cost of bank and other borrowings was approximately 4.42%, representing an increase of approximately 0.13 percentage point from 4.29% in 2015, mainly due to the above value-added tax reform.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank and other borrowings	3,283,822	3,293,250
Interests on corporate bonds	648,152	668,629
Others	<u>86,806</u>	<u>195,823</u>
	4,018,780	4,157,702
Less: Interests capitalised in property, plant and equipment	<u>(461,560)</u>	<u>(941,320)</u>
	<u><u>3,557,220</u></u>	<u><u>3,216,382</u></u>

Share of results of associates

Share of results of associates in 2016 amounted to HK\$289 million, compared to a loss of HK\$718 million in 2015, mainly due to a decrease in provision for impairment losses on the associate coal mines in 2016, however profitability of associate coal-fired power plants decreased due to a reduction in tariff and an increase in coal prices.

Share of results of joint ventures

Share of results of joint ventures recorded a loss of approximately HK\$44.97 million in 2016, compared to a profit of HK\$247 million in 2015. The decrease was mainly attributable to (1) the reduction in profit of Hezhou Power Plant in Guangxi due to the decrease in tariff and the increase in coal prices; and (2) Jinzhou Power Plant incurred losses in 2016 and it became a joint venture after disposal of 50% of its equity interest in September 2015.

Fair value change on derivative financial instruments

The Group used derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate on bank borrowings. At the inception of the hedging relationship, the Group documented the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documented whether the hedging instrument used in a hedging relationship was highly effective in offsetting changes in cash flows of the hedged item.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion and changes in fair value of some swaps that do not qualify for hedge accounting are recognised immediately in profit and loss. Loss on fair value change on derivative financial instruments in 2016 amounted to HK\$17.55 million.

Income tax expense

Income tax expense for 2016 amounted to approximately HK\$4,398 million, representing a decrease of HK\$1,411 million or 24.3% from HK\$5,809 million in 2015. In 2016, the decrease in PRC enterprise income tax was mainly due to a decline in profit of subsidiary coal-fired power plants.

Details of the income tax expense for the years ended 31 December 2016 and 2015 are set out below:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax — PRC enterprise income tax	4,464,475	5,886,574
Deferred income tax	<u>(66,035)</u>	<u>(77,706)</u>
	<u>4,398,440</u>	<u>5,808,868</u>

No provision for Hong Kong profits tax has been made as the Group had no taxable profit or incurred tax losses in Hong Kong for both years.

The PRC enterprise income tax has been calculated based on the estimated assessable profits in accordance with the relevant tax rates applicable to the subsidiaries in the PRC.

Operating profit for the year

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit for the year has been arrived at after charging:		
Directors' remuneration		
— Fees	1,335	1,451
— Salaries and bonus	18,738	12,020
— Pension costs	488	437
	<u>20,561</u>	<u>13,908</u>
Wages, salaries and bonus	4,489,471	4,340,521
Pension costs, excluding directors — retirement benefit schemes	685,263	757,686
Employees termination benefits	<u>335,194</u>	<u>138,871</u>
Total staff costs	<u>5,530,489</u>	<u>5,250,986</u>
Amortisation of prepaid lease payments	93,671	79,902
Amortisation of mining rights	360,138	342,868
Auditor's remuneration	10,872	10,742
Cost of inventories recognised as operating expenses	28,139,644	26,979,841
Depreciation of property, plant and equipment	9,428,679	9,364,433
Impairment loss on property, plant and equipment	1,000,347	2,409,462
(Reversal)/provision of investment charges on prepaid lease payments	(3,071)	9,396
Impairment loss on mining rights	119,687	1,219,930
Impairment loss on goodwill	136,370	425,728
Impairment loss on inventories	19,670	32,982
Provision for doubtful accounts	9,285	275,395
Minimum lease payments under operating leases in respect of:		
— land and buildings	93,817	81,043
Fair value changes on derivative financial instruments (included in other gains/(losses))	<u>17,552</u>	<u>145,458</u>

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
and after crediting:		
Dividend income from available-for-sale investments	78,778	187,899
Government grant	592,838	389,954
Interest income	279,427	300,445
Sales of scrap materials	489,930	673,898
Service income from heat connection contracts	225,347	242,536
Net exchange gains/(losses) (included in other gains/(losses))	219,397	(630,030)
Net gains on disposal of a subsidiary (included in other gains/(losses))	26,121	550,731
Net gains on disposal of other equity investment (included in other gains/(losses))	203,556	41,258
Net losses on disposal of property, plant and equipment (included in other gains/(losses))	(447,066)	(7,696)
Net gains/(losses) on disposal of prepaid lease payments (included in other gains/(losses))	<u>4,760</u>	<u>(728)</u>
Expenses capitalised in construction in progress:		
Other staff costs	463,910	667,337
Pension costs	28,827	16,300
Depreciation and amortisation	<u>51,419</u>	<u>78,819</u>

Profit for the year attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company decreased from approximately HK\$10,025 million in 2015 to approximately HK\$7,708 million in 2016, representing a 23.1% decrease year-on-year.

Earnings per share

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>7,708,373</u>	<u>10,025,241</u>
	Number of ordinary shares	
	2016	2015
Weighted average number of ordinary shares excluding own shares held for incentive plan for the purpose of basic earnings per share	4,772,621,357	4,765,465,708
Effect of dilutive potential ordinary shares: — share options	<u>1,008,196</u>	<u>6,333,828</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,773,629,553</u>	<u>4,771,799,536</u>
	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Basic earnings per share	<u>1.62</u>	<u>2.10</u>
Diluted earnings per share	<u>1.61</u>	<u>2.10</u>

Final dividend and closure of register of members

The Board resolved to recommend a final dividend of HK\$0.75 per share for 2016 (2015: HK\$0.75 per share).

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 Interim, paid — HK\$0.125 per share (2015: HK\$0.10 per share)	597,500	476,371
2015 Final, paid — HK\$0.75 per share (2014: HK\$0.70 per share)	<u>3,578,474</u>	<u>3,334,147</u>
	<u>4,175,974</u>	<u>3,810,518</u>

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 8 June 2017 (the “AGM”), the proposed final dividend will be distributed on or about Friday, 30 June 2017 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 22 June 2017.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017 (both days inclusive), during which no share transfer will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 2 June 2017.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2016, the register of members of the Company will be closed on Thursday, 22 June 2017 and no share transfer will be registered on that day. To qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 21 June 2017.

Capital structure management

The Group and the Company manage capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remain unchanged from prior years.

The capital structure of the Group consists of net debts, which includes long-term and short-term bank borrowings, corporate bonds, cash and cash equivalents, pledged and restricted bank deposits and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Board has reviewed the capital structure on a periodic basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on the resolution of the Board, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the repayment of existing debts.

Liquidity and financial resources, borrowings, and charge of assets

The Group had net current liabilities of approximately HK\$27,776 million as at 31 December 2016. The Directors are of the opinion that, taking into account the presently undrawn banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements for at least the next twelve months commencing from the date of the financial statements.

The cash and cash equivalents as at 31 December 2016 denominated in HKD, RMB and other foreign currencies amounted to approximately HK\$290 million, RMB3,614 million and US\$6 million.

The bank and other borrowings of the Group as at 31 December 2016 and 2015 were as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	3,743,443	6,420,911
Unsecured bank loans	69,514,469	72,207,200
Corporate bonds	<u>18,205,490</u>	<u>9,889,225</u>
	<u>91,463,402</u>	<u>88,517,336</u>

The maturity profile of the above bank and other borrowings is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	21,296,587	27,403,621
Between 1 and 2 years	10,675,634	6,982,328
Between 2 and 5 years	39,598,307	39,098,179
Over 5 years	<u>19,892,874</u>	<u>15,033,208</u>
	<u>91,463,402</u>	<u>88,517,336</u>

The above secured bank and other borrowings are secured by:

Pledge of assets (<i>note</i>)	<u>3,042,672</u>	<u>5,367,363</u>
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Note: Certain bank loans were secured by the Group's land use rights, buildings, and power generating plant and equipment with carrying values of HK\$7,673,000 (2015: HK\$51,985,000), HK\$1,057,910,000 (2015: HK\$1,067,607,000) and HK\$1,977,089,000 (2015: HK\$4,247,771,000), respectively.

Bank and other borrowings as at 31 December 2016 denominated in HKD, RMB and other foreign currencies amounted to approximately HK\$17,632 million, RMB65,199 million and US\$120 million, respectively.

As at 31 December 2016, bank and other borrowings of approximately HK\$17,632 million and US\$120 million (2015: HK\$23,709 million and US\$240 million) bore interest at a range from HIBOR plus 1.5% to HIBOR plus 1.8% per annum and LIBOR plus 1.6% per annum, respectively. The remaining bank and other borrowings carried interest rates at a range from 2.77% to 6.40% (2015: 3.915% to 6.55%) per annum.

The Group used interest rate swaps with net quarterly settlement to minimise its exposure to interest expenses of certain HKD bank borrowings by swapping floating interest rates to fixed interest rates in the year. As at 31 December 2016, none of the Group's loans which were provided using floating rates were swapped to fixed interest rates.

As at 31 December 2016, the Group's ratio of net debt to shareholders' equity was 124.6%, with total debt to total capitalisation ratio of 55.1%. In the opinion of the Directors, the Group has a stable capital structure, which can support its future development plans and operations.

For the twelve months ended 31 December 2016, the Group's primary sources of funding included cash inflow from new bank loans, issuance of corporate bonds, dividend income and net cash inflow from operating activities, which amounted to HK\$37,361 million, HK\$9,380 million, HK\$1,736 million and HK\$22,295 million, respectively. The Group's funds were primarily used for the repayment of bank borrowings, repayment of perpetual capital securities, acquisition of and deposits paid for property, plant and equipment and prepaid lease payments, interest payments and dividend, which amounted to HK\$39,326 million, HK\$5,836 million, HK\$16,319 million, HK\$3,924 million and HK\$6,509 million, respectively.

Trade and note receivables

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,814,499	8,601,610
Note receivables	<u>1,048,236</u>	<u>874,639</u>
	8,862,735	9,476,249
Less: provision for impairment of trade receivables	<u>(140,410)</u>	<u>(139,123)</u>
	<u><u>8,722,325</u></u>	<u><u>9,337,126</u></u>

Trade receivables are generally due within 60 days from the date of billing.

The following is an aging analysis of trade and note receivables included in trade receivables, other receivables and prepayments at the end of the reporting period:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	6,122,293	7,728,447
31 - 60 days	579,000	388,482
Over 60 days	<u>2,161,442</u>	<u>1,359,320</u>
	<u><u>8,862,735</u></u>	<u><u>9,476,249</u></u>

Trade payables

The following is an aging analysis of trade payables included in trade payables, other payables and accruals at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 - 30 days	6,030,620	5,555,057
31 - 90 days	2,103,095	2,502,235
Over 90 days	<u>2,790,181</u>	<u>2,365,826</u>
	<u>10,923,896</u>	<u>10,423,118</u>

Average credit term for purchases is 90 days.

Key financial ratios of the Group

	2016	2015
Current ratio (times)	0.46	0.43
Quick ratio (times)	0.40	0.39
Net debt to shareholders' equity (%)	124.6	113.5
EBITDA interest coverage (times) ⁽¹⁾	6.9	8.3

Current ratio = balance of current assets at the end of the year / balance of current liabilities at the end of the year

Quick ratio = (balance of current assets at the end of the year - balance of inventories at the end of the year) / balance of current liabilities at the end of the year

Net debt to shareholders' equity = (balance of borrowings at the end of the year - balance of cash and cash equivalents at the end of the year - balance of pledged cash at the end of the year) / balance of equity attributable to owners of the Company at the end of the year

EBITDA interest coverage = (profit before taxation + interest expense + depreciation and amortisation) / interest expenditure (including capitalised interests)

Note:

(1) Excluding non-cash income and expenses, being impairment charges, changes in fair value of derivative financial instruments and exchange gains and losses.

Foreign exchange rate risk

The Group collects substantially all of its revenue in RMB and most of the Group's expenditures including expenditures incurred in its operations as well as capital expenditures are also denominated in RMB. Dividends receivable from the Company's subsidiaries and associates can be collected in either RMB, US Dollar ("USD") or HKD.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments, political changes and supply and demand of RMB. The appreciation or devaluation of RMB against HKD and USD may have positive or negative impact on the results of operations of the Group.

The majority of the Group's operations are in the PRC and the Group's transactions are mainly denominated in RMB which is the functional currency of the respective group entities. Foreign exchange risk mainly arises from certain borrowings denominated in HKD and USD, particularly depreciation of the RMB against HKD and USD. However, certain entities are located in Hong Kong and their functional currency is HKD or USD, the foreign exchange risk for them mainly arises from balances denominated in RMB.

In addition, given there are different functional currencies within the Group, there is still foreign exchange risk which arises from the transactions and balances within the Group even after inter-group eliminations. The carrying amounts of the foreign currencies denominated monetary assets and monetary liabilities before elimination (excluding the amounts denominated in HKD or USD, of which the functional currency is USD or HKD) as at 31 December 2016 are as follows:

	Group	
	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
USD	12,814	56,513
RMB	16,148,124	25,314,014
HKD	<u>20,800</u>	<u>66,280</u>
Liabilities		
RMB	8,496,268	10,026,492
HKD	<u>—</u>	<u>500,000</u>

The Group does not use derivative financial instruments to hedge its exposure against changes in exchange rates of the RMB against HKD and USD.

Contingent liabilities

As at 31 December 2016, the Group provided certain guarantees amounting to HK\$1,210,142,000.

In addition, there were certain pending litigations and claims against the Group. After consulting with legal counsels, the Directors are of the view that the likelihood of any material adverse financial impact to the Group is remote. Therefore, no provisions have been made in light of such litigations and claims.

Employees

The Group had 33,604 employees as at 31 December 2016 (2015: 39,728 employees).

The Company and its subsidiaries have concluded employment contracts with all of their respective employees. The compensation of employees mainly includes salaries and performance-based bonuses.

Medium to Long-term Performance Evaluation Incentive Plan

The Company has adopted the Medium to Long-term Performance Evaluation Incentive Plan (the “Plan”). The Plan aims to link the performance of employees and the management and the overall operating results and the accomplishment of strategic objectives of the Company to the income of employees and the management through medium and long term performance appraisals. The Plan was effective from 25 April 2008 and shall continue in full force and effect for a term of 10 years unless terminated at the discretion of the Board at an earlier date.

During the year ended 31 December 2016, the Company did not purchase or sell any shares on the Stock Exchange through the trustee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Save as disclosed above under “Medium to Long-term Performance Evaluation Incentive Plan”, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied, throughout the financial year, with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except for the deviation of code provision A.2.1 in regards to the separate roles of the Chairman and the President from 1 January 2016 to 15 April 2016.

The division of responsibilities between the Chairman and the President has been clearly established and set out in writing. From 26 August 2014 to 15 April 2016, both roles were assumed by Ms. Zhou Junqing. On 16 April 2016, Ms. Zhou Junqing terminated her role of President of the Company and continued to serve as Executive Director and Chairman of the Company. Mr. Hu Min has been appointed as Executive Director and President of the Company with effect from 16 April 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (the “Model Code”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code.

AUDITORS AND AUDIT AND RISK COMMITTEE

The financial statements of the Group for the year ended 31 December 2016 are audited by the Group’s auditor, PricewaterhouseCoopers. An unqualified auditors’ report will be included in the Annual Report to shareholders. The audit and risk committee of the Board has reviewed the annual results of the Group for the year ended 31 December 2016.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to be consistent with the figures set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results for the year ended 31 December 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 109(3) of the predecessor Hong Kong Companies Ordinance (Cap.32). The Company will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2017 will be held on 8 June 2017 in Hong Kong.

By Order of the Board
China Resources Power Holdings Company Limited
Zhou Junqing
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the executive directors are Ms. ZHOU Junqing, Mr. GE Changxin, Mr. HU Min and Ms. WANG Xiao Bin; the non-executive directors are Mr. CHEN Ying and Mr. WANG Yan; and the independent non-executive directors are Mr. MA Chiu-Cheung, Andrew, Ms. Elsie LEUNG Oi-sie, Dr. Raymond Kuo-fung CH'IEN and Mr. Jack SO Chak Kwong.