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**華能國際電力股份有限公司**

**HUANENG POWER INTERNATIONAL, INC.**

*(a Sino-foreign joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 902)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR 2016**

<b>Power generation by domestic power plants:</b>	<b>313.690 billion kWh</b>
<b>Consolidated operating revenue:</b>	<b>RMB113.814 billion</b>
<b>Net profit attributable to equity holders of the Company:</b>	<b>RMB8.520 billion</b>
<b>Earnings per share:</b>	<b>RMB0.56</b>
<b>Proposed dividend:</b>	<b>RMB0.29 per ordinary share (inclusive of tax)</b>

### **SUMMARY OF OPERATING RESULTS**

The Board of Directors (the “Board”) of Huaneng Power International, Inc. (the “Company” or “Huaneng International”) hereby announces the audited operating results of the Company and its subsidiaries for the year ended 31 December 2016.

For the twelve months ended 31 December 2016, the Company realized operating revenue of RMB113.814 billion, representing a decrease of 11.71% compared to the same period last year, and net profit attributable to equity holders of the Company amounted to RMB8.520 billion, representing a decrease of 37.59% as compared with the same period last year. Earnings per share amounted to RMB0.56. The Board is satisfied with the Company's results last year.

The Board of the Company proposed to declare a cash dividend of RMB0.29 (inclusive of tax) for each ordinary share of the Company held by shareholders.

Details of the operating results are set out in the financial information.

## **BUSINESS REVIEW OF YEAR 2016**

In 2016, the Company actively responded to the new changes of power system reform and the significant rise of coal price, and took proactive initiatives to progress the relevant work, so as to maintain overall stable operation in clean and safe production and strict cost control, thereby achieving a better annual operating objective. Meanwhile, the Company continued to fulfill the duties of providing sufficient, reliable and green power to the society.

### **1. Operating Results**

For the twelve months ended 31 December 2016, the Company realized operating revenue of RMB113.814 billion, representing a decrease of 11.71% compared to the same period last year. Net profit attributable to equity holders of the Company amounted to RMB8.520 billion, representing a decrease of 37.59% as compared with the same period last year. Earnings per share amounted to RMB0.56.

As at 31 December 2016, net assets per share attributable to the equity holders of the Company amounted to RMB5.66, representing an increase of 2.21% as compared with the year end of last year.

The Audit Committee of the Company convened a meeting on 20 March 2017 and reviewed the 2016 annual results of the Company.

## **2. Power Generation**

Total power generated by the Company's domestic operating power plants for the year of 2016 on consolidated basis amounted to 313.69 billion kWh, representing a year-on-year decrease of 2.13%. The electricity sold amounted to 295.80 billion kWh, representing a year-on-year decrease of 2.05%. The annual average utilization hours of the Company's domestic power plants reached 3,921 hours. The utilization hours of coal-fired power generating unit was 4,107 hours. In most of the areas where the Company's coal-fired power plants are located, the utilization hours of the Company was in a leading position within those areas.

## **3. Cost Control**

Throughout 2016, the Company procured coal in an aggregate of 132 million tons. By continuously reinforcing cooperation with major coal mines, innovating cooperation mode and procurement strategy, optimizing regional supply structure, accurately judging coal market trends, targeting high-quality low-cost imported coal resources in advanced basis, and reducing the unit procurement price of standard coal, the Company controlled the fuel procurement costs in a better way, while the coal price rose significantly in the second half of the year. The unit fuel cost of our domestic power plants throughout the year occurred for sales of power was RMB170.62/MWh, representing a year-on-year decrease of 1.76%.

#### **4. Energy Saving and Environmental Protection**

The Company has always placed energy saving and environmental protection as its utmost priority. In 2016, the Company continued to lead its peers in terms of production safety, technical, economic and energy consumption indicators. The average equivalent availability ratio of coal-fired units of the Company's domestic power plants was 95.05% and its weighted average house consumption rate was 4.57%. The average yearly coal consumption rate of the Company's coal-fired units for the power generated was 290.34 grams/kWh, which was 0.62 grams/kWh lower than that of the same period last year. The Company's average coal consumption rate for power sold was 307.69 grams/kWh, representing a decrease of 0.87 grams/kWh from that of the same period last year.

Under the policy of green development and with the targets of “nil pollution to environment” and maintaining “leading position in various indicators”, the Company has been vigorously promoting business upgrade and reform to emphasize energy conservation and emission reduction. It continues to reinforce maintenance and operation of environment protection equipment, and continues to optimize its systems for the sake of long term development. Its core technology in relating to flue gas synergic management won the first prize in sector of power technology of China in 2016, and has been successfully applied in a number of our environment enhancement and new related projects. Also, the Company will continue to implement the requirements on ultra-low emissions and new energy consumption standards on coal-fired generating plants and improve the performance of the Company in energy conservation and environmental protection, realizing clean and green development.

## **5. Capital Operation**

In 2016, the Company signed agreement to acquire interests in four companies from parent company for the consideration of approximately RMB15.114 billion, so that it expanded the asset scale, operational scale and territory scope of the Company. Upon completion of the transaction on 1 January 2017, the Company increased its controlled generating capacity in operation by 15,607 MW, and capacity under construction by 3,666 MW.

Besides, the Company completed the acquisition of 100% equity interest in Luoyang Yangguang Cogeneration (with an installed capacity of 270 MW) in the third quarter of 2016.

## **6. Project Development**

The Company progressed smoothly in construction of power supply projects. During the year, the controlled generation capacity of the newly commissioned coal-fired generating units, wind power generating units and photovoltaic units of the Company was 850 MW, 328 MW and 99 MW, respectively. As of 31 December 2016, the Company's controlled and equity-based generation capacity was 83,878 MW and 76,618 MW, respectively.

Besides, the Company has commenced operation of certain photovoltaic units and coal-fired generating units recently. As of 21 March 2017, the Company's controlled and equity-based generation capacity was 101,116 MW and 89,545 MW, respectively.

## **7. Overseas Business**

In 2016, Tuas Power Ltd. (“Tuas Power”), a wholly-owned subsidiary of the Company in Singapore, maintained safe and stable operation of the generation units throughout the year. The total market share of Tuas Power in the power generation market for the whole year was 21.5%, representing a year-on-year decrease of 0.2 percentage point, mainly attributable to the ongoing oversupply in the power market in Singapore as a result of the fact that large number of generating units were put into operation in recent years.

The Company continues to deliver promising performance in the capital markets. It was awarded “Golden Governance 2016 Listed Company – Outstanding Board Secretaries” by the Shanghai Securities News (investor relations), and “the Most Investment Value of Listed Company” and “the Best Board Secretary” of the China Securities Golden Bauhinia Awards. The Company’s annual report of H Shares in 2015 won Gold Award in the 30th International ARC Awards Competition. Besides, the Company was on the list of “Platts Top 250 Global Energy Listed Company Ranking” for eight consecutive years and ranked 27th in 2016 with its ranking moving higher continuously.

### **PROSPECTS FOR 2017**

In 2017, the Company will further firmly establish a sense of leadership, competitive awareness, market awareness and risk awareness. The Company will adhere to an issue-oriented approach, strengthen innovation drive, undertake responsibility and missions, enhance corporate vitality, and place more emphases on quality and efficiency, transformation and upgrading, standardizing management and risk prevention work, constantly improve the profitability, competitive strength and sustainable development capability of the Company.

In respect of the power market, the Company will continue to deeply research market supply and demand situation, and take active part in market competition. We will ensure market share is higher than capacity share, and strive for a leading position in the region in terms of utilization hour benchmark in an effort to achieve a power generation of 392.0 billion kWh and 3,800 utilization hours for the year.

Regarding the fuel market, the Company will adhere to the market-oriented development, and reinforce the benchmark system construction, deepen the refined management and thus creating a cost advantage. We will continue to optimize fuel procurement chain and production and operation chain.

In respect of the capital market, the Company will make active response to changes in the financial market, expand financing channels, strengthen internal control over capital and improve capital usage efficiency, continuing to maintain the Company's leading position in the industry in terms of financing cost.

In respect of innovative development, the Company will further perform innovation-driven development strategy, strengthen production management innovation and improve intelligent production, enhance management efficiency and effectiveness. Innovation will become the Company's primary driver for establishing its new competitive advantages and for steering the Company's future development.

# OPERATING AND FINANCIAL REVIEWS AND PROSPECTS MANAGEMENT’S DISCUSSION AND ANALYSIS

*(Prepared under International Financial Reporting Standards (“IFRS”))*

## **General**

The principal activities of the Company are investment in and construction, operation and management of power plants. The Company provides consistent and reliable electricity to customers through grid operators where its operating plants are located. The Company is committed to scientific development through increasing economic efficiency, enhancing returns for shareholders, conserving resources and protecting the environment. The Company also attaches importance to social responsibilities and makes active contribution to the building of a harmonious society.

Since its incorporation, the Company has continued to expand its operational scale and has been the leader in its industry in competitiveness, resource utilization efficiency and environmental protection. The Company is Asia’s largest listed power producer and China’s most dynamic power generator. Its power generation operations are widely located in China with coverage in Northeastern China Grid, Northern China Grid, Northwestern China Grid, Eastern China Grid, Central China Grid and Southern China Grid, as well as overseas market in Singapore.

Looking back in 2016, with strong support of its shareholders, the employees of the Company made active and concerted efforts to respond to the changes in power, coal and capital markets by expanding overseas market, improving marketing analysis and enhancing internal management with focus on key operations, as well as thorough planning and sound internal control. These efforts have contributed to growth of the Company in various aspects. During 2016, the Company maintained its leading position in major technological and economic indices and utilization hours through safe production and active marketing activities. Fuel management was enhanced and financial costs were effectively controlled. The Company achieved a remarkable improvement in its growth quality as a result of active power generation restructuring efforts. The Company has also made new developments in energy saving, ultra-low emission and technological renovation, diligently fulfilling its social responsibilities as a reliable provider of sufficient, stable and environment-friendly power to the society.

## A. OPERATING RESULTS

### 1. 2016 operating results

The power generation of the Company's domestic power plants for the year ended 31 December 2016 are as listed below (in 100 million kWh):

Domestic Power Plant	Power Generation		Electricity sold	
	2016	Change	2016	Change
<b>Liaoning Province</b>	<b>198.24</b>	-2.21%	<b>186.28</b>	-2.11%
Coal-fired	<b>194.76</b>	-2.28%	<b>182.84</b>	-2.18%
Wind power	<b>2.97</b>	2.75%	<b>2.95</b>	2.60%
Hydropower	<b>0.34</b>	-32.36%	<b>0.34</b>	-32.41%
PV	<b>0.160</b>	—	<b>0.157</b>	—
<b>Inner Mongolia</b>	<b>2.18</b>	12.82%	<b>2.16</b>	12.84%
Wind power	<b>2.18</b>	12.82%	<b>2.16</b>	12.84%
<b>Heibei Province</b>	<b>130.63</b>	3.54%	<b>122.90</b>	3.88%
Coal-fired	<b>129.31</b>	3.29%	<b>121.69</b>	3.65%
Wind power	<b>1.16</b>	19.68%	<b>1.09</b>	19.75%
PV	<b>0.16</b>	—	<b>0.121</b>	—
<b>Gansu Province</b>	<b>97.16</b>	37.76%	<b>94.06</b>	39.96%
Coal-fired	<b>84.43</b>	40.24%	<b>81.85</b>	42.72%
Wind power	<b>12.73</b>	23.15%	<b>12.21</b>	23.91%
<b>Beijing</b>	<b>75.43</b>	-6.67%	<b>70.06</b>	-6.49%
Coal-fired	<b>34.06</b>	-13.19%	<b>29.65</b>	-13.47%
Combined Cycle	<b>41.36</b>	-0.54%	<b>40.41</b>	-0.61%
<b>Tianjin</b>	<b>72.53</b>	-1.88%	<b>68.43</b>	-1.91%
Coal-fired	<b>52.80</b>	-2.71%	<b>49.18</b>	-2.74%
Combined Cycle	<b>19.73</b>	0.35%	<b>19.24</b>	0.28%
<b>Shanxi Province</b>	<b>107.07</b>	12.53%	<b>100.67</b>	17.09%
Coal-fired	<b>81.61</b>	-2.55%	<b>75.94</b>	-2.85%
Combined Cycle	<b>25.46</b>	123.53%	<b>24.73</b>	216.65%
<b>Shandong Province</b>	<b>413.54</b>	-2.31%	<b>389.28</b>	-2.34%
Coal-fired	<b>413.54</b>	-2.31%	<b>389.28</b>	-2.34%

Domestic Power Plant	Power Generation		Electricity sold	
	2016	Change	2016	Change
<b>Henan Province</b>	<b>214.52</b>	6.23%	<b>194.53</b>	2.86%
Coal-fired	<b>214.34</b>	6.14%	<b>194.41</b>	2.80%
Wind power	<b>0.19</b>	–	<b>0.12</b>	–
<b>Jiangsu Province</b>	<b>430.21</b>	2.33%	<b>408.8</b>	2.08%
Coal-fired	<b>389.25</b>	4.31%	<b>368.66</b>	4.11%
Combined Cycle	<b>35.17</b>	-18.05%	<b>34.54</b>	-17.89%
Wind power	<b>5.79</b>	32.99%	<b>5.59</b>	31.00%
<b>Shanghai</b>	<b>181.38</b>	0.06%	<b>171.81</b>	0.01%
Coal-fired	<b>164.89</b>	0.84%	<b>155.72</b>	0.82%
Combined Cycle	<b>16.49</b>	-7.11%	<b>16.09</b>	-7.17%
<b>Chongqing</b>	<b>100.16</b>	-6.43%	<b>93.14</b>	-6.04%
Coal-fired	<b>81.54</b>	-16.51%	<b>75.01</b>	-16.68%
Combined Cycle	<b>18.62</b>	98.50%	<b>18.13</b>	99.02%
<b>Zhejiang Province</b>	<b>247.11</b>	0.15%	<b>237.05</b>	0.50%
Coal-fired	<b>241.71</b>	-0.92%	<b>231.77</b>	-0.58%
Combined Cycle	<b>5.18</b>	91.87%	<b>5.06</b>	90.83%
PV	<b>0.215</b>	169.30%	<b>0.215</b>	158.25%
<b>Hubei Province</b>	<b>140.85</b>	6.52%	<b>132.07</b>	7.02%
Coal-fired	<b>136.02</b>	4.48%	<b>127.51</b>	4.90%
Wind power	<b>1.88</b>	248.65%	<b>1.74</b>	289.00%
Hydropower	<b>2.94</b>	97.31%	<b>2.83</b>	100.71%
<b>Hunan Province</b>	<b>83.16</b>	-3.41%	<b>78.27</b>	-3.21%
Coal-fired	<b>74.44</b>	-5.28%	<b>69.67</b>	-5.36%
Wind power	<b>5.37</b>	38.78%	<b>5.32</b>	44.13%
Hydropower	<b>3.34</b>	-7.94%	<b>3.28</b>	-7.88%
<b>Jiangxi Province</b>	<b>174.42</b>	13.35%	<b>166.41</b>	15.50%
Coal-fired	<b>173.35</b>	13.33%	<b>165.40</b>	15.51%
Wind power	<b>1.07</b>	19.14%	<b>1.01</b>	13.65%
<b>Anhui Province</b>	<b>58.46</b>	-2.17%	<b>55.76</b>	-1.98%
Coal-fired	<b>56.17</b>	-3.94%	<b>53.54</b>	-3.70%
Wind power	<b>0.89</b>	–	<b>0.82</b>	–
Hydropower	<b>1.40</b>	8.66%	<b>1.40</b>	8.87%

<b>Domestic Power Plant</b>	<b>Power Generation</b>		<b>Electricity sold</b>	
	<b>2016</b>	<b>Change</b>	<b>2016</b>	<b>Change</b>
<b>Fujian Province</b>	<b>76.77</b>	<b>-29.52%</b>	<b>72.29</b>	<b>-30.00%</b>
Coal-fired	<b>76.77</b>	<b>-29.52%</b>	<b>72.29</b>	<b>-30.00%</b>
<b>Guangdong Province</b>	<b>174.53</b>	<b>-16.70%</b>	<b>166.94</b>	<b>-16.82%</b>
Coal-fired	<b>174.45</b>	<b>-16.74%</b>	<b>166.87</b>	<b>-16.85%</b>
PV	<b>0.07</b>	–	<b>0.064</b>	–
<b>Yunnan Province</b>	<b>38.83</b>	<b>-32.19%</b>	<b>35.73</b>	<b>-32.41%</b>
Coal-fired	<b>35.84</b>	<b>-35.76%</b>	<b>32.96</b>	<b>-36.02%</b>
Wind power	<b>2.99</b>	<b>103.21%</b>	<b>2.78</b>	<b>103.98%</b>
<b>Guizhou Province</b>	<b>0.45</b>	<b>16515.56%</b>	<b>0.38</b>	–
Wind power	<b>0.45</b>	<b>16515.56%</b>	<b>0.38</b>	–
<b>Hainan Province</b>	<b>119.28</b>	<b>-28.00%</b>	<b>111.00</b>	<b>-28.10%</b>
Coal-fired	<b>115.28</b>	<b>-28.52%</b>	<b>107.11</b>	<b>-28.65%</b>
Combined Cycle	<b>1.27</b>	<b>-48.64%</b>	<b>1.21</b>	<b>-49.29%</b>
Wind power	<b>1.01</b>	<b>1.93%</b>	<b>0.99</b>	<b>1.86%</b>
Hydropower	<b>1.64</b>	<b>75.99%</b>	<b>1.61</b>	<b>77.21%</b>
PV	<b>0.083</b>	–	<b>0.082</b>	–
<b>Total</b>	<b>3,136.90</b>	<b>-2.13%</b>	<b>2,958.00</b>	<b>-2.05%</b>

The decrease in the Company's power generation for the year was mainly attributable to the following reasons: (1) the installed capacity growth outpaced the growth of the nationwide power consumption while the utilization hours of coal-fired power generation units saw a year-on-year fall; (2) the growth of the Company's installed capacity was below the regional average; and (3) the launch of new nuclear power generators in areas including Liaoning, Guangdong, Fujian and Hainan provinces had a relatively great impact on the output of the coal-fired power generation units in these regions.

For the year ended 31 December 2016, the accumulated power generation of Tuas Power Ltd., the Company's wholly owned subsidiary in Singapore, accounted for a market share of 21.5%, representing a decrease of 0.2% compared to the same period last year.

In respect of the tariff, the Company's domestic average tariff for the year ended 31 December 2016 was RMB396.60 per MWh, decreased by RMB46.66 per MWh from the year ended 31 December 2015. SinoSing Power's average tariff for 2016 was RMB514.00 per MWh, representing a decrease of 17.88% from last year.

In respect of fuel costs, the effective cost controls of the Company contributed to reduced fuel costs of the Company. Compared with 2015, the Company's fuel cost per unit of power sold of domestic power plant decreased by 1.76% to RMB170.62 per MWh.

Combining the forgoing factors, for the year ended 31 December 2016, the Company recorded an operating revenue of RMB113.814 billion, representing a decrease of 11.71% from RMB128.905 billion of last year, and the net profit attributable to equity holders of the Company of RMB8.520 billion, representing a decrease of 37.59% from RMB13.652 billion of last year.

For the year ended 31 December 2016, the net profit attributable to equity holders of the Company from domestic operations was RMB8.760 billion, representing a decrease of RMB4.951 billion from RMB13.711 billion for the same period last year. The decrease was primarily attributable to lowered on-grid tariff for coal-fired power generator administered by the National Development and Reform Commission ("NDRC"), reduced domestic power generation of the Company and increased volume of market power transactions. The net loss attributable to equity holders of the Company from its operations in Singapore was RMB240 million, representing an increase of RMB181 million compared to the same period last year.

## 2. Comparative Analysis of Operating results

### 2.1 Operating revenue and tax and levies on operations

Operating revenue mainly consists of revenue from electricity sold. For the year ended 31 December 2016, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB113.814 billion, representing a decrease of 11.71% from RMB128.905 billion for the year ended 31 December 2015. The operating revenue from domestic operations of the Company decreased by RMB13.706 billion over the same period of last year, while the operating revenue generated from newly acquired entities and newly operated generating units was RMB3.525 billion.

The operating revenue from the operations of the Company in Singapore decreased by RMB1.385 billion over the same period of last year, which was mainly attributed to the continued oversupply in the Singapore power and natural gas market, causing continued decline of electricity tariff and a drop of the operating revenue.

<b>Region/type of power generation</b>	<b>Average tariff rate (VAT inclusive) (RMB/MWh)</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Liaoning Province</b>			
Coal-fired	<b>344.42</b>	374.38	-8.00%
Wind power	<b>618.74</b>	593.25	4.30%
Hydropower	<b>332.67</b>	329.96	0.82%
PV	<b>950.00</b>	–	Not applicable
<b>Inner Mongolia</b>			
Wind power	<b>471.22</b>	520.00	-9.38%
<b>Hebei Province</b>			
Coal-fired	<b>358.48</b>	401.79	-10.78%
Wind power	<b>554.60</b>	538.14	3.06%
PV	<b>784.95</b>	–	Not applicable

<b>Region/type of power generation</b>	<b>Average tariff rate (VAT inclusive)</b>		
	<b>(RMB/MWh)</b>		
	<b>2016</b>	2015	Change
<b>Gansu Province</b>			
Coal-fired	<b>207.63</b>	259.51	-19.99%
Wind power	<b>398.34</b>	483.75	-17.66%
<b>Beijing</b>			
Coal-fired	<b>454.99</b>	480.70	-5.35%
Combined Cycle	<b>687.33</b>	959.91	-28.40%
<b>Tianjin</b>			
Coal-fired	<b>370.82</b>	416.54	-10.98%
Combined Cycle	<b>726.44</b>	817.57	-11.15%
<b>Shanxi Province</b>			
Coal-fired	<b>252.98</b>	333.78	-24.21%
Combined Cycle	<b>682.40</b>	703.80	-3.04%
<b>Shandong Province</b>			
Coal-fired	<b>381.99</b>	436.47	-12.48%
<b>Henan Province</b>			
Coal-fired	<b>355.46</b>	400.54	-11.25%
Wind power	<b>610.00</b>	–	Not applicable
<b>Jiangsu Province</b>			
Coal-fired	<b>378.06</b>	410.86	-7.94%
Combined Cycle	<b>661.52</b>	731.69	-9.59%
Wind power	<b>570.50</b>	568.33	0.38%
<b>Shanghai</b>			
Coal-fired	<b>385.59</b>	424.38	-9.14%
Combined Cycle	<b>899.62</b>	937.13	-4.00%
<b>Chongqing</b>			
Coal-fired	<b>376.92</b>	427.84	-11.90%
Combined Cycle	<b>649.74</b>	872.20	-25.51%
<b>Zhejiang Province</b>			
Coal-fired	<b>407.76</b>	460.76	-11.50%
Combined Cycle	<b>887.70</b>	1,278.17	-30.55%
PV	<b>1,076.50</b>	1,125.67	-4.37%

<b>Region/type of power generation</b>	<b>Average tariff rate (VAT inclusive)</b>		
	<b>(RMB/MWh)</b>		
	<b>2016</b>	2015	Change
<b>Hubei Province</b>			
Coal-fired	<b>378.65</b>	439.98	-13.94%
Wind power	<b>610.00</b>	610.00	0.00%
Hydropower	<b>378.81</b>	376.60	0.59%
<b>Hunan Province</b>			
Coal-fired	<b>449.87</b>	480.55	-6.38%
Wind power	<b>610.00</b>	611.43	-0.23%
Hydropower	<b>404.19</b>	410.00	-1.42%
<b>Jiangxi Province</b>			
Coal-fired	<b>399.78</b>	439.7	-9.08%
Wind power	<b>610.00</b>	610.00	0.00%
<b>Anhui Province</b>			
Coal-fired	<b>351.24</b>	409.79	-14.29%
Wind power	<b>610.00</b>	–	Not applicable
Hydropower	<b>385.60</b>	392.89	-1.86%
<b>Fujian Province</b>			
Coal-fired	<b>348.95</b>	392.29	-11.05%
<b>Guangdong Province</b>			
Coal-fired	<b>448.36</b>	487.41	-8.01%
PV	<b>980.00</b>	–	Not applicable
<b>Yunnan Province</b>			
Coal-fired	<b>579.58</b>	311.78	85.89%
Wind power	<b>494.71</b>	–	Not applicable
<b>Guizhou Province</b>			
Wind power	<b>610.00</b>	–	Not applicable
<b>Hainan Province</b>			
Coal-fired	<b>420.72</b>	459.31	-8.40%
Combined Cycle	<b>672.26</b>	629.32	6.82%
Wind power	<b>609.78</b>	571.95	6.61%
Hydropower	<b>400.07</b>	399.78	0.07%
PV	<b>1,010.00</b>	–	Not applicable

<b>Region/type of power generation</b>	<b>Average tariff rate (VAT inclusive)</b>		
	<b>(RMB/MWh)</b>		
	<b>2016</b>	2015	Change
<b>Domestic total</b>	<b>396.60</b>	443.26	-10.53%
SinoSing Power	<b>514.00</b>	625.88	-17.88%

*Note:* The tariff of combined-cycle power plants in Shanghai and Zhejiang consists of on-grid settlement price and capacity subsidy income.

Tax and levies on operations mainly consist of surcharges of value-added tax. According to relevant administrative regulations, these surcharges include City Construction Tax and Education Surcharges calculated at prescribed percentages on the amounts of the value-added tax paid. For the year ended 31 December 2016, the tax and levies on operations of the Company and its subsidiaries were RMB1.178 billion, representing an increase of RMB20 million from RMB1.158 billion for the same period of last year, of which the tax and levies on operations attributable to newly acquired entities and new generating units accounted for RMB14 million.

## **2.2 Operating expenses**

For the year ended 31 December 2016, the total operating expenses of the Company and its subsidiaries was RMB94.259 billion, representing a decrease of 4.41% from the same period last year. The operating expenses in domestic operations of the Company decreased by RMB2.823 billion, or 3.19%, from the same period last year, of which the newly acquired entities and the new generating units accounted for RMB2.945 billion; the costs attributable to the existing entities decreased by RMB5.768 billion, which was primarily attributable to the decreased fuel costs for domestic operations in China.

The operating expenses from the operations in Singapore decreased by RMB1.522 billion, or 14.89%, from the same period last year, which was mainly due to the decline of fuel costs resulting from decreased natural gas price.

### *2.2.1 Fuel costs*

Fuel costs account for the majority of the operating expenses for the Company and its subsidiaries. For the year ended 31 December 2016, fuel costs of the Company and its subsidiaries decreased by 4.43% to RMB56.618 billion from the RMB59.242 billion for the year ended 31 December 2015. The fuel costs from domestic operations of the Company and its subsidiaries decreased by RMB1.603 billion, which was primarily attributable to the decreased power generation in the domestic market. The fuel costs of the newly acquired entities and new generating units were RMB2.043 billion and the fuel costs of the existing generating units decreased by RMB3.646 billion from same period last year. Fuel costs in Singapore decreased by RMB1.022 billion from the same period last year, mainly due to decreased fuel costs arising from decreased natural gas prices. For the year ended 31 December 2016, the average price (excluding tax) of natural fuel coal consumed of the Company and its domestic subsidiaries was RMB376.30 per ton, representing a 2.73% increase from RMB366.30 per ton for the year ended 31 December 2015. The fuel cost per unit of power sold by the Company's domestic power plants decreased by 1.76% to RMB170.62/MWh from RMB173.67/MWh in 2015.

### *2.2.2 Maintenance*

For the year ended 31 December 2016, the maintenance expenses of the Company and its subsidiaries amounted to RMB4.343 billion, representing a decrease of RMB213 million from RMB4.556 billion for the year ended 31 December 2015. The maintenance expenses of the Company's domestic operations decreased by RMB225 million compared to the same period last year. The maintenance expenses of operations in Singapore increased by RMB12 million compared to the same period last year.

### *2.2.3 Depreciation*

For the year ended 31 December 2016, depreciation expenses of the Company and its subsidiaries increased by 2.80% to RMB14.816 billion, compared to RMB14.412 billion in the year ended 31 December 2015; the increase is mainly due to the expansion of the Company's operations. The depreciation expenses of domestic operations increased by RMB397 million compared to the same period last year, of which the depreciation costs incurred by the newly acquired entities and new generating units was RMB605 million. The depreciation expenses of the operations in Singapore increased by RMB7 million compared to the same period last year.

### *2.2.4 Labor*

Labor costs consist of salaries to employees and contributions payable for employees' housing funds, medical insurance, pension and unemployment insurance, as well as training costs. For the year ended 31 December 2016, the labor costs of the Company and its subsidiaries amounted to RMB8.043 billion, representing an increase of RMB291 million from RMB7.752 billion for the year ended 31 December 2015. This is mainly attributable to labor costs of the newly acquired entities and new generating units,

which were RMB164 million. Labor costs for Singapore operations increased by RMB14 million compared to the same period last year.

#### *2.2.5 Other operating expenses (including electricity power purchase costs and service fees paid to HIPDC)*

Other operating expenses include environmental protection expenses, land fee, insurance premiums, office expenses, amortization, Tuas Power's electricity power purchase costs, impairment losses, government subsidies and net losses on disposal of properties, plant and equipment. For the year ended 31 December 2016, other operating expenses (including electricity power purchase costs and service fees paid to HIPDC) of the Company and its subsidiaries was RMB10.439 billion, representing a decrease of RMB2.203 billion from RMB12.642 billion for the year ended 31 December 2015. The other operating expenses from the Company's domestic operations decreased by RMB1.669 billion; other operating expenses of the existing entities decreased by RMB1.650 billion compared to the same period last year. The impairment loss experienced a decrease of RMB1.886 billion compared to the same period last year.

Other operating expenses of the operations in Singapore decreased by RMB534 million compared to the same period last year. The electricity power purchase cost decreased by RMB523 million compared to the same period last year, which was largely due to the decreased price of electricity in retail business.

### **2.3 Financial expenses**

Financial expenses consist of interest expense, bank charges and net exchange differences.

### *2.3.1 Interest expenses*

For the year ended 31 December 2016, the interest expenses of the Company and its subsidiaries were RMB6.818 billion, representing a decrease of 14.20% from RMB7.946 billion for the year ended 31 December 2015. The interest expenses from the Company's domestic operations decreased by RMB1.157 billion. The interest expenses from the newly acquired entities and new generating units were RMB303 million and those incurred by the existing entities in China decreased by RMB1.460 billion, which is largely attributable to decreased benchmark interest rate of RMB. The interest expenses of Singapore operations increased by RMB29 million compared to the same period last year.

### *2.3.2 Net exchange differences and bank charges*

For the year ended 31 December 2016, the Company and its subsidiaries recorded a net loss of RMB250 million in net exchange losses and bank charges, representing a net loss increase of RMB226 million compared with the net loss of RMB24 million for the year ended 31 December 2015, mainly due to the weakened exchange rate of RMB against U.S. dollar.

The operations in Singapore recorded net gains of RMB50 million from net exchange difference and bank charges, representing a decrease of RMB120 million from the net gains of RMB170 million for the year ended 31 December 2015, mainly due to the strengthened exchange rate of U.S. dollar against Singapore dollar.

## ***2.4 Share of profits less losses of associates and joint ventures***

For the year ended 31 December 2016, the share of profits less losses of associates and joint ventures was RMB1.299 billion, representing a decrease of RMB227 million from RMB1.526 billion from last year, mainly due to decreased profit of associates and joint ventures.

## ***2.5 Income tax expenses***

For the year ended 31 December 2016, the Company and its subsidiaries recognised income tax expense of RMB3.465 billion, representing a decrease of RMB2.234 billion from RMB5.699 billion for the year ended 31 December 2015. The income tax expenses for the domestic operations decreased by RMB2.445 billion primarily attributable to the decrease of pre-tax profit. The income tax expenses of the operations in Singapore increased by RMB211 million. It is mainly due to RMB204 million of income tax credit granted by Singapore government last year and no such tax credit was granted in the current year.

## ***2.6 Net profit, net profit attributable to the equity holders of the Company and non-controlling interests***

For the year ended 31 December 2016, the Company and its subsidiaries achieved a net profit of RMB10.348 billion, representing a decrease of RMB6.911 billion, or 40.04% from RMB17.259 billion for the year ended 31 December 2015; the net profit attributable to equity holders of the Company was RMB8.520 billion, representing a decrease of RMB5.132 billion from RMB13.652 billion for the year ended 31 December 2015.

The net profit attributable to equity holders of the Company from its domestic operations was RMB4.951 billion, mainly contributable to lowered on-grid tariff for coal-fired power generators administered by NDRC, reduced domestic power generation of the Company and increased volume of market power transactions. The net loss attributable to equity holders of the Company from its operations in Singapore was RMB240 million, representing an increase of RMB181 million from the same period last year. This was mainly due to commenced operation of many generators during the recent years, which led to the continued oversupply in the Singapore's power and natural gas market and subsequently continued reduction of power tariff and a marked drop in the profitability of the Company's overseas power generation business.

The Company's recorded net profit attributable to non-controlling interests decreased to RMB1.828 billion for the year ended 31 December 2016 from RMB3.607 billion for the year ended 31 December 2015, mainly attributable to reduced profit of the Company's non-wholly owned subsidiaries.

## ***2.7 Comparison of financial positions***

### *2.7.1 Comparison of asset items*

As of 31 December 2016, consolidated total assets of the Company and its subsidiaries were RMB314.840 billion, representing an increase of 1.93% from RMB308.866 billion as of 31 December 2015; total assets of the domestic operations increased by RMB5.312 billion to RMB286.557 billion, including a net increase of RMB2.004 billion in non-current assets, which is mainly attributable to the capital expenditure on construction projects.

As of 31 December 2016, total assets of the operations in Singapore were RMB28.283 billion, representing an increase of RMB661 million as of 31 December 2015. Non-current assets increased by RMB568 million to RMB24.174 billion, primarily attributable to appreciation of Singapore dollar against RMB resulting in higher RMB value of goodwill, power generation license and other non-current assets.

### *2.7.2 Comparison of liability items*

As of 31 December 2016, consolidated total liabilities of the Company and its subsidiaries were RMB212.653 billion, representing an increase of 2.65% from RMB207.173 billion as of 31 December 2015.

As of 31 December 2016, interest-bearing debts of the Company and its subsidiaries totaled RMB176.098 billion. The interest-bearing debts consist of long-term loans (including those maturing within a year), long-term bonds payable (including those maturing within a year), short-term loans, short-term bonds and financial leases payable. The interest-bearing debts denominated in foreign currencies amounted to RMB3.290 billion.

As of 31 December 2016, the total liabilities of the operations in Singapore were RMB15.205 billion, representing a decrease of 4.09% from RMB15.853 billion as of 31 December 2015, principally due to fair value changes of fuel swap contract.

### *2.7.3 Comparison of equity items*

Excluding the impact of profit and profit appropriations, total equity attributable to the equity holders of the Company increased as of 31 December 2016, including a decrease of post-tax impact of RMB890 million arising from disposal of available-for-sale financial asset and fair value changes of available-for-sale financial assets held by the Company and its subsidiaries, a decrease of post-tax impact of RMB181 million arising from changes in other comprehensive income of the Company's investees accounted for under equity method, an increase of post-tax impact of RMB1.015 billion arising from fair value changes of cash flow hedge instruments, an increase of RMB540 million from translation difference of the financial statements of foreign operations.

Non-controlling interests as of 31 December 2016 increased by RMB1.368 billion.

#### 2.7.4 Major financial position ratios

	<b>2016</b>	2015
Current ratio	<b>0.28</b>	0.27
Quick ratio	<b>0.23</b>	0.23
Ratio of liability to shareholders' equity	<b>2.47</b>	2.46
Multiples of interest earned	<b>2.84</b>	3.55

Formula of the financial ratios:

$$\text{Current ratio} = \frac{\text{balance of current assets as of the year end}}{\text{balance of current liabilities as of the year end}}$$

$$\text{Quick ratio} = \frac{(\text{balance of current assets as of the year end} - \text{net inventories as of the year end})}{\text{balance of current liabilities as of the year end}}$$

$$\text{Ratio of liabilities to shareholders' equity} = \frac{\text{balance of liabilities as of the year end}}{\text{balance of shareholders' equity (excluding non-controlling interests) as of the year end}}$$

$$\text{Multiples of interest earned} = \frac{(\text{profit before tax} + \text{interest expense})}{\text{interest expenditure (inclusive of capitalized interest)}}$$

The current ratio increased as of 31 December 2016 compared to that of 31 December 2015 mainly due to increase of current assets especially inventories and other current assets. The ratio of liabilities to shareholders' equity as of 31 December 2016 increased compared to that of 31 December 2015 mainly due to the increase in loans at the year end. The multiples of interest earned decreased mainly due to reduced pre-tax profit for the year ended 31 December 2016.

## B. LIQUIDITY AND CASH RESOURCES

### 1. Liquidity

	For the year ended 31 December		
	2016	2015	Change
	<i>RMB billion</i>	<i>RMB billion</i>	%
Net cash provided by operating activities	<b>31.511</b>	42.363	-25.62
Net cash used in investing activities	<b>-17.650</b>	-33.015	-46.54
Net cash used in financing activities	<b>-13.602</b>	-14.141	-3.81
Currency exchange impact	<b>0.073</b>	0.033	122.01
Net increase/(decrease) in cash and cash equivalents	<b>0.332</b>	-4.760	-106.98
Cash and cash equivalents as at the beginning of the year	<b>7.478</b>	12.238	-38.90
Cash and cash equivalents as at the end of the year	<b>7.810</b>	7.478	4.44

For the year ended 31 December 2016, net cash provided by operating activities of the Company and its subsidiaries was RMB31.511 billion, representing a decrease of 25.62% from last year, mainly attributable to reduced operating revenue as a result of decrease of power generation and tariff. Net cash provided by operating activities in Singapore was RMB772 million. The net cash used in investing activities was RMB17.650 billion, representing a decrease of 46.54% from last year, mainly due to consideration paid for newly acquired entities in 2015. The net cash used in financing activities was RMB13.602 billion, representing a decrease of 3.81% from last year. As of 31 December 2016, the cash and cash equivalents of the Company and its subsidiaries denominated in RMB, Singapore dollar and U.S. dollar were RMB6.620 billion, RMB870 million and RMB320 million, respectively.

As of 31 December 2016, net current liabilities of the Company and its subsidiaries were approximately RMB93.230 billion. Based on the Company's proven financing record, readily available banking facilities and sound credibility, the Company believes it is able to duly repay outstanding debts, obtain long-term financing and secure funding necessary for its operations. The Company has also capitalized on its good credit record to make short-term loans at relatively lower interest rates, thus reducing its interest expenses.

## **2. Capital expenditure and cash resources**

### ***2.1 Capital expenditure on infrastructure construction and renovation projects***

The capital expenditures for the year ended 31 December 2016 were RMB20.285 billion, mainly for construction and renovation of projects, including RMB1.558 billion for Rudong Baxianjiao Offshore Wind Power project, RMB878 million for Beijing Cogeneration project, RMB594 million for Hainan Power project, RMB587 million for Xianrendao Cogeneration project, RMB558 million for Jiangxi Clean Energy project, RMB537 million for Guilin Gas Distributed Energy project, RMB534 million for Tongwei Wind Power project, RMB520 million for Suzhou combined cycle project, RMB493 million for Taiyuan Combined Cycle project, RMB467 million for Mianchi Cogeneration project, RMB458 million for Yuhuan project, RMB448 million for Luoyuan Power project, RMB423 million for Dezhou project, RMB405 million for Shang'an project, RMB401 million for Qinbei Power project, RMB384 million for Nanjing Cogeneration project, RMB348 million for Wuhan Power project, RMB325 million for Jieshan Wind Power project, RMB323 million for Changxing project, RMB299 million for Luoyang Power project, RMB274 million for Weihai Power project, RMB267 million for Guanyun Cogeneration project, RMB259 million for Shidongkou Power project, RMB252 million for Yingcheng Cogeneration project, RMB239 million for

Fuzhou project. The capital expenditures of the Company's operations in Singapore were RMB151 million. The expenditures on other projects were RMB8.303 billion.

The above capital expenditures are sourced mainly from internal capital, cash flows provided by operating activities and debt financing.

The Company expects to have significant capital expenditures in the next few years. During the course, the Company will make active efforts to improve project planning process on a commercially viable basis. The Company will also actively develop newly planned projects to pave the way for its long-term growth. The Company expects to finance the above capital expenditures through internal capital, cash flows provided by operating activities, and debt and equity financing.

The cash requirements, usage plans and cash resources of the Company are as following:

*(Unit: RMB100 million)*

<b>Capital Expenditure Project</b>	<b>Capital Expenditure Plan for 2017</b>	<b>Cash resources arrangements</b>	<b>Financing costs and note on use</b>
Thermal power projects	58.74	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC
Hydropower projects	0	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC
Wind power projects	103	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC
Coal mining projects	0	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC
Photovoltaic power projects	13.50	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC

<b>Capital Expenditure Project</b>	<b>Capital Expenditure Plan for 2017</b>	<b>Cash resources arrangements</b>	<b>Financing costs and note on use</b>
Others	0	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC
Technology renovation	51.83	Including internal cash resources and bank loans	Within the floating range of benchmark lending interest rates of PBOC

## ***2.2 Cash resources and anticipated financing costs***

The Company expects to finance its capital expenditure and acquisition costs primarily with internal capital, cash flow provided by operating activities, and debt and equity financing.

Good operating results and sound credit status provide the Company with strong financing capabilities. As of 31 December 2016, the undrawn banking facilities available to the Company and its subsidiaries amount to approximately RMB262.8 billion, which are granted by Bank of China, China Construction Bank and Industrial and Commercial Bank of China, etc.

The Company completed issuances of unsecured short-term notes in two installments on 4 August 2016 and 14 October 2016, each at a principal amount of RMB3 billion with nominal annual interest rates of 2.5% and 2.6%, respectively. Each installment of the notes was denominated in RMB, issued at par value, and would mature in 365 days from the value date.

The Company completed issuances of unsecured super short-term notes in nine installments on 3 March, 9 March, 23 March, 8 April, 20 April, 26 May, 13 July, 9 November, and 1 December 2016, at a principal amount of RMB2 billion, RMB2 billion, RMB2 billion, RMB4 billion, RMB3 billion, RMB3 billion, RMB4 billion, RMB2 billion and RMB2 billion with nominal annual interest rates of 2.59%, 2.48%, 2.48%, 2.42%, 2.62%, 2.73%, 2.50%, 2.79% and 3.45%, respectively. Each installment of the notes was denominated in RMB, issued at par value, and would mature in 270 days from the value date.

The Company completed issuance of one installment of unsecured super short-term note on 16 November 2016 at a principal amount of RMB3 billion with a nominal annual interest rate of 2.98%. The note was denominated in RMB, issued at par value, and would mature in 180 days from the value date.

The Company completed issuances of unsecured corporate notes in two installments on 8 June 2016 at a principal amount of RMB3 billion and RMB1.2 billion with nominal annual interest rates of 3.48% and 3.98%, respectively. Each installment of the notes was denominated in RMB, issued at par value, and would mature in five years and ten years, respectively, from the value date.

As of 31 December 2016, short-term loans of the Company and its subsidiaries totalled RMB57.669 billion (2015: RMB49.883 billion). Loans from banks were charged at interest rates ranging from 2.77% to 4.35% per annum (2015: 3.19% to 5.60%).

Short-term bonds payable by the Company and its subsidiaries were RMB27.311 billion (2015: RMB19.348 billion).

As of 31 December 2016, long-term loans (including those maturing within a year) of the Company and its subsidiaries totalled RMB74.551 billion (2015: RMB78.379 billion), including RMB denominated borrowings of RMB58.876 billion (2015: RMB62.441 billion), U.S. dollar denominated loans of approximately US\$410 million (2015: US\$473 million), Euro denominated loans of approximately €39 million (2015: €49 million), Singapore dollar denominated loans of S\$2.581 billion (2015: S\$2.697 billion), and Japanese yen denominated loans of ¥2.703 billion (2015: ¥2.812 billion). Among them, all loans denominated in US dollar and Singapore dollar were floating rate, and loans denominated in all other foreign currencies were fixed rate. As of 31 December 2016, long-term bank loans of the Company and its subsidiaries had interest rates ranging from 0.75% to 5.65% per annum (31 December 2015: 0.75% to 6.55%).

The Company and its subsidiaries will closely monitor any change in the exchange rate and interest rate markets and cautiously assess the currency rate and interest rate risks.

Combining the current development of the power generation industry and the growth of the Company, the Company will make continuous efforts to not only meet cash requirements of daily operations, constructions and acquisitions, but also establish an optimal capital structure to minimize the cost of capital and manage financial risks through effective financial management activities, thus maintaining sustainable and stable returns to the shareholders.

#### ***2.4 Other financing requirements***

The objective of the Company is to bring steadily growing returns to shareholders in the long run. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. In accordance with the profit appropriation plan of the board of directors of the Company (subject to the approval at annual general meeting) for 2016, the Company expects to pay a cash dividend of RMB4.408 billion.

## 2.5 Maturity profile of loans and bonds

<b>Maturity Profile</b> <i>(RMB billion)</i>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Principal amount					
planned for repayment	97.530	16.090	13.203	9.221	9.407
Interest amount planned					
for repayment	<u>5.545</u>	<u>3.150</u>	<u>2.443</u>	<u>1.755</u>	<u>1.386</u>
<b>Total</b>	<b><u>103.075</u></b>	<b><u>19.240</u></b>	<b><u>15.646</u></b>	<b><u>10.976</u></b>	<b><u>10.793</u></b>

*Note:*

The amount of principle to be paid in 2017 is relatively large because this includes expected repayment of short-term loans and short-term bonds.

## C. LONG-TERM DEVELOPMENT STRATEGY AND PLANNING

The Company is committed to innovation, coordination, green, open and shared development in line with China's energy production and consumption reforms, taking initiatives to adapt to new norm, respond to new challenges, follow the objective to establish first-class company with international competitiveness, focus on improving the quality and performance of its development, and seek to accelerate transformation and upgrading. The Company will also put in place a new mechanism under the principle that management shall be centered on competitiveness improvement, operations shall be centered on customers, development shall be centered on market demands, so as to strengthen the strategic leadership and continuously improve its core competitiveness. The Company aims to consolidate its leading position in the conventional energy sector, speed up the new energy development, improve the synergy within the industry, expand the sales service region, accelerate the international layout, digitize Huaneng International, realize the all-around improvement of the Company's operating results, quality performance and corporate vitality, and build the Company into an internationally leading public power producer with standardized management, advanced technologies, energy saving and environment-friendly, reasonable operating structure, outstanding operations, sound corporate governance and superior market value.

## D. TREND ANALYSIS

It is predicted by China Electricity Council that in 2017, total electricity consumption nationwide will grow by approximately 3%.

2017 will see newly installed generating capacity of approximately 110 million kW, including new non-petrochemical energy capacity of 60 million kW; the installed generating capacity nationwide is expected to reach 1.75 billion kW, representing 6% increase from 2016, of which non-petrochemical energy capacity will reach 660 million kW, increasing its percentage to approximately 38% in the total installed capacity.

2017 is expected to witness a generally abundant power supply in China with redundant generating capacities in certain regions. Specifically, Northern region is expected to have a balanced supply and demand power market; Central, Eastern, and Southern regions will experience generally sufficient power supply with abundant generating capacities in many provinces; Northeast and Northwest regions will see a market of generally redundant power supply with abundant capacities in some provinces. In 2017, the annual power generation utilization hours nationwide are expected to be 3,600 hours, and utilization hours of thermal generating units are estimated to reduce to 4,000 hours.

According to the Center for Forecasting Science of Chinese Academy of Sciences, thermal generating units are expected to use less coal in 2017 than in 2016 as a result of the government policy to reduce production capacities in the coal sector and a weakened power market in China. Total coal consumption is expected to experience a year-on-year decrease of 3% in 2017, while excessive coal supply will continue due to the generally weak-supply-and-weak-demand and structural-oversupply situation nationwide. Railway transport and air freight capacity will further loosen. Considering the effect of RMB exchange rate and a gradually stabilized domestic coal market, less coal may be imported than in 2016 while coal imports are expected to have certain impact on domestic coal price. The Company estimates that the coal price in 2017 will gradually stabilize after fluctuation within a narrow range.

## **E. PERFORMANCE OF SIGNIFICANT INVESTMENTS AND THEIR PROSPECTS**

The Company acquired 25% equity interest in Shenzhen Energy Group for RMB2.39 billion on 22 April 2003. In 2011, Shenzhen Energy Group divided into a remainder company of the same name and a new company Shenzhen Energy Management Company (“SE Management”), and the Company holds 25% equity interests in each of the two successors. The Company acquired 200 million shares from Shenzhen Energy Corporation (“Shenzhen Energy”), a subsidiary of Shenzhen Energy Group, in December 2007. Shenzhen Energy allotted shares with its capital surplus in 2011. In February 2013, Shenzhen Energy merged SE Management through the combination of directional seasoned offering and cash payment to the shareholders of SE Management, Shenzhen State-owned Assets Administration Commission and the Company. After the merger, the Company directly held 661 million shares of Shenzhen Energy, representing 25.02% of its equity interests. In 2016, Shenzhen Energy distributed two shares of stock dividend out of every 10 shares to its shareholders, and therefore the Company held 992 million shares of Shenzhen Energy by 31 December 2016. These investments brought a net profit attributable to the equity holders of the Company of RMB435 million for the Company for the year ended 31 December 2016 under IFRS. This investment is expected to provide steady returns to the Company.

The Company held 60% direct equity interest in Sichuan Hydropower as of 31 December 2006. In January 2007, Huaneng Group increased its capital investment in Sichuan Hydropower by RMB615 million, thus reducing the Company’s equity interest in Sichuan Hydropower to 49% and making Huaneng Group the controlling shareholder of Sichuan Hydropower. This investment brought a net profit attributable to the equity holders of the Company of RMB85 million for the year ended 31 December 2016 under IFRS. This investment is expected to provide steady returns to the Company.

## **F. EMPLOYEE BENEFITS**

As of 31 December 2016, the Company and its subsidiaries had 42,210 employees within and outside the PRC. The Company and its subsidiaries provide employees with competitive remuneration and linked such remuneration to operating results to provide incentives for the employees. Currently, the Company and its subsidiaries do not have any stock or option based incentive plan.

Based on the development plans of the Company and its subsidiaries and the requirements of individual positions, together with consideration of specific characteristics of individual employees, the Company and its subsidiaries tailored various training programs for their employees on management, technology and the skills. These programs enhanced the comprehensive skills of the employees.

## **G. GUARANTEE FOR LOANS AND RESTRICTED ASSETS**

As of 31 December 2016, the Company provided guarantees of approximately RMB12.379 billion for the long-term bank loans of Tuas Power.

As of 31 December 2016, the details of secured loans of the Company and its subsidiaries were as follows:

- (1) As of 31 December 2016, short-term loans of RMB126 million represented the notes receivable that were discounted with recourse. As these notes receivable had not yet matured, the proceeds received were recorded as short-term loans.
- (2) As of 31 December 2016, long-term loans of RMB2.902 billion of the Company and its subsidiaries were secured by certain property, plant and equipment with net book value of approximately RMB3.105 billion.
- (3) As of 31 December 2016, long-term loans of approximately RMB9.032 billion were secured by future electricity revenue of the Company and its subsidiaries.

As of 31 December 2016, the restricted bank deposits of the Company and its subsidiaries were RMB71 million.

As of 31 December 2016, the property, plant and equipment leased under finance lease of the Company and its subsidiaries with net book value amounted to RMB1.763 billion.

## **H. ACCOUNTING STANDARDS HAVING MATERIAL IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS**

For the accounting standards that have a material impact on the Company's financial statements, please refer to the Note 2 to the financial information extracted from financial statements prepared in accordance with IFRS.

## **I. IMPAIRMENT SENSITIVITY ANALYSIS**

### **1. Goodwill impairment**

The Company and its subsidiaries conducts impairment test on each individually recognised goodwill at the end of each year. In 2016, the management recognized no goodwill impairment based on the impairment assessment.

For goodwill allocated to CGUs in the PRC, changes of assumptions in tariff and fuel price could have affected the results of goodwill impairment assessment. As at 31 December 2016, if tariff had decreased by 1% or 5% from management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to recognize impairment against goodwill by approximately RMB176 million and RMB1,043 million, respectively. If fuel price had increased by 1% or 5% from the management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to recognize impairment against goodwill by approximately RMB37 million and RMB899 million, respectively.

## **2. Impairment of other non-current assets**

The Company and its subsidiaries will test its property, plant and equipment, land use rights and mining rights suffered any impairment whenever an impairment indication exists.

In 2016, impairment losses for certain property, plant and equipment and land use rights of approximately RMB1,064 million and RMB52 million have been recognized, respectively. Factors leading to the impairment of operating projects primarily included lower utilization hours and tariff of two coal-fired power plants as a result of over supply of electricity in two provinces, as well as low utilization hours of a hydropower plant as a result of low level of water inflow.

Changes of assumptions in tariff and fuel price will affect the result of property, plant and equipment, land use rights and mining rights impairment assessment. As at 31 December 2016, if tariff had decreased by 1% or 5% from management's estimates with other variables constant with the expectation, the Company and its subsidiaries would have to further recognise impairment against property, plant and equipment and land use rights by approximately RMB92 million and RMB779 million, respectively; if fuel price had increased by 1% or 5% from the management's estimates with other variables constant with the expectations, the impairment against property, plant and equipment, land use rights and mining rights of the Company and its subsidiaries would decrease by approximately RMB8 million and RMB38 million, respectively.

## **J. RISK FACTORS**

### **1. Risks relating to power market**

Due to the distribution characteristics of the Company's coal-fired power generating units and the gradual development of power market reforms, the previous market competition pattern will be further affected. All above factors will have a significant impact on the power generation growth of the Company.

The Company will further implement various government policies and improve its power supply pattern, strengthen its efforts in analyzing and studying relevant policies and conditions of power market, design effective marketing strategies to respond to market change, and make efforts to effectively participate in both market transactions and the transactions subject to government plans. By leveraging strengths on efficiency, energy saving and environment protection of its generating units, the Company will take initiatives to participate in various transactions, maintain and strive to expand market share, effectively increase equipment utilization hours and strictly control the risks in electricity market.

## **2. Risks relating to electricity tariff**

With the gradually relaxed control of planned power generation, continuously deepened market competition and policies behind changes of coal price, the Company's electricity tariff faces reduction pressure.

The Company will closely monitor relevant government policies and power market reform development, strengthen communication with central and local pricing authorities, actively call for continuous improvement of the mechanism of coal-electricity price linkage, and strongly support the government to establish a reasonable, fair and regulated market environment. The Company will also strictly implement state tariff policies to seek timely utilization of the policies regarding environmental protection tariff as well as standard tariffs for the electricity generated by newly operated generating units are timely put in place.

### **3. Risks relating to environmental protection policies**

In 2016, the Action Plan on Air Pollution Prevention and Treatment, Action Plan of Energy Saving, Emission Reduction, Upgrading and Transformation (2014-2020), and Target Missions for Central Generating Enterprises in Energy Saving, Emission Reduction, Upgrading and Transformation (2015), Integrated Reform Plan for Promoting Ecological Progress, as well as the new Environmental Protection Law came gradually into force in China. National standards for energy saving environmental protection are increasingly higher, environmental protection restrictions for energy development are further tightened, which will increase the energy saving and transformation costs of the coal-fired generating sets which account for a high percentage of the Company's installed capacity.

To respond to the state's proposition actively, the Company diligently promoted environmental protection projects focused on ultra-low emission renovation to coal-fired generating units. By the end of 2016, most coal-fire generating units had completed the ultra-low emission renovation, of which all generating units of 21 subsidiaries had met the ultra-low emission standards and all subsidiaries in five regions (i.e. Northern China, etc.) had completed the renovation projects.

### **4. Interest rate risks**

The interest-bearing debts of the Company are mostly denominated in RMB. Fluctuations of interest rates applicable to RMB loan contracts will directly affect the company's debts cost. The monetary policy of PBOC will be more neutral and prudent in 2017. With the anticipation of raising interest rates of U.S. dollar and interaction of global markets, 2017 is expected to see a liquidity shortage. The likely interest rate hike of U.S. dollar will bring about certain impact on our U.S. dollar debt costs, which is not expected to have material adverse effect due to its small percentage in the overall debt costs of the Company. In the Singapore capital market, the SOR interest rate will be influenced by increased U.S. dollar lending rates as well as fluctuated exchange rate of Singapore dollar, which will bring uncertainties to financing costs of Tuas Power.

With close watch on changes in domestic and overseas capital markets, the Company will make reasonable financing arrangements, explore new financing methods, and strive to control financing costs subject to the satisfaction of funding requirements, and strive to control risks of foreign currency interest rate by RMB debt replacement and interest rate swap and other methods.

## **5. Risks relating to coal market**

In 2017, China will further the “Supply Side” reform of the coal market, which will bring certain degree of risks to the fuel cost control. Fluctuation of exchange rate of RMB and change of coal policies of Indonesia and other major coal export countries will also bring uncertainties to the coal import. On the other hand, with the issuance of Notice on Distributing the Memorandum of Stabilizing the Abnormal Fluctuations of Coal Price, Chinese government has established early warning mechanism monitoring price abnormal fluctuation, and make clear that the green range of coal price is between RMB500 to RMB570 per ton. These measures are expected to significantly reduce the possibility of excessive fluctuation of coal price. In 2017, the coal supply and price situations will gradually return to normal.

The Company will closely monitor the changes in policies and coal market, enhance its cooperation with major competent mine operators, continuously explore new sourcing channels, conduct bidding of existing commodities, strengthen the refining management of the fuel and strive to control fuel costs.

## **STRUCTURE OF SHARE CAPITAL**

As at 31 December 2016, the entire issued share capital of the Company amounted to 15,200,383,440 shares, of which 10,500,000,000 shares were domestic shares, representing 69.08% of the total issued share capital, and 4,700,383,440 shares were foreign shares, representing 30.92% of the total issued share capital of the Company. In respect of foreign shares, China Huaneng Group Corporation (“Huaneng Group”) held 472,000,000 shares through its wholly owned subsidiary, China Hua Neng Group Hong Kong Limited, representing 3.11% of the total issued capital of the Company. In respect of domestic shares, Huaneng International Power Development Corporation (“HIPDC”) owned a total of 5,066,662,118 shares, representing 33.33% of the total issued share capital of the Company, while Huaneng Group held 1,555,124,549 shares, representing 10.23% of the total issued share capital of the Company, and held 74,139,853 shares through its controlling subsidiary, China Huaneng Finance Corporation Limited, representing 0.49% of the total issued share capital of the Company. Other domestic shareholders held a total of 3,804,073,480 shares, representing 25.03% of the total issued share capital.

## **DIVIDENDS**

Since the listing of the Company, shareholders have given great support to and cared much for the Company. The Company has also generated returns that have been growing continuously and steadily over the years. The Company has been paying dividends to shareholders every year since 1998, with an accumulated dividend of RMB50.245 billion paid.

The Company’s articles clearly defines the Company’s cash dividend policy, i.e. when the Company’s earnings and accumulative undistributable profits for the current year are positive, and on condition that the Company’s cash flow can satisfy the Company’s normal operation and sustainable development, the Company shall adopt a cash dividend appropriation policy on principle that the cash dividend payout will not be less than 50% of the distributable profit realized in the then year’s consolidated financial statement.

In the future, the Company will continue to follow a proactive, balanced and stable dividend policy and persistently enhance its profitability, striving for realization of increasing returns to shareholders.

In accordance with the requirements of relevant laws and regulations and the articles of association of the Company, the Company adheres to the profit distribution policy whereby the distributable profits shall be the lower of distributable profits as stated in the financial statements prepared under the PRC GAAP and the International Financial Reporting Standards.

The Company proposed to declare a cash dividend of RMB0.29 (inclusive of tax) for each share to all shareholders for 2016. All dividends payable to shareholders shall be subject to shareholders' approval at the annual general meeting of the Company.

In accordance with the "Enterprise Income Tax Law of China" and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing final dividends to them. For H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). On the basis, enterprise income tax shall be withheld from dividends payable to such shareholder(s).

As the Company is yet to confirm the date of the 2016 annual general meeting, the record date(s) for determining the eligibility to attend and vote at the 2016 annual general meeting and the entitlement to the final dividend and the period(s) for closure of register, the Company will upon confirmation thereof announce such details in the notice of the 2016 annual general meeting. Such notice is expected to be issued to shareholders in April 2017.

The Company shall comply with the relevant rules and regulations to withhold and pay enterprise income tax on behalf of the relevant shareholders with reference to the register of members of the Company as of the record date.

## **PRE-EMPTIVE RIGHTS**

According to the articles of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

## **LARGEST SUPPLIERS AND CUSTOMERS**

The five largest suppliers of the Company and its subsidiaries for 2016 were China Huaneng Group Fuel Co., Ltd., Shanxi Yangquan Coal Industry Group Company, China Shenhua Group, Huating Coal Group Limited Liability Company and China National Coal Group Corporation respectively. The total purchase from them amounted to approximately RMB28.6 billion, representing approximately 51.41% of the total coal purchase of the year.

As a power producer, the Company sells the electricity generated by its power plants through local grid operators only and has no other customer. The five largest customers of the Company and its subsidiaries for 2016 were State Grid Jiangsu Electric Power Company, State Grid Shandong Electric Power Company, State Grid Zhejiang Electric Power Company, Guangdong Power Grid Corporation, and State Grid Shanghai Municipal Electric Power Company. The five customers accounted for approximately 41.64% of the operating revenue for the year while the largest customer, namely State Grid Jiangsu Electric Power Company, accounted for approximately 11.86% of the operating revenue.

None of the directors, supervisors and their respective close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) had any interest in the five largest suppliers and customers of the Company mentioned above in 2016.

## **BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS**

The ultimate controlling shareholder of the Company, Huaneng Group, is also engaged in the power industry in China. HIPDC, the direct controlling shareholder of the Company, is also engaged in the power industry in China. The Company and Huaneng Group (ultimate controlling shareholder) have power plants located in certain same regions. Huaneng Group and the Company have already entrusted mutually to manage certain of their power plants, and Huaneng Group was also entrusted to manage certain coal assets of the Company.

On 17 September 2010, the Company received an undertaking from Huaneng Group regarding further avoidance of business competition. On the premises of continuing the undertaking previously provided, Huaneng Group further undertook that: (1) it shall treat the Company as the only platform for integrating the conventional energy business of Huaneng Group; (2) with respect to the conventional energy business assets of Huaneng Group located in Shandong Province, Huaneng group undertakes that it will take approximately 5 years to improve the profitability of such assets and when the terms become appropriate, it will inject those assets into the Company. The Company has a right of first refusal to acquire from Huaneng Group the newly developed, acquired or invested projects which are engaged in the conventional energy business of Huaneng Group located in Shandong Province; (3) with respect to the other non-listed conventional energy business assets of Huaneng Group located in other provincial administrative regions, Huaneng Group undertook that it will take approximately 5 years, and upon such assets meeting the conditions for listing, to inject such assets into the Company, with a view to supporting the Company's continuous and stable development; and (4) Huaneng Group will continue to perform each of its undertakings to support the development of its subordinated listed companies.

On 28 June 2014, with a view to executing the contract and satisfying situation as well as the requirements stated in Guideline No. 4 for the Supervision of Listed Companies - Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as well as the Listed Companies, Huaneng Group will perfect the aforesaid avoidance of business competition by further undertaking that: (1) it shall treat the Company as the only platform for integrating the conventional energy business of Huaneng Group; (2) with respect to the conventional energy business assets of Huaneng Group located in Shandong Province, Huaneng Group undertakes that by the end of 2016, it will improve the profitability of such assets and when the terms become appropriate, it will inject those assets into the Company. Appropriate terms include clear ownership of assets and shares, no decrease in earnings per share of the Company after injection, no unlawful events of significance or events against regulations, appreciation of state-own assets, right of pre-emption of shareholders. The Company has a right of first refusal to acquire from Huaneng Group the newly developed, acquired or invested projects which are engaged in the conventional energy business of Huaneng Group located in Shandong Province; (3) with respect to the other non-listed conventional energy business assets of Huaneng Group located in other provincial administrative regions, Huaneng Group undertook that by the end of 2016, upon such assets meeting the conditions for listing, the Group will inject such assets into the Company, with a view to supporting the Company's continuous and stable development. Appropriate terms include clear ownership of assets and shares, no decrease in earnings per share of the Company after injection, no unlawful events of significance or events against regulations, appreciation of state-own assets, right of pre-emption of shareholders; and (4) Huaneng Group will continue to perform each of its undertakings to support the development of its subordinated listed companies. The period of such undertakings is between 28 June 2014 and 31 December 2016.

Huaneng Group had performed the relevant undertaking as mentioned above at time as specified.

Currently, the Company has 15 directors and only six of them have positions in Huaneng Group and/or HIPDC. According to the articles of the Company, in case a conflict of interest arises, the relevant directors shall abstain from voting in the relevant resolutions. Therefore, the operation of the Company is independent from Huaneng Group and HIPDC and the operation of the Company is conducted for its own benefit.

## **PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY**

The Company and its subsidiaries did not sell, purchase or redeem any shares or other securities of the Company in 2016.

## DIRECTORS OF THE COMPANY

The directors of the Company in 2016 were as follows:

<b>Name of Director</b>	<b>Position</b>	<b>Date of appointment</b>
Cao Peixi	Chairman	Appointed on 18 September 2014
Guo Junming	Vice Chairman	Appointed on 18 September 2014
Liu Guoyue	Director	Appointed on 18 September 2014
Fan Xiaxia	Director	Appointed on 18 September 2014
Li Shiqi	Director	Appointed on 18 September 2014
Huang Jian	Director	Appointed on 18 September 2014
Mi Dabin	Director	Appointed on 18 September 2014
Guo Hongbo	Director	Appointed on 18 September 2014
Zhu Yousheng	Director	Appointed on 25 June 2015
Li Song	Director	Appointed on 18 September 2014
Li Zhensheng	Independent Director	Appointed on 18 September 2014
Yue Heng	Independent Director	Appointed on 18 September 2014
Geng Jianxin	Independent Director	Appointed on 25 June 2015
Xia Qing	Independent Director	Appointed on 25 June 2015
Xu Mengzhou	Independent Director	Appointed on 23 June 2016
<b>Resigned Directors</b>		
Zhang Shouwen	Independent Director	Appointed on 18 September 2014 Resigned on 23 June 2016

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

On 31 March 2009, the Company's Board considered and approved the Amended Management Guidelines Regarding the Holding of the Company's Shares by the Directors, Supervisors and Senior Management of Huaneng Power International, Inc. The standard of such guidelines is no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Enquiry has been made with all Directors and Supervisors and all of them confirmed that they have complied with the code throughout 2016.

## **DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' RIGHT TO PURCHASE SHARES**

For the year ended 31 December 2016, none of the Directors, Chief Executives, Supervisors of the Company or their respective associates had any interests in the shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which are (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

For the year ended 31 December 2016, none of the Directors, Chief Executives, Supervisors, senior management of the Company or their spouses and children under the age of 18 was given the right to acquire any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

## **DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS AND SERVICE CONTRACTS**

Save for the service contracts mentioned below, as at the end of 2016, the directors and supervisors of the Company did not have any material interests in any contracts entered into by the Company.

No director and supervisor has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Each and every Director and Supervisor of the Company had entered into a service contract with the Company for a term of three years commencing from the signing of the contract.

## **INDEPENDENT DIRECTORS' CONFIRMATION OF INDEPENDENCE**

Each of the independent directors of the Company, namely Mr. Li Zhensheng, Mr. Yue Heng, Mr. Geng Jianxin, Mr. Xia Qing and Mr. Xu Mengzhou, has signed a confirmation letter by independent non-executive directors for 2016 on 20 March 2017 to confirm his compliance with the relevant requirements regarding independence under the Listing Rules and the Company considers them to be independent.

## **PUBLIC FLOAT**

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Hong Kong Stock Exchange, based on the information that is publicly available to the Company and within the knowledge of the directors.

## TOP TEN SHAREHOLDERS OF THE COMPANY

The following table sets out the shareholdings of the top ten shareholders of the Company as at 31 December 2016:

<b>Name of shareholder</b>	<b>Number of Shares held at year end</b>	<b>Percentage of Shareholding (%)</b>
Huaneng International Power Development Corporation	5,066,662,118	33.33
HKSCC Nominees Limited	3,935,332,060	25.89
China Huaneng Group	1,555,124,549	10.23
Hebei Construction & Investment Group Co., Ltd.	603,000,000	3.97
China Hua Neng Group Hong Kong Limited	472,000,000	3.11
Jiangsu Provincial Investment & Management Limited Liability Company	416,500,000	2.74
Liaoning Energy Investment (Group) Limited Liability Company	388,619,936	2.56
China Securities Finance Corporation Limited	373,260,261	2.46
Fujian Investment & Development Group Co., Ltd.	365,818,238	2.41
Dalian Construction Investment Group Co., Ltd.	301,150,000	1.98

## **REMUNERATION POLICY**

The Company unceasingly improves its remuneration and distribution system and, in accordance with the overall development strategy of the Company, has formulated a set of remuneration management rules. Employees' salaries are determined by reference to the job positions they hold and calculated based on their job performance. Giving consideration to both efficiency and fairness, the Company creates a methodic and effective incentive mechanism by linking the employees' remuneration with their personal performance and the business performance of the Company as well. The remuneration of the Directors, Supervisors and senior management of the Company mainly consists of the following:

### **(1) Salaries and allowances**

The basic salary is mainly set by an evaluation of the job position and a factor analysis, and with reference to the salary level of the relevant position in the labor market. It accounts for about 35% of the total remuneration.

### **(2) Discretionary bonus**

Discretionary bonus is based on the operating results of the Company, the performance of the Directors, Supervisors and senior management. It accounts for about 50% of the total remuneration.

### **(3) Payments on pension, etc.**

Contributions for various pension schemes such as social insurances, corporate annuity and housing fund established by the Company for the Directors, Supervisors and senior management accounts for about 15% of the total remuneration.

According to the resolution at the general meeting, the Company pays each independent Director a subsidy amounted to RMB60,000 (after tax) each year. The Company also reimburses the independent Directors for the expenses they incur in attending board meetings and general meetings and other reasonable expenses they incur while fulfilling their obligations under the Company Law and the Company's Articles of Association (including travelling expenses and administrative expenses). Besides these, the Company does not give the independent Directors any other benefit.

## **STAFF HOUSING**

The Company made allocation to the housing fund for the employees of the Company and its subsidiaries in accordance with the relevant PRC regulations.

## **STAFF WELFARE QUARTERS**

According to the relevant PRC regulations, the Company has not provided welfare quarters to its staff.

## **STAFF MEDICAL INSURANCE SCHEME**

According to the requirements as prescribed by the relevant local governments, the Company and its subsidiaries have joined a medical insurance scheme for its staff, and have taken measures for its implementation according to planning.

## **RETIREMENT SCHEMES**

The Company and its subsidiaries have implemented a series of specified retirement contribution schemes based on the local conditions and policies of the places where the Company and its subsidiaries have operations.

Pursuant to the specified retirement contribution schemes, the Company and its subsidiaries have paid contributions according to the contracted terms and obligations set out in the publicly administered retirement insurance plans. The Company has no other obligations to pay further contributions after paying the prescribed contributions. The contributions payable from time to time will be regarded as expenses for the period and capital construction expenditure during the year they are made and accounted for as labor cost.

## **GENERAL MEETINGS**

During the reporting period, the Company convened one annual general meeting and two extraordinary general meetings.

1. The Company's 2015 Annual General Meeting was held on 23 June 2016. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 24 June 2016.
2. The Company's 2016 First Extraordinary General Meeting was held on 12 January 2016. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 13 January 2016.
3. The Company's 2016 Second Extraordinary General Meeting was held on 30 November 2016. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 1 December 2016.

## **DISCLOSURE OF MAJOR EVENTS**

1. Due to work requirement, Mr. Zhang Shouwen, independent non-executive director of the Company, submitted his resignation report to the Company to resign from the positions of independent director and member of specialised committees. At the recommendation of shareholders, the Board meeting and the general meeting were held on 22 March 2016 and 23 June 2016 respectively, at which the resolution regarding the change of Independent Directors of the Company was considered, and Mr. Xu Mengzhou was elected as Independent Director of the Eighth Session of the Board. At the same time, Mr. Zhang Shouwen officially resigned from his respective positions.
2. Due to age, Mr. Wang Zhaobin and Ms. Zhang Ling, supervisors of the Company, submitted their resignation reports to the Company to resign from the position of supervisor. At the recommendation of employees, Ms. Zhang Xiaojun and Mr. Zhu Daqing were elected as supervisors of the eighth session of the Supervisory Committee on 14 April 2016.

3. On 14 October 2016, the Company signed the Agreement for the Transfer of Equity Interests in Certain Companies with Huaneng Group and Huaneng Power International Inc. (the “Transfer Agreement”) and Profit Forecasting Compensation Agreement made between Huaneng Group and Huaneng Power International Inc. with Huaneng Group in Beijing. Pursuant to the Transfer Agreement, the Company shall accept the transfer of (i) 80% equity interest of Huaneng Shandong Power Limited; (ii) 100% equity interest of Huaneng Jilin Power Limited; (iii) 100% equity interest of Huaneng Heilongjiang Power Limited; and (iv) 90% equity interest of Huaneng Henan Zhongyuan Gas Power Generation Co., Ltd. from Huaneng Group for the consideration of RMB15,113,825,800. This transaction was considered and approved at the 21st meeting of the Eighth Session of the Board held on 14 October 2016, and was considered and approved at the 2016 Second Extraordinary General Meeting held on 30 November 2016. According to the terms of the agreements, the Company settled 50% of the consideration for such transaction to Huaneng Group on 9 January 2017.
4. With the completion of H shares additional issue in November 2015, the marketized reform of state grid power market, and in accordance with the national laws and regulations, the Company has modified and improved the business scope, shareholding structure and registered capital stated in the Articles of Association.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

During the year, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The annual report of the Company will contain a corporate governance report prepared in accordance with the requirements under the Listing Rules.

## **DESIGNATED DEPOSIT**

As at 31 December 2016, the Company and its subsidiaries did not have any designated deposit with any financial institutions within the PRC nor any overdue fixed deposit which could not be recovered.

## **DONATION**

During the reporting period, the Company made a donation of RMB6.68 million.

## **LEGAL PROCEEDINGS**

In April 2015, a construction contractor of a subsidiary of the Company brought an arbitration application against the subsidiary due to its dispute on construction settlement, through which, the contractor required the subsidiary to indemnify an amount of approximately RMB83.46 million as construction payment and relevant interests incurred. As of 31 December 2016, it is difficult to predict reasonably the financial effect arising from this outstanding arbitration since it is still pending for final judgment, therefore no projected liability is not provided for in respect thereof.

Save as disclosed above, as at 31 December 2016, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company and its subsidiaries.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER**

As the Company has not yet confirmed the date for convening the 2016 annual general meeting, or the record date(s) or the period(s) for closure of register for determining eligibility to attend and vote at the 2016 annual general meeting and for determining the entitlement to the final dividend, the Company will upon confirmation thereof announce such details in the notice of the 2016 annual general meeting, such notice is expected to be issued to shareholders in April 2017.

## **AUDITORS**

As approved at the 2015 annual general meeting, KPMG and KPMG Huazhen LLP were appointed as the Company's international and PRC auditors respectively for the year 2016.

The Board has resolved to continue to appoint KPMG Huazhen LLP as the domestic auditors and U.S. 20F annual report auditors of the Company and KPMG as the Company's Hong Kong auditors for 2017, with the proposal of the Audit Committee, where such proposal is subject to the approval by the Shareholders at the 2016 annual general meeting.

## **PUBLICATION OF RESULTS ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY**

This announcement of 2016 annual results is published on the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.hpi.com.cn> and <http://www.hpi-ir.com.hk>). The 2016 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

## **REQUIREMENTS UNDER THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINES**

Our environmental, social and governance report prepared and disclosed in accordance with "Environmental, Social and Governance Reporting Guide" of the Listing Rules will be published on websites of the Company and the Hong Kong Stock Exchange.

## DOCUMENTS FOR INSPECTION

The Company's annual reports (A share version and H share version) will be published in April 2017. As required by the United States securities laws, the Company will file an annual report in Form 20-F with the Securities and Exchange Commission of the U.S. before 30 April 2017. As the Company's A shares have already been issued and listed, the Company shall, in compliance of the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, prepare quarterly reports. Copies of the interim and annual reports as well as the Form 20-F, once filed, will be available at:

Beijing                    Huaneng Power International, Inc.  
Huaneng Building  
6 Fuxingmennei Street  
Xicheng District  
Beijing  
The People's Republic of China

Tel: (8610) 6322 6999

Fax: (8610) 6322 6888

Hong Kong                Wonderful Sky Financial Group Limited  
Unit 3102-05, 31/F., Office Tower,  
Convention Plaza, 1 Harbour Road,  
Wanchai, Hong Kong

Tel: (852) 2851 1038

Fax: (852) 2815 1352

By Order of the Board  
**Huaneng Power International, Inc.**  
**Cao Peixi**  
*Chairman*

As at the date of this announcement, the directors of the Company are:

Cao Peixi

*(Executive Director)*

Guo Junming

*(Non-executive Director)*

Liu Guoyue

*(Executive Director)*

Fan Xiaxia

*(Executive Director)*

Li Shiqi

*(Non-executive Director)*

Huang Jian

*(Non-executive Director)*

Mi Dabin

*(Non-executive Director)*

Guo Hongbo

*(Non-executive Director)*

Zhu Yousheng

*(Non-executive Director)*

Li Song

*(Non-executive Director)*

Li Zhensheng

*(Independent Non-executive Director)*

Yue Heng

*(Independent Non-executive Director)*

Geng Jianxin

*(Independent Non-executive Director)*

Xia Qing

*(Independent Non-executive Director)*

Xu Mengzhou

*(Independent Non-executive Director)*

Beijing, the PRC

22 March 2017

**A. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2016*

*(Amounts expressed in thousands of RMB, except per share data)*

		<b>For the year ended 31 December</b>	
	<i>Note</i>	<u>2016</u>	<u>2015</u>
<b>Operating revenue</b>	3	<b>113,814,236</b>	128,904,873
Tax and levies on operations		(1,177,818)	(1,157,760)
<b>Operating expenses</b>			
Fuel		(56,617,542)	(59,242,367)
Maintenance		(4,343,349)	(4,556,361)
Depreciation		(14,815,620)	(14,411,632)
Labor		(8,043,406)	(7,751,551)
Service fees on transmission and transformer facilities of HIPDC		(138,038)	(140,771)
Purchase of electricity		(3,066,415)	(3,581,517)
Others		(7,234,308)	(8,919,988)
Total operating expenses		<u>(94,258,678)</u>	<u>(98,604,187)</u>
<b>Profit from operations</b>		<u>18,377,740</u>	29,142,926
Interest income		147,063	160,723
<b>Financial expenses, net</b>			
Interest expense		(6,817,526)	(7,945,734)
Exchange (loss)/gain and bank charges, net		(250,076)	(24,336)
Total financial expenses, net		<u>(7,067,602)</u>	<u>(7,970,070)</u>
Share of profits less losses of associates and joint ventures		1,298,889	1,525,975
Loss on fair value changes of financial assets/liabilities		(12,986)	(16,742)
Other investment income		1,070,034	115,238
<b>Profit before income tax expense</b>	10	<b>13,813,138</b>	22,958,050
Income tax expense	4	(3,465,151)	(5,698,943)
<b>Net profit</b>		<u>10,347,987</u>	<u>17,259,107</u>

	For the year ended 31 December		
	<i>Note</i>	2016	2015
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value changes of available-for-sale financial asset		(148,041)	558,261
Gain on disposal of available-for-sale financial asset reclassified to profit or loss		(741,648)	–
Share of other comprehensive (loss)/income of investees accounted for under the equity method		(180,572)	678,793
Effective portion of cash flow hedges		1,015,103	51,922
Translation differences of the financial statements of foreign operations		540,442	(133,116)
<b>Other comprehensive income, net of tax</b>		<u>485,284</u>	<u>1,155,860</u>
<b>Total comprehensive income</b>		<u>10,833,271</u>	<u>18,414,967</u>
<b>Net profit attributable to:</b>			
– Equity holders of the Company		8,520,427	13,651,933
– Non-controlling interests		1,827,560	3,607,174
		<u>10,347,987</u>	<u>17,259,107</u>
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		9,005,227	14,807,889
– Non-controlling interests		1,828,044	3,607,078
		<u>10,833,271</u>	<u>18,414,967</u>
<b>Earnings per share attributable to the equity holders of the Company</b> <i>(expressed in RMB per share)</i>			
– Basic and diluted	11	<u>0.56</u>	<u>0.94</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(Amounts expressed in thousands of RMB)

		<b>As at 31 December</b>	
	<i>Note</i>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>223,061,809</b>	219,673,070
Investments in associates and joint ventures		<b>19,632,113</b>	19,745,192
Available-for-sale financial assets		<b>3,406,032</b>	5,077,863
Land use rights		<b>8,456,347</b>	8,313,766
Power generation licenses		<b>3,849,199</b>	3,679,175
Mining rights		<b>1,646,271</b>	1,646,271
Deferred income tax assets		<b>1,263,957</b>	1,064,391
Derivative financial assets		<b>99,721</b>	45,044
Goodwill		<b>12,135,729</b>	11,677,182
Other non-current assets		<b>4,321,945</b>	4,378,997
<b>Total non-current assets</b>		<b><u>277,873,123</u></b>	<u>275,300,951</u>
<b>Current assets</b>			
Inventories		<b>6,879,143</b>	5,422,732
Other receivables and assets		<b>5,533,770</b>	4,087,989
Accounts receivable	5	<b>16,393,471</b>	16,377,401
Derivative financial assets		<b>278,602</b>	139,468
Bank balances and cash		<b>7,881,630</b>	7,537,813
<b>Total current assets</b>		<b><u>36,966,616</u></b>	<u>33,565,403</u>
<b>Total assets</b>		<b><u><u>314,839,739</u></u></b>	<u><u>308,866,354</u></u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		<b>15,200,383</b>	15,200,383
Capital surplus		<b>24,760,331</b>	24,815,489
Surplus reserves		<b>8,140,030</b>	8,140,030
Currency translation differences		<b>(787,881)</b>	(1,327,839)
Retained earnings		<b>38,690,132</b>	37,313,885
		<b>86,002,995</b>	84,141,948
<b>Non-controlling interests</b>		<b>16,183,742</b>	17,551,741
<b>Total equity</b>		<b>102,186,737</b>	101,693,689
<b>Non-current liabilities</b>			
Long-term loans		<b>64,990,361</b>	66,028,023
Long-term bonds	7	<b>12,182,971</b>	11,261,322
Deferred income tax liabilities		<b>2,262,752</b>	2,494,143
Derivative financial liabilities		<b>201,169</b>	430,089
Other non-current liabilities		<b>2,819,498</b>	3,122,455
<b>Total non-current liabilities</b>		<b>82,456,751</b>	83,336,032
<b>Current liabilities</b>			
Accounts payable and other liabilities	8	<b>28,325,227</b>	26,185,764
Taxes payable		<b>1,089,105</b>	2,071,471
Dividends payable		<b>1,575,180</b>	788,895
Salary and welfare payables		<b>421,390</b>	313,284
Derivative financial liabilities		<b>133,569</b>	874,852
Short-term bonds		<b>27,311,103</b>	19,347,706
Short-term loans		<b>57,668,874</b>	49,883,489
Current portion of long-term loans		<b>9,560,885</b>	12,351,205
Current portion of long-term bonds		<b>3,294,736</b>	11,480,661
Current portion of other non-current liabilities		<b>816,182</b>	539,306
<b>Total current liabilities</b>		<b>130,196,251</b>	123,836,633
<b>Total liabilities</b>		<b>212,653,002</b>	207,172,665
<b>Total equity and liabilities</b>		<b>314,839,739</b>	308,866,354

# NOTES TO THE FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER IFRS

*(Amount expressed in thousands of RMB unless otherwise stated)*

## 1. Basis of preparation

The financial statements included in the annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial assets and liabilities.

As at and for the year ended 31 December 2016, a portion of the Company and its subsidiaries’ funding requirements for capital expenditures were satisfied by short-term financing. Consequently, as at 31 December 2016, the Company and its subsidiaries have net current liabilities of approximately RMB93.2 billion. Taking into consideration of the expected operating cash flows of the Company and its subsidiaries and the undrawn available banking facilities of approximately RMB262.8 billion as at 31 December 2016, the Company and its subsidiaries are expected to refinance certain of its short-term loans and bonds, and also consider alternative sources of financing, where applicable and when needed. Therefore, the directors of the Company are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and accordingly, these consolidated financial statements are prepared on a going concern basis.

## 2. Principal Accounting Policies

The IASB has issued a new standard and a number of amendments to IFRSs that are first effective for the current accounting period of the Company and its subsidiaries. None of these new standard or developments have had a material effect on how the Company and its subsidiaries' results and financial position for the current or prior periods have been prepared or presented. The Company and its subsidiaries have not applied any new standard or interpretation that is not yet effective for current accounting period.

## 3. Revenue and segment information

Revenues recognized during the year are as follows:

	<b>For the year ended 31 December</b>	
	<b>2016</b>	2015
Sales of power and heat	<b>112,794,536</b>	127,849,408
Port service	<b>237,347</b>	211,685
Transportation service	<b>105,505</b>	104,721
Others	<b>676,848</b>	739,059
Total	<b><u>113,814,236</u></b>	<u>128,904,873</u>

Directors and certain senior management of the Company perform the function as the chief operating decision maker (collectively referred to as the “senior management”). The senior management reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. The Company has determined the operating segments based on these reports. The reportable segments of the Company are the PRC power segment, Singapore segment and all other segments (mainly including port and transportation operations). No operating segments have been aggregated to form a reportable segment.

Senior management assesses the performance of the operating segments based on a measure of profit before income tax expense under China Accounting Standard for Business Enterprises (“PRC GAAP”) excluding dividend income received from available-for-sale financial assets, gains on disposal of available-for-sale financial asset and operating results of the centrally managed and resource allocation functions of headquarters (“Segment results”). Other information provided, except as noted below, to the senior management of the Company is measured under PRC GAAP.

Segment assets exclude prepaid income tax, deferred income tax assets, available-for-sale financial assets and assets related to the centrally managed and resource allocation functions of headquarters that are not attributable to any operating segment (“corporate assets”). Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and liabilities related to the centrally managed and resource allocation functions of headquarters that are not attributable to any operating segment (“corporate liabilities”). These are part of the reconciliation to total assets and liabilities of consolidated statement of financial position.

All sales among the operating segments have been eliminated as internal transactions when preparing consolidated financial statements.

	<i>(Under PRC GAAP)</i>			
	<b>PRC power segment</b>	<b>Singapore segment</b>	<b>All other segments</b>	<b>Total</b>
<b>For the year ended 31 December 2016</b>				
Total revenue	104,746,690	8,758,822	634,965	114,140,477
Inter-segment revenue	–	–	(326,241)	(326,241)
Revenue from external customers	<u>104,746,690</u>	<u>8,758,822</u>	<u>308,724</u>	<u>113,814,236</u>
Segment results	<u>14,215,671</u>	<u>(282,703)</u>	<u>(35,371)</u>	<u>13,897,597</u>
Interest income	76,768	69,672	623	147,063
Interest expense	(6,067,194)	(481,263)	(137,825)	(6,686,282)
Impairment (loss)/reversal	(1,197,382)	899	(8,475)	(1,204,958)
Depreciation and amortization	(13,786,933)	(778,426)	(203,493)	(14,768,852)
Net loss on disposal of non-current assets	(577,322)	(172)	(14,303)	(591,797)
Share of profits less losses of associates and joint ventures	1,104,614	–	76,477	1,181,091
Income tax expense	(3,681,737)	44,135	57,489	(3,580,113)
<b>For the year ended 31 December 2015</b>				
Total revenue	118,418,506	10,143,793	588,266	129,150,565
Inter-segment revenue	–	–	(245,692)	(245,692)
Revenue from external customers	<u>118,418,506</u>	<u>10,143,793</u>	<u>342,574</u>	<u>128,904,873</u>
Segment results	<u>24,073,432</u>	<u>(313,253)</u>	<u>(281,457)</u>	<u>23,478,722</u>
Interest income	93,324	66,898	501	160,723
Interest expense	(7,181,116)	(452,034)	(163,325)	(7,796,475)
Impairment (loss)/reversal	(2,913,766)	1,744	(178,131)	(3,090,153)
Depreciation and amortization	(13,244,965)	(772,003)	(245,936)	(14,262,904)
Net (loss)/gain on disposal of non-current assets	(427,286)	22,450	(1)	(404,837)
Share of profits less losses of associates and joint ventures	1,421,072	–	24,915	1,445,987
Income tax expense	(6,104,619)	254,772	14,397	(5,835,450)

(Under PRC GAAP)

	<u>PRC power segment</u>	<u>Singapore segment</u>	<u>All other segments</u>	<u>Total</u>
<b>31 December 2016</b>				
Segment assets	<u>262,832,643</u>	<u>28,141,718</u>	<u>11,611,683</u>	<u>302,586,044</u>
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	19,962,461	230,974	854,484	21,047,919
Investments in associates	13,254,236	–	2,868,139	16,122,375
Investments in joint ventures	1,197,665	–	785,610	1,983,275
Segment liabilities	<u>(186,489,967)</u>	<u>(14,027,606)</u>	<u>(5,620,515)</u>	<u>(206,138,088)</u>
<b>31 December 2015</b>				
Segment assets	<u>253,376,399</u>	<u>27,487,701</u>	<u>10,703,373</u>	<u>291,567,473</u>
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	22,421,000	160,282	642,949	23,224,231
Investments in associates	13,026,027	–	2,806,231	15,832,258
Investments in joint ventures	1,569,614	–	785,004	2,354,618
Segment liabilities	<u>(176,406,566)</u>	<u>(14,876,229)</u>	<u>(5,097,402)</u>	<u>(196,380,197)</u>

A reconciliation of segment results to profit before income tax expense is provided as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<u>2016</u>	<u>2015</u>
Segment results (PRC GAAP)	<b>13,897,597</b>	23,478,722
Reconciling items:		
Loss related to the headquarter	<b>(699,053)</b>	(327,262)
Investment income from China Huaneng Finance Co., Ltd. (“Huaneng Finance”)	<b>132,018</b>	135,971
Dividend income of available-for-sale financial assets	<b>103,037</b>	97,696
Gains on disposal of available-for-sale financial asset	<b>932,738</b>	–
Impact of other IFRS adjustments*	<b>(553,199)</b>	(427,077)
Profit before income tax expense per IFRS consolidated statement of comprehensive income	<b><u>13,813,138</u></b>	<b><u>22,958,050</u></b>

Reportable segments' assets are reconciled to total assets as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Total segment assets (PRC GAAP)	<b>302,586,044</b>	291,567,473
Reconciling items:		
Investment in Huaneng Finance	<b>1,314,603</b>	1,329,753
Deferred income tax assets	<b>1,558,670</b>	1,305,548
Prepaid income tax	<b>141,423</b>	2,393
Available-for-sale financial assets	<b>3,456,032</b>	5,127,863
Corporate assets	<b>360,854</b>	396,693
Impact of other IFRS adjustments*	<b>5,422,113</b>	9,136,631
Total assets per IFRS consolidated statement of financial position	<b><u>314,839,739</u></b>	<b><u>308,866,354</u></b>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Total segment liabilities (PRC GAAP)	<b>(206,138,088)</b>	(196,380,197)
Reconciling items:		
Current income tax liabilities	<b>(440,791)</b>	(1,054,246)
Deferred income tax liabilities	<b>(1,355,099)</b>	(1,417,972)
Corporate liabilities	<b>(4,717,617)</b>	(4,937,450)
Impact of other IFRS adjustments*	<b>(1,407)</b>	(3,382,800)
Total liabilities per IFRS consolidated statement of financial position	<b><u>(212,653,002)</u></b>	<b><u>(207,172,665)</u></b>

Other material items:

	<u>Reportable segment total</u>	<u>Headquarters</u>	<u>Investment income from Huaneng Finance</u>	<u>Impact of other IFRS adjustments*</u>	<u>Total</u>
<b>For the year ended 31 December 2016</b>					
Interest expense	(6,686,282)	(131,244)	-	-	(6,817,526)
Depreciation and amortization	(14,768,852)	(48,934)	-	(344,929)	(15,162,715)
Impairment loss	(1,204,958)	-	-	-	(1,204,958)
Share of profits less losses of associates and joint ventures	1,181,091	-	132,018	(14,220)	1,298,889
Net loss on disposal of non-current assets	(591,797)	(14)	-	1,762	(590,049)
Income tax expense	(3,580,113)	-	-	114,962	(3,465,151)
<b>For the year ended 31 December 2015</b>					
Interest expense	(7,796,475)	(149,259)	-	-	(7,945,734)
Depreciation and amortization	(14,262,904)	(60,236)	-	(394,473)	(14,717,613)
Impairment loss	(3,090,153)	-	-	-	(3,090,153)
Share of profits less losses of associates and joint ventures	1,445,987	-	135,971	(55,983)	1,525,975
Net loss on disposal of non-current assets	(404,837)	(6)	-	(33,478)	(438,321)
Income tax expense	(5,835,450)	-	-	136,507	(5,698,943)

\* Other GAAP adjustments above primarily represented the classification adjustments and other adjustments. Other than the classification adjustments, the differences will be gradually eliminated following subsequent depreciation and amortization of related assets or the extinguishment of liabilities.

Geographical information (Under IFRS):

(i) External revenue generated from the following countries:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<u>2016</u>	<u>2015</u>
PRC	<b>105,055,414</b>	118,761,080
Singapore	<b>8,758,822</b>	10,143,793
Total	<b><u>113,814,236</u></b>	<b><u>128,904,873</u></b>

(ii) Non-current assets (excluding financial assets and deferred income tax assets) are located in the following countries:

	<b>As at 31 December</b>	
	<u>2016</u>	<u>2015</u>
PRC	<b>249,155,921</b>	245,620,977
Singapore	<b>23,369,766</b>	22,874,396
Total	<b><u>272,525,687</u></b>	<b><u>268,495,373</u></b>

The information on the sales to major customers of the Company and its subsidiaries at amount equal to or more than 10% of external revenue is as follows:

	<b>For the year ended 31 December</b>			
	<b>2016</b>		<b>2015</b>	
	<u>Amount</u>	<u>Proportion</u>	<u>Amount</u>	<u>Proportion</u>
State Grid Jiangsu Electric Power Company	<b>13,495,734</b>	<b>12%</b>	14,835,745	12%
State Grid Shandong Electric Power Company	<b>12,649,224</b>	<b>11%</b>	14,855,655	12%

#### **4. Income tax expense**

	<b>For the year ended 31 December</b>	
	<u>2016</u>	<u>2015</u>
Current income tax expense	<b>3,905,968</b>	6,386,149
Deferred income tax	<b>(440,817)</b>	(687,206)
Total	<b><u>3,465,151</u></b>	<b><u>5,698,943</u></b>

No Hong Kong profits tax has been provided as there were no estimated assessable profits in Hong Kong for the year (2015: nil).

The reconciliation of the effective income tax rate from the notional income tax rate is as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<u>2016</u>	<u>2015</u>
Notional tax on profit before income tax expense, calculated at the applicable income tax rates in the countries concerned	<b>25.16%</b>	25.11%
Effect of tax losses not recognized	<b>1.58%</b>	(0.12%)
Effect of deductible temporary differences not recognized	<b>(0.20%)</b>	(0.16%)
Effect of non-taxable income	<b>(2.89%)</b>	(1.77%)
Effect of non-deductible expenses	<b>1.09%</b>	1.37%
Others	<b>0.35%</b>	0.39%
	<hr/>	<hr/>
Effective tax rate	<b><u>25.09%</u></b>	<b><u>24.82%</u></b>

The Company and its PRC branches and subsidiaries are subject to income tax at 25%, except for certain PRC branches and subsidiaries that are tax exempted or taxed at preferential tax rates, as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2016 and 2015.

Pursuant to Guo Shui Han [2009] No. 33, starting from 1 January 2008, the Company and its PRC branches calculate and pay income tax on a consolidated basis according to relevant tax laws and regulations. The original regulation specifying locations for power plants and branches of the Company to make enterprise income tax payments was abolished. The income tax of subsidiaries remains to be calculated individually based on their individual operating results.

The income tax rate applicable to Singapore subsidiaries is 17% (2015: 17%).

## 5. Accounts receivable

Accounts receivable comprised the following:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Accounts receivable	<b>14,050,096</b>	14,401,665
Notes receivable	<b>2,432,264</b>	1,977,790
	<b>16,482,360</b>	16,379,455
Less: provision for doubtful accounts	<b>88,889</b>	2,054
Total	<b>16,393,471</b>	16,377,401

The Company and its subsidiaries usually grant about one month's credit period to local power grid customers from the end of the month in which the sales are made, except for SinoSing Power which provides credit period that ranged from 5 to 60 days from the dates of billings. Certain accounts receivables of Singapore subsidiaries are backed by bankers' guarantees and/or deposits from customers. It is not practicable to determine the fair value of the collaterals that correspond to these accounts receivable.

As at 31 December 2016, no accounts receivable was secured to banks as collateral against loans (2015: nil).

As at 31 December 2016, there was no notes payable secured by notes receivable (2015: notes payable of RMB14 million was secured by notes receivable with net book value amounted to RMB14 million).

As at 31 December 2016, the Company and its subsidiaries recognised provisions for accounts receivable assessed on an individual basis, which mainly consists of receivables due from local customers for sales of electricity. The provisions were provided based on operating results of the local customer and collectability of the receivables.

(a) Ageing analysis of accounts receivable was as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Within 1 year	<b>16,152,038</b>	16,129,748
Between 1 to 2 years	<b>279,694</b>	225,253
Between 2 to 3 years	<b>29,123</b>	1,915
Over 3 years	<b>21,505</b>	22,539
<b>Total</b>	<b><u>16,482,360</u></b>	<b><u>16,379,455</u></b>

As at 31 December 2016, the maturity period of the notes receivable ranged from 1 to 12 months (2015: from 1 to 12 months).

(b) Ageing analysis of accounts receivable and notes receivable that are neither individually nor collectively considered to be impaired are as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Neither past due nor impaired	<b>16,063,215</b>	15,948,981
Less than 1 year past due	<b>248,597</b>	338,545
Between 1 to 2 years past due	<b>63,094</b>	88,565
Between 2 to 3 years past due	<b>17,944</b>	1,151
Over 3 years past due	<b>621</b>	159
<b>Total</b>	<b><u>16,393,471</u></b>	<b><u>16,377,401</u></b>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company and its subsidiaries. Based on past experience, management believes 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.

## **6. Dividends**

On 21 March 2017, the Board of Directors proposed a cash dividend of RMB0.29 per share, totaling approximately RMB4.408 billion. This proposal is subject to the approval of the shareholders at the annual general meeting.

On 23 June 2016, upon the approval from the annual general meeting of the shareholders, the Company declared 2015 final dividend of RMB0.47 (2014: RMB0.38) per ordinary share, totaling approximately RMB7,144 million (2014: RMB5,480 million).

## **7. Long-term bonds**

The Company issued bonds with maturity of 5 years, 7 years and 10 years in December 2007 with face values of RMB1 billion, RMB1.7 billion and RMB3.3 billion bearing annual interest rates of 5.67%, 5.75% and 5.90%, respectively. The total actual proceeds received by the Company were approximately RMB5.885 billion. These bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rates of those bonds are 6.13%, 6.10% and 6.17%, respectively. Interest paid per annum during the tenure of the bonds is RMB57 million, RMB98 million and RMB195 million, respectively. The bond with original maturity of 5 years had matured in December 2012 and the Company repaid the principal of RMB1 billion. The bond with original maturity of 7 years had matured in December 2014 and the Company repaid the principal of RMB1.7 billion. As at 31 December 2016, interest payables for the unmatured bonds amounted to approximately RMB3.73 million (31 December 2015: RMB3.72 million).

The Company also issued bonds with maturity of 10 years in May 2008 with a face value of RMB4 billion bearing an annual interest rate of 5.20%. The actual proceeds received by the Company were approximately RMB3.933 billion. These bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rate of bond is 5.42%. Interest paid per annum during the tenure of the bonds is RMB208 million. As at 31 December 2016, interest payable for these bonds amounted to approximately RMB135.06 million (31 December 2015: RMB134.69 million).

In November 2011, the Company issued non-public debt financing instrument with maturity of 5 years with face value of RMB5 billion bearing annual interest rate of 5.74%. The actual proceeds received by the Company were approximately RMB4.985 billion. This bond is denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bond falls due. The annual effective interest rate of this bond is 6.04%. Interest paid per annum during the tenure of the bond is RMB287 million. The bond had matured in November 2016 and the Company repaid the principal of RMB5 billion.

The Company issued overseas listed bonds with maturity of 3 years in February 2013 with a face value of RMB1.5 billion bearing an annual interest rate of 3.85%. The proceeds received by the Company were approximately RMB1.495 billion. These bonds are denominated in RMB and issued at par. Interest is payable semi-annually while principal will be paid when the bonds fall due. The annual effective interest rate of the bonds is 3.96%. Interest paid per annum during the tenure of the bonds is RMB58 million. The bond had matured in February 2016 and the Company repaid the principal of RMB1.5 billion.

The Company issued non-public debt financing instrument with maturity of 3 years in June 2013 with a face value of RMB5 billion bearing an annual interest rate of 4.82%. The proceeds received by the Company were approximately RMB4.985 billion. The bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rate of the bonds is 5.12%. Interest paid per annum during the tenure of the bonds is RMB241 million. The bond had matured in June 2016 and the Company repaid the principal of RMB5 billion.

The Company issued medium-term notes with maturity of 5 years in July 2014 with a face value of RMB4 billion bearing an annual interest rate of 5.30%. The actual proceeds received by the Company were approximately RMB3.988 billion. These notes are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the notes fall due. The annual effective interest rate of these notes is 5.37%. Interest paid per annum during the tenure of the notes is RMB212 million. As at 31 December 2016, interest payable for the bonds amounted to approximately RMB99.32 million (31 December 2015: RMB99.05 million).

The Company issued corporate bonds with maturity of 5 years and 10 years in June 2016 with face values of RMB3 billion and RMB1.2 billion bearing annual interest rates of 3.48% and 3.98%, respectively. The total actual proceeds received by the Company were approximately RMB4.2 billion. These bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rates of those bonds are 3.48% and 3.98%, respectively. Interest paid per annum during the tenure of the bonds is RMB104.40 million and RMB47.76 million, respectively. As at 31 December 2016, interest payable for the bonds amounted to approximately RMB57.78 million and RMB26.43 million, respectively.

## 8. Accounts payable and other liabilities

Accounts payable and other liabilities comprised:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Accounts and notes payable	<b>12,059,004</b>	9,403,088
Amounts received in advance	<b>365,887</b>	472,886
Payables to contractors for construction	<b>10,832,444</b>	11,425,575
Retention payables to contractors	<b>1,445,383</b>	1,200,724
Accrued interests	<b>676,462</b>	874,333
Accrued pollutants discharge fees	<b>82,917</b>	94,691
Accrued water-resources fees	<b>28,227</b>	18,847
Accrued service fee of intermediaries	<b>29,330</b>	51,340
Security deposits	<b>138,876</b>	104,949
Provisions	<b>21,758</b>	15,001
Others	<b>2,644,939</b>	2,524,330
Total	<b><u>28,325,227</u></b>	<b><u>26,185,764</u></b>

The ageing analysis of accounts and notes payable was as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Within 1 year	<b>11,902,522</b>	9,280,736
Between 1 to 2 years	<b>100,092</b>	78,682
Over 2 years	<b>56,390</b>	43,670
Total	<b><u>12,059,004</u></b>	<b><u>9,403,088</u></b>

## **9. Additional financial information to the consolidated statement of financial statement**

As at 31 December 2016, the net current liabilities of the Company and its subsidiaries amounted to approximately RMB93,230 million (2015: RMB90,271 million). On the same date, total assets less current liabilities were approximately RMB184,643 million (2015: RMB185,030 million).

## 10. Profit before income tax expense

Profit before income tax expense was determined after charging/(crediting) the following:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<u>2016</u>	<u>2015</u>
Total interest expense on borrowing	<b>7,267,490</b>	8,716,074
Less: amounts capitalized in property, plant and equipment	<b>449,964</b>	770,340
Interest expenses charged in consolidated statement of comprehensive income	<b><u>6,817,526</u></b>	<b><u>7,945,734</u></b>
Auditors' remuneration	<b>43,610</b>	41,640
Operating leases charge	<b>331,496</b>	313,723
Fuel	<b>56,617,542</b>	59,242,367
Depreciation of property, plant and equipment	<b>14,815,620</b>	14,411,632
Amortization of land use rights	<b>225,707</b>	213,206
Amortization of other non-current assets	<b>121,388</b>	92,775
Impairment loss of property, plant and equipment	<b>1,063,735</b>	1,047,641
Impairment loss of land use rights	<b>51,981</b>	–
Impairment loss of investment in an associate	–	178,131
Impairment loss of mining rights	–	760,296
Impairment loss of goodwill	–	1,105,649
Recognition/(reversal) of provision for doubtful accounts	<b>89,498</b>	(3,392)
(Reversal)/recognition of provision for inventory obsolescence	<b>(256)</b>	1,828
Net loss on disposals of non-current assets	<b>590,049</b>	438,321
Government grants	<b>(396,467)</b>	(696,735)
Gain on a bargain purchase ( <i>Note 12</i> )	<b>(129,921)</b>	–
Included in other investment income		
– Gains on disposal of available-for-sale financial asset	<b>(932,738)</b>	–
– Dividends on available-for-sale financial assets	<b>(103,037)</b>	(97,696)

Other operating expenses consist of impairment loss of property, plant and equipment, land use rights, goodwill, mining rights and investment in an associate, environmental protection expenses, substituted power arrangement expenses, insurance, gain on a bargain purchase, government grants and other miscellaneous expenses.

## 11. Earnings per Share

The basic earnings per share is calculated by dividing the consolidated net profit attributable to the equity holders of the Company by the weighted average number of the Company's outstanding ordinary shares during the year:

	<u>2016</u>	<u>2015</u>
Consolidated net profit attributable to equity holders of the Company	<b>8,520,427</b>	13,651,933
Weighted average number of the Company's outstanding ordinary shares ('000)*	<u><b>15,200,383</b></u>	<u>14,485,383</u>
Basic and diluted earnings per share (RMB)	<u><b>0.56</b></u>	<u>0.94</u>

\* Weighted average number of ordinary shares:

	<u>2016</u>	<u>2015</u>
	<u>'000</u>	<u>'000</u>
Issued ordinary shares at 1 January	<b>15,200,383</b>	14,420,383
Effect of share issue	–	<u>65,000</u>
Weighted average number of ordinary shares at 31 December	<u><b>15,200,383</b></u>	<u>14,485,383</u>

There was no dilutive effect on earnings per share since the Company had no dilutive potential ordinary shares for the years ended 31 December 2016 and 2015.

## 12. Business combination

- (a) Acquisition not under common control during the year ended 31 December 2016

	<b>From acquisition date to 31 December 2016 acquirees'</b>		
	<b>Revenue</b>	<b>Net loss</b>	<b>Net cash in/(out)</b>
Xuzhou Tongshan District Xiehe Wind Power Generation Limited Liability Company ("Tongshan Xiehe Wind Power Generation") (i)	–	–	17,177
Luoyang Yangguang Co- generation Limited Liability Company ("Yangguang Cogeneration") (ii)	33,275	(55,809)	(109,014)

- (i) In July 2016, the Company acquired 100% equity interests of Tongshan Xiehe Wind Power Generation from Xiehe Wind Power Generation Investment Co., Ltd. for cash consideration of RMB3 million. The acquisition date was the date when the Company obtained control over Tongshan Xiehe Wind Power Generation. The acquisition cost equaled to the fair value of the identifiable net assets acquired, and therefore no goodwill was recognised.

Tongshan Xiehe Wind Power Generation was established on 3 March 2015 in Xuzhou, Jiangsu Province, and is mainly engaged in wind power generation, wind power research and related technical consulting services. On the acquisition date, the entity is under construction. From the acquisition date to 31 December 2016, Tongshan Xiehe Wind Power Generation had not commenced operation.

- (ii) In July 2016, the Company acquired 100% equity interests of Yangguang Cogeneration from Luoyang Shuiye Asset Investment Management Co., Ltd. for cash consideration of RMB7.89 million. The acquisition date was the date when the Company obtained control over Yangguang Cogeneration. The acquisition cost was less than the fair value of the identifiable net assets acquired, while the difference was credit to profit or loss.

Yangguang Cogeneration was established on 6 April 2004 in Luoyang, Henan Province, and is mainly engaged in production and supply of electric and heating power.

(b) Acquisition consideration and goodwill

	<b>Tongshan Xiehe Wind Power</b>	<b>Yangguang Cogeneration</b>
Fair value of total identifiable net assets	3,000	137,811
Difference between the acquisition cost and the fair value of the identifiable net assets acquired	<u>–</u>	<u>(129,921)</u>
Cash consideration	3,000	7,890
Less: Cash and cash equivalents of acquirees	<u>667</u>	<u>167,644</u>
Cash consideration paid/(received) for acquisition of subsidiaries, net of cash acquired	<u><u>2,333</u></u>	<u><u>(159,754)</u></u>

(c) The assets and liabilities arising from the acquisitions of above entities are as follows:

	<b>Tongshan Xiehe Wind Power Generation Fair Value</b>	<b>Tongshan Xiehe Wind Power Generation Carrying Amount</b>	<b>Yangguang Cogeneration Fair Value</b>	<b>Yangguang Cogeneration Carrying Amount</b>
Bank balances and cash	667	667	167,644	167,644
Account receivables	–	–	100,882	100,882
Inventories	–	–	14,669	14,669
Other current assets	–	–	5,353	5,353
Property, plant and equipment	2,333	2,333	317,172	344,533
Land use rights	–	–	61,027	19,336
Other non-current assets	–	–	61	61
Account payable and other liabilities	–	–	53,994	53,994
Tax payables	–	–	35,092	35,092
Current portion of other non-current liabilities	–	–	256,923	256,923
Deferred income tax liabilities	–	–	58,929	55,346
Other non-current liabilities	–	–	124,059	124,059
Total identifiable net assets	<u>3,000</u>	<u>3,000</u>	<u>137,811</u>	<u>127,064</u>

## B. FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP

(Amount expressed in units of RMB unless otherwise stated)

### 1. FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS

	Unit	For the year ended 31 December		Variance (%)
		2016	2015	
Operating revenue	Yuan	<b>113,814,235,972</b>	128,904,872,501	(11.71)
Profit before taxation	Yuan	<b>14,366,336,655</b>	23,385,127,195	(38.57)
Net profit attributable to equity holders of the Company	Yuan	<b>8,814,290,887</b>	13,786,050,131	(36.06)
Net profit attributable to equity holders of the Company (excluding non-recurring items)	Yuan	<b>7,980,897,158</b>	13,513,008,075	(40.94)
Basic and diluted earnings per share	Yuan/Share	<b>0.58</b>	0.95	(38.95)
Basic earnings per share (excluding non-recurring items)	Yuan/Share	<b>0.53</b>	0.93	(43.01)
Return on net assets (weighted average)	%	<b>10.91</b>	19.29	decreased by 8.38 percents
Return on net assets calculated based on net profit excluding non-recurring items (weighted average)	%	<b>9.88</b>	19.04	decreased by 9.16 percents
Net cash flows from operating activities	Yuan	<b>31,510,824,330</b>	42,362,706,957	(25.62)

	<u>Unit</u>	<u>31 December 2016</u>	<u>31 December 2015</u>	<u>Variance(%)</u>
Total assets	Yuan	309,417,628,458	299,729,722,622	3.23
Equity holders' equity attributable to equity holders of the Company	Yuan	81,521,509,094	79,408,970,292	2.66

*Note:* Formula of key financial ratios:

Earnings per share = Net profit attributable to equity holders of the Company for the year/Weighted average number of ordinary shares

Return on net assets (weighted average) = Net profit attributable to equity holders of the Company for the year/Weighted average shareholders' equity (excluding non-controlling interests)×100%

## 2. ITEMS AND AMOUNTS OF NON-RECURRING ITEMS

*(Amounts Expressed in RMB Yuan)*

<u>Non-recurring Items</u>	<u>For the year ended 31 December 2016</u>
Net loss on disposal of non-current assets	(591,810,803)
Government grants recognized though profit or loss, excluding those having close relationships with the company and its subsidiaries' operation and enjoyed in fixed amount or quantity according to uniform national standard	504,807,199
The loss on fair value change of held-for-trading financial assets and liabilities (excluding effective hedging instruments related to operating activities of the Company) and disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	950,522,963
Reversal of doubtful accounts receivable individually tested for impairments	438,281
Difference between the value of acquisition cost and the fair value of the identifiable net asset acquired in business combination	129,924,235
Non-operating incomes and expenses besides items above	184,403,812
Other items recorded in the profit and loss in accordance with the definition of non-recurring items	<u>(18,445,786)</u>
Subtotal	----- 1,159,839,901
Impact of Income tax	(321,196,721)
Impact of non-controlling interests (net of tax)	<u>(5,249,451)</u>
Total	<u><u>833,393,729</u></u>

### 3. INCOME STATEMENTS

For the year ended 31 December 2016

(Amounts expressed in RMB, except for per share data)

	For the year ended 31 December			
	2016	2015	2016	2015
	Consolidated	Consolidated	The Company	The Company
<b>1. Operating revenue</b>	<b>113,814,235,972</b>	128,904,872,501	<b>41,932,179,406</b>	48,824,765,477
Less: Operating cost	<b>89,389,949,206</b>	91,521,263,827	<b>31,619,545,950</b>	32,932,324,903
Taxes and surcharges	<b>1,177,817,607</b>	1,157,760,341	<b>504,225,558</b>	542,106,120
Selling expenses	<b>15,623,534</b>	4,437,495	<b>5,124,301</b>	—
General and administrative expenses	<b>3,336,491,561</b>	3,996,645,229	<b>1,920,747,700</b>	2,191,040,671
Financial expenses	<b>6,920,540,140</b>	7,809,346,597	<b>3,723,814,981</b>	4,700,579,758
Impairment losses	<b>1,204,958,267</b>	3,090,152,798	<b>50,362,282</b>	2,328,220,669
Add: Loss from changes in fair value	<b>(12,986,250)</b>	(16,742,219)	—	—
Investment income	<b>2,383,142,805</b>	1,697,195,977	<b>9,683,405,175</b>	8,459,059,750
Including: investment income from associates and joint ventures	<b>1,313,108,550</b>	1,581,958,418	<b>1,006,626,570</b>	1,125,176,601
<b>2. Operating profit</b>	<b>14,139,012,212</b>	23,005,719,972	<b>13,791,763,809</b>	14,589,553,106
Add: Non-operating income	<b>980,918,348</b>	1,001,815,518	<b>485,835,845</b>	740,072,096
Including: gain on disposal of non-current assets	<b>31,538,775</b>	74,219,032	<b>29,676,221</b>	48,628,206
Less: Non-operating expenses	<b>753,593,905</b>	622,408,295	<b>270,454,052</b>	314,492,647
Including: loss on disposal of non-current assets	<b>623,349,578</b>	479,061,573	<b>209,861,557</b>	236,014,572
<b>3. Profit before income tax</b>	<b>14,366,336,655</b>	23,385,127,195	<b>14,007,145,602</b>	15,015,132,555
Less: Income tax expense	<b>3,580,111,837</b>	5,835,450,124	<b>1,581,794,648</b>	2,659,485,345
<b>4. Net profit</b>	<b>10,786,224,818</b>	17,549,677,071	<b>12,425,350,954</b>	12,355,647,210
Attributable to:				
– Equity holders of the Company	<b>8,814,290,887</b>	13,786,050,131	<b>12,425,350,954</b>	12,355,647,210
– Non-controlling interests	<b>1,971,933,931</b>	3,763,626,940	—	—

	For the year ended 31 December			
	2016	2015	2016	2015
	<u>Consolidated</u>	<u>Consolidated</u>	<u>The Company</u>	<u>The Company</u>
<b>5. Earnings per share (based on the net profit attributable to equity holders of the Company)</b>				
Basic earnings per share	<b>0.58</b>	0.95	—	—
Diluted earnings per share	<b>0.58</b>	0.95	—	—
<b>6. Other comprehensive income/(loss), net of tax</b>	<b>485,283,269</b>	1,155,859,496	<b>(1,062,771,477)</b>	1,251,084,580
Items that may be reclassified subsequently to profit or loss, net of tax, attributable to shareholders of the Company:	<b>484,799,177</b>	1,155,955,799	<b>(1,062,771,477)</b>	1,251,084,580
Including:				
Fair value changes of available-for-sale financial asset	<b>(148,041,097)</b>	558,260,758	<b>(148,465,974)</b>	558,260,758
Gain on disposal of available-for-sale financial asset reclassified to profit and loss	<b>(741,647,613)</b>	—	<b>(741,647,613)</b>	—
Share of other comprehensive (loss)/income of investees accounted for under the equity method	<b>(180,572,494)</b>	678,793,427	<b>(180,572,494)</b>	678,793,427
Effective portion of cash flow hedges	<b>1,015,102,822</b>	51,921,810	<b>7,914,604</b>	14,030,395
Translation differences of the financial statements of foreign operations	<b>539,957,559</b>	(133,020,196)	—	—
Other comprehensive income allocated to non-controlling, net of tax	<b>484,092</b>	(96,303)	—	—
<b>7. Total comprehensive income</b>	<b><u>11,271,508,087</u></b>	<u>18,705,536,567</u>	<b><u>11,362,579,477</u></b>	<u>13,606,731,790</u>
Attributable to				
– Equity holders of the Company	<b>9,299,090,064</b>	14,942,005,930	<b>11,362,579,477</b>	13,606,731,790
– Non-controlling interests	<b>1,972,418,023</b>	3,763,530,637	—	—

#### 4. CONSOLIDATED NET PROFIT RECONCILIATION BETWEEN PRC GAAP AND IFRS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with “PRC GAAP”, differ in certain respects from that of IFRS. Major impact of adjustments for IFRS, on the consolidated net profit attributable to equity holders of the Company, are summarized as follows:

	<b>Consolidated net profit attributable to equity holders of the Company</b>	
	<u>2016</u>	<u>2015</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Consolidated net profit attributable to equity holders of the Company under PRC GAAP</b>	<b>8,814,290</b>	13,786,050
<b>Impact of IFRS adjustments:</b>		
Effect of reversal of the recorded the amounts received in advance of previous years (a)	<b>23,511</b>	273,157
Amortization of the difference in the recognition of housing benefits of previous years (b)	<b>(866)</b>	(940)
Difference on depreciation related to borrowing costs capitalized in previous years (c)	<b>(27,016)</b>	(27,016)
Differences in accounting treatment on business combinations under common control and depreciation and amortization of assets acquired in business combinations under common control (d)	<b>(440,722)</b>	(527,153)
Others	<b>(108,106)</b>	(145,125)
Applicable deferred income tax impact of the GAAP differences above (e)	<b>114,962</b>	136,507
Profit attributable to non-controlling interests on the adjustments above	<b>144,374</b>	156,453
<b>Consolidated net profit attributable to equity holders of the Company under IFRS</b>	<b><u>8,520,427</u></b>	<u>13,651,933</u>

***(a) Effect of recording the amounts received in advance of previous years***

In accordance with the tariff setting mechanism applicable to certain power plants of the Company in previous years, certain power plants of the Company receive payments in advance in the previous years (calculated at 1% of the original cost of fixed assets) as the major repair and maintenance cost of these power plants. Such receipts in advance are recognized as liabilities under IFRS and are recognized in profit or loss when the repairs and maintenance is performed and the liabilities are extinguished. In accordance with PRC GAAP, when preparing the financial statements, revenue is computed based on actual power sold and the tariff currently set by the State, no such amounts are recorded.

***(b) Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries in previous years***

The Company and its subsidiaries once provided staff quarters to the employees of the Company and its subsidiaries and sold such staff quarters to the employees of the Company and its subsidiaries at preferential prices set by the local housing reform office. Difference between cost of the staff quarters and proceeds from the employees represented the housing losses, and was borne by the Company and its subsidiaries.

Under Previous Accounting Standards and Accounting System (“Previous PRC GAAP”), in accordance with the relevant regulations issued by the Ministry of Finance, such housing losses incurred by the Company and its subsidiaries are fully charged to non-operating expenses in previous years. Under IFRS, such housing losses incurred by the Company and its subsidiaries are recognized on a straight-line basis over the estimated remaining average service lives of the employees.

***(c) Effect of depreciation on the capitalization of borrowing costs in previous years***

In previous years, under Previous PRC GAAP, the scope of capitalization of borrowing costs was limited to specific borrowings, and thus, borrowing costs arising from general borrowings were not capitalized. In accordance with IFRS, the Company and its subsidiaries capitalized borrowing on general borrowing used for the purpose of obtaining qualifying assets in addition to the capitalization of borrowing costs on specific borrowings. From 1 January 2007 onwards, the Company and its subsidiaries adopted PRC GAAP No. 17 prospectively, the current adjustments represent the related depreciation on capitalized borrowing costs included in the cost of related assets under IFRS in previous years.

***(d) Differences in accounting treatment on business combinations under common control and depreciation and amortization under common control***

Huaneng Group is the parent company of HIPDC, which in turn is also the ultimate parent of the Company. The Company carried out a series of acquisitions from Huaneng Group and HIPDC in previous years. As the acquired power companies and plants and the Company were under common control of Huaneng Group before and after the acquisitions, such acquisitions are regarded as business combinations under common control.

In accordance with PRC GAAP, under common control business combination, the assets and liabilities acquired in business combinations are measured at the carrying amounts of the acquirees in the consolidated financial statements of the ultimate controlling party on the acquisition date. The difference between carrying amounts of the net assets acquired and the consideration paid is adjusted to equity account of the acquirer. The operating results for all periods presented are retrospectively restated as if the current structure and operations resulting from the acquisition had been in existence since the beginning of the earliest year presented, with financial data of previously separate entities consolidated. The cash consideration paid by the Company is treated as an equity transaction in the year of acquisition.

For the business combination occurred prior to 1 January 2007, in accordance with Previous PRC GAAP, when equity interests acquired is less than 100%, the assets and liabilities of the acquirees are measured at their carrying amounts. The excess of consideration over the proportionate share of the carrying amounts of the net assets acquired was recorded as equity investment difference and amortized on a straight-line basis for not more than 10 years. When acquiring the entire equity, the entire assets and liabilities are accounted for in a method similar to purchase accounting. Goodwill arising from such transactions is amortized over the estimated useful lives on a straight-line basis. On 1 January 2007, in accordance with PRC GAAP, the unamortized equity investment differences and goodwill arising from business combinations under common control were written off against undistributed profits.

Under IFRS, the Company and its subsidiaries adopted the purchase method to account for the acquisitions above. The assets and liabilities acquired in acquisitions were recorded at fair value by the acquirer. The excess of acquisition cost over the proportionate share of fair value of net identifiable assets acquired was recorded as goodwill. Goodwill is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses. The operating results of the acquirees are consolidated in the operating results of the Company and its subsidiaries from the acquisition dates onwards.

As mentioned above, the differences in accounting treatment under PRC GAAP and IFRS on business combinations under common control affect both equity and profit. Meanwhile, due to different measurement basis of the assets acquired, depreciation and amortization in the period subsequent to the acquisition will be affected which will also affect the equity and profit or loss upon subsequent disposals of such investments. Such differences will be gradually eliminated following subsequent depreciation, amortization and disposal of related assets.

*(e) Deferred income tax impact on GAAP differences*

This represents related deferred income tax impact on the GAAP differences above where applicable.