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中 電 控 股 有 限 公 司

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Announcement of Annual Results from 1 January 2016 to 31 December 2016, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings increased 7.1% to HK$12,334 million driven by a 10% increase in the contribution from overseas businesses.
- Operating earnings from our local electricity business in Hong Kong rose by 4.6% to HK$8,640 million.
- Total earnings decreased 18.8% to HK$12,711 million mainly due to a significant contribution from the sale of the Iona Gas Plant in Australia in 2015.
- Consolidated revenue decreased 1.6% to HK$79,434 million.
- Fourth interim dividend of HK$1.09 per share; including the first three interim dividends paid, total dividends for 2016 were HK$2.80 per share (2015: HK$2.70 per share).

CHAIRMAN'S STATEMENT

I am pleased to say that 2016 was a year of steady progress across our portfolio. During the year, Group operating earnings increased 7.1% to HK$12,334 million from a year earlier. Total earnings were down 18.8% to HK$12,711 million after taking into account one-off items that affected comparability including a significant contribution from the sale of the Iona Gas Plant in Australia in 2015. The Board has recommended a fourth interim dividend for 2016 of HK$1.09 per share which, together with the three dividends already paid, brings 2016's total dividends to HK$2.80 per share, an increase from HK$2.70 in the previous year.

Among the significant global events in 2016 was the adoption and ratification of the Paris agreement on climate change in record time. This landmark event confirmed an unprecedented international commitment to addressing the issue of climate change and accelerating the pace of decarbonisation globally. It also emphasised the importance of all the actions we have taken at CLP to reduce our emissions over the years, even when the resolve of the international community wavered.

In this Statement, I would like to focus my discussion on one particular milestone that demonstrates our commitment to transitioning to a low carbon future – the signing of a conditional agreement with CGN Power to acquire a 17% holding in Yangjiang Nuclear Power Co., Ltd. We have much else to report, but this project stands out.

The Yangjiang project has a special resonance for CLP. In the late 1970s, under the leadership of my late father, Lord Kadoorie, the Company took a bold move to step into the nuclear age with the construction of the Daya Bay Nuclear Power Station – the first commercial nuclear power station in China. The success of Daya Bay underscores the important role that nuclear power has to play in the supply of clean energy, more so now than ever given our planet's urgent need to tackle the effects of global warming and air quality. Now, all these years later, I am particularly pleased with the Yangjiang acquisition. Not only does it acknowledge the legacy of my father and his vision, it also enables us to build on the very successful partnership with CGN established since Daya Bay. Furthermore, the investment puts us in a strong position to benefit from the growing prosperity of the Pearl River Delta, the largest urban area in the world in terms of size and population.

The transaction represents a further step towards achieving the goals we have set out in our "Climate Vision 2050" – a commitment that I have underlined a number of times in the past to reduce our carbon intensity in 2050 by 75% compared with 2007. The levels of investment involved in Yangjiang of about HK$8 billion, and the long operational time frame of the project, also underscore the point I have made so often about the energy business. An industry as complex as ours and with such long-term commitments needs certainty and predictability so that we can look forward and plan with confidence for the future.

Shareholders will be aware that we are currently in discussions with the Hong Kong Government in reviewing the Scheme of Control (SoC) which regulates the city's power industry. We have made it clear in many ways and on many occasions that the SoC has worked extremely well for over half a century and has been an effective tool to keep pace with changing times and to meet community aspirations. The SoC has provided regulatory and economic certainty, enabling us to meet the needs of our customers with reliable power at reasonable tariff levels that few, if any, cities in the world can match.

While we await the final outcome of the discussion with the Government, we remain committed to serving Hong Kong's long-term interests. During the year, we received approval from the Government to construct an additional gas-fired generation unit at Black Point Power Station in support of its target of increasing the percentage of local gas generation by 2020. A significant feature of the unit is its advanced design that lifts its efficiency by about a fifth allowing us to further reduce local air emissions while meeting the community needs for electricity. We will continue to work with the Government to achieve Hong Kong's long-term emissions reduction goals. This is what our community expects and deserves and we shall play our part in helping to bring this about.

Another important part of our transition to a lower carbon future is renewable energy. As part of our "Focus · Delivery · Growth" strategy, we have commissioned over 650MW of renewable projects in Mainland China and India since January 2014 and our first solar farm in India is on schedule for commissioning later this year. EnergyAustralia has recently made a pledge to underpin the development of new wind and solar projects of up to 500MW by committing to purchase the clean energy provided by the plants. Renewable energy now accounts for 16.6% of our generation portfolio across the group.

Meanwhile, the accelerated pace of technological change is disrupting various businesses and the power industry is no exception. Smart grids, smart cities and the shared economy are triggering new business models. Competition in the energy industry is more intense than ever, not only from traditional players but also increasingly from a variety of new entrants.

These developments are very much at the forefront of our minds. We have been a pioneer in embracing new technologies and changes not despite, but thanks to our 115 years of experience in all stages of the electricity supply chain. We are taking steps to address the challenges and opportunities they represent. The new Smart Charge joint venture with HKT to bring a one-stop charging solution to Hong Kong's large fleet of electric vehicles shows that we stand ready to take on new ideas and seize opportunities in the digital space and in the age that emphasises customer centricity.

I would like to conclude on an unusual but happy note. As chairman of this great public company, I am accustomed to receiving all kinds of correspondence, some offering criticism, some comments, others advice and compliments. But I have rarely felt such pleasure from a beautifully written and well thought out letter I received recently from a 16-year-old boy in Gujarat, India. In it, Jigar S. Mahedu put forward his views on the advantages and limitations in the wind farm business having given considerable thought to the current technology and how it might be best used. I told Jigar that his ideas and suggestions were much appreciated. I also assured him that much of what he had to say has in one way or another been a focus of attention of CLP, where we value innovation, creativity and vision as we look forward to a future that not too long ago few people ever imagined.

The Honourable Sir Michael Kadoorie

CEO'S STRATEGIC REVIEW

With all the unpredictable events that occurred across the world in 2016, from the UK to the US to China, it will likely be remembered as a year of uncertainty. On top of this, we are seeing disruption in our industry as the world addresses the challenges posed by climate change and technological evolution. There were also incidents of major power blackout in different parts of the world and in Australia in particular which served as a reminder, if needed, of the importance of making the right investment to ensure power supply reliability.

CLP is not immune from these global forces and yet despite these significant influences we have continued to operate our businesses steadily and reliably across the portfolio, thus delivering dependable growth. I would therefore like to make use of this Strategic Review to set out how each of our businesses fared across the five major markets last year, and how CLP is well-positioned to face the challenges and seize the opportunities for our industry in markets where we operate.

Hong Kong

Although our home base Hong Kong is seen by some as a mature market, we still see an increase in demand for electricity and its related delivery infrastructure. This is driven by a growing population and customer base as well as major infrastructure developments such as the expanding MTR network, the high-speed rail link and the Hong Kong-Zhuhai-Macao Bridge. We are always seeking better ways to serve our customers and are leveraging rapidly changing technology to provide them with more innovative solutions. As such, our business continued to grow steadily and we have consistently maintained a world-class reliability and safety record. Operating earnings increased 4.6% to HK$8,640 million.

During the year, we made good progress in two new investment opportunities. Approval to construct a new gas-fired generation unit at Black Point was obtained and an environmental impact assessment study of an offshore liquefied natural gas (LNG) terminal in Hong Kong waters commenced. These projects will go a long way towards reducing carbon intensity in Hong Kong and strengthening the city's energy security in support of the Government's 2020 fuel mix objective and its new 2030 climate target.

We would be less able to make these investments if not for the stable operating environment in Hong Kong. Regulatory clarity and a reasonable return are our shareholders' most basic considerations when it comes to endorsing long-term investment plans. The SoC has been an effective framework that helps ensure the right investments are made to meet community aspirations and the steady, progressive development of Hong Kong. Discussions with the Government over a new SoC Agreement are underway and we look forward to a regime that will allow us to continue to serve Hong Kong and contribute to the Government's long-term energy objectives.

Mainland China

During the year, the slowing economic growth and electricity demand in Mainland China impacted our business, with our coal-fired projects being the most hard hit. By contrast, our renewables business held up well and performance at Daya Bay Nuclear Power Station was strong. Taking these factors into account, operating earnings in 2016 dropped from HK$1,977 million to HK$1,521 million.

The decline in our coal-fired generation business was driven by three major factors which included lower utilisation, higher coal costs and reduced tariffs. We have sought to mitigate the pressure on utilisation by participating in direct sales programmes at discounted tariffs and will continue to do so in the coming year.

Towards the end of the year, we announced our investment in Yangjiang Nuclear Power Station. The transaction is expected to be completed in a few months. Daya Bay's excellent operational and safety performance over the years has allowed us to develop nuclear power in Mainland China with great confidence. The Yangjiang investment is set to provide a stable and reliable stream of earnings in a sector that has strong policy support from the Central People's Government. This investment underscores our belief that nuclear power as a zero carbon technology will play a pivotal role in China's energy transition.

In 2016, we continued to expand our renewable investment and added new capacity of 275MW. This lifted the size of our renewable portfolio in Mainland China to over 2,000MW. At the same time, we commissioned Phase II of Fangchenggang Power Station in Guangxi Zhuang Autonomous Region which utilises the cleanest and most advanced ultra-supercritical coal technology to ensure it meets the latest environmental regulations.

India

In 2016, our coal-fired Jhajjar plant and gas-fired Paguthan project reported steady operational performance. Jhajjar achieved a record availability of 93% and Paguthan 94%. However, we reported a drop in operating earnings to HK$469 million because we booked several one-off gains in 2015 that were not repeated in 2016.

During the year, we continued to develop our renewable energy portfolio and construction of our maiden solar project in southern India is progressing. The electricity produced by our wind farms in 2016 was 16% higher than in 2015 due to additional capacity added in the second half of 2015. The commissioning of these new projects has consolidated our position as one of the biggest renewable energy developers in India. Although India is still a coal-dependent country, it has been making clear moves to reduce dependency on fossil fuels. As a clean energy advocate, CLP will continue to support this policy by making further investments in the renewable energy sector. This is also where we see our long-term growth opportunities.

Southeast Asia and Taiwan

During the year, our operational performance in Southeast Asia and Taiwan continued to be strong. However, operating earnings decreased slightly to HK$274 million in line with Ho-Ping's tariff adjustment that reflected the lagging effect of lower coal prices in the prior year. I am also happy to report that development of our two coal-fired projects in Vietnam has progressed well.

Australia

While the operating environment in Australia's power industry remained challenging in 2016, EnergyAustralia's financial performance continued to improve. Our strategy that puts customers first, together with high availability and power production from our generation facilities in a tightening wholesale electricity market, has enabled us to deliver improved operating and financial results. During the year, operating earnings more than doubled to HK$1,849 million. The reduction in debt following the Iona sale has also had a positive impact reducing overall interest costs.

I am glad to report continuing progress in our retail business. The number of EnergyAustralia's customer accounts remained stable in an intensely competitive environment. Most importantly, our customers are staying longer, churn was lower and there were fewer complaints, reflecting improvements in service.

In ongoing support of our business, last December, EnergyAustralia announced it would sign agreements that underpin the development of around 500MW of new wind and solar energy projects across eastern Australia. This confirms our significant support of the country's renewable energy developments and EnergyAustralia's commitment to the Australian

Government's Renewable Energy Target to achieve 23.5% of total energy in the national electricity market provided by renewable energy by 2020.

However, there are wider issues to be addressed in the Australian wholesale energy market. The blackout in South Australia last September is a painful reminder of the need for a holistic, stable and coordinated national energy policy. We would like to see a national plan to manage the switch from a coal-dominated energy supply system to a cleaner one that balances environmental issues with affordability and reliability.

Safety

Safety is our first priority and our goal is to have zero injuries at each of our sites. Although we continued to reduce our injury rates in 2016, sadly three of those injuries were fatal incidents at sites under our operating control. All involved contractors with two of the incidents relating to falls from height and the other one an assault on a security guard at a remote location. Even one life lost is one too many, and I would like to take this opportunity to express my deepest sympathy to the families of the deceased. We have investigated all the incidents and devised a course of actions to improve our safety practices and enhance contractors' knowledge and competence in order to avoid similar events in future.

The Forces Behind

The power industry has seen a great deal of change over the decades and has been a key element in the support for the economic growth and community development seen around the world. Today, there are two driving forces that offer opportunities and risks to which the industry must respond: the energy sector's important role in tackling climate change, and the opportunity to harness the digital revolution and to put it to work for the energy industry.

Climate Change

We are glad to see that the Paris agreement on climate change has been ratified, and that a much faster rate of decarbonisation is taking place internationally. However, the power industry alone cannot meet the agreed climate change mitigation targets. Meeting the challenge will require a collaborative effort by industry, government and civil society alike.

We need to have in place three key elements: a sustainable set of regulatory structures that facilitate the transition to a cleaner energy mix; financing mechanisms to support that change; and conventional and renewable energy sources that are reliable and affordable. While the power industry is ready to roll up its sleeves and do its part, we must also accept that different parts of the world will require different solutions. In developing economies, coal will inevitably remain a vital primary energy source for some time. For our part, CLP is committed to supporting the different choices made by the governments of the communities where we operate and to delivering the cleanest solutions based on the choices those countries make.

We look forward to continued and active involvement with governments to help formulate the regulations required to facilitate this energy transition. From a Hong Kong perspective, we welcome the vision the Government has shown us by setting a new target for carbon intensity reduction by 2030 and providing a well-defined roadmap for the city's transition towards a low carbon future.

Innovation

CLP is more than 115 years old. Over the years, we have gone through tremendous changes but we are still prospering. This is because we have been adaptable. The digital revolution is changing the face of our industry and offers many exciting opportunities. We no longer think of electricity as the only product we offer our customers. Our business is about the quality of our services, the variety of our products and the commitment we make to our customers. With technological advancement and increasing competition, we are faced with disruption in a way that is all too familiar in other industries.

Our business in the next five to ten years may be very different to what it is today. We will be part of the smart infrastructure in the city, and we need to be proactive in playing that role. We need to build our capability and develop a strategy to manage data on a very large scale. We also need a platform so that all of the smart devices can plug into our electricity system. All of that will need to happen on our grid and right across our business.

We have already set up an innovation team to work on these areas and good progress has already been made. Our focus is twofold. First, we aim to leverage all these technologies and information to get better at what we do. We are looking across all our assets and examining how digital technology platforms can help optimise the performance of our generation fleet. The other focus is developing new areas for our business. An example of this is the Smart Charge initiative with HKT. There are more than 7,000 electric vehicles in Hong Kong, more than many cities in the world. Our joint venture's one-stop charging service provides owners and drivers with the convenience and security they need. In a business sense, Smart Charge recognises the different ways we can grow our business while contributing to Hong Kong as a smart city.

We also made an exciting new investment in Australia in Redback Technologies which combines smart home technology with battery storage. EnergyAustralia continues to examine a wide range of opportunities for customers, so the business is capable of thriving as the energy sector evolves. After all, for any business to be successful, we must develop products and services that meet the ever increasing expectations of our customers.

Outlook

Our strategy that centres on "Focus · Delivery · Growth" has worked well for us in the past two years.

Looking ahead, we will continue to invest in Hong Kong, our home. As in the past, we will work hard to provide the reliable and safe electricity supply that our customers deserve. Similarly, we will concentrate our resources on measures to lower emissions in order to support the Government's climate policy objectives through innovative solutions and create a greener Hong Kong for all.

We are confident that a new SoC will provide the clarity we need to meet the challenges of the coming years. We are equally confident that Hong Kong's infrastructure needs and developments will bring about new demand for our products and services.

Outside Hong Kong, we will continue to explore investment opportunities in Mainland China and India – our two major growth markets – primarily in non-carbon generation. In Vietnam, where the demographic and economic growth present a strong need for new low-cost generation capacity, we will look to conclude our Vung Ang II and Vinh Tan III projects. In Australia, we will continue our value restoration programme with a focus on our customers, new products and partnerships in innovative energy-efficient technology, and the orderly transition to a cleaner and lower-emission generation sector.

Our “Climate Vision 2050” is a solid foundation for CLP to support the objectives set out in the Paris Agreement. We will work assiduously with our stakeholders to forge ways to help bring the Agreement to reality. And we are preparing with a careful and innovative approach for the opportunities and challenges we see presented by the digital revolution.

CLP has a long history of growth and financial stability and there is every reason to believe that this credible record will continue long into the future.

Richard Lancaster

FINANCIAL PERFORMANCE

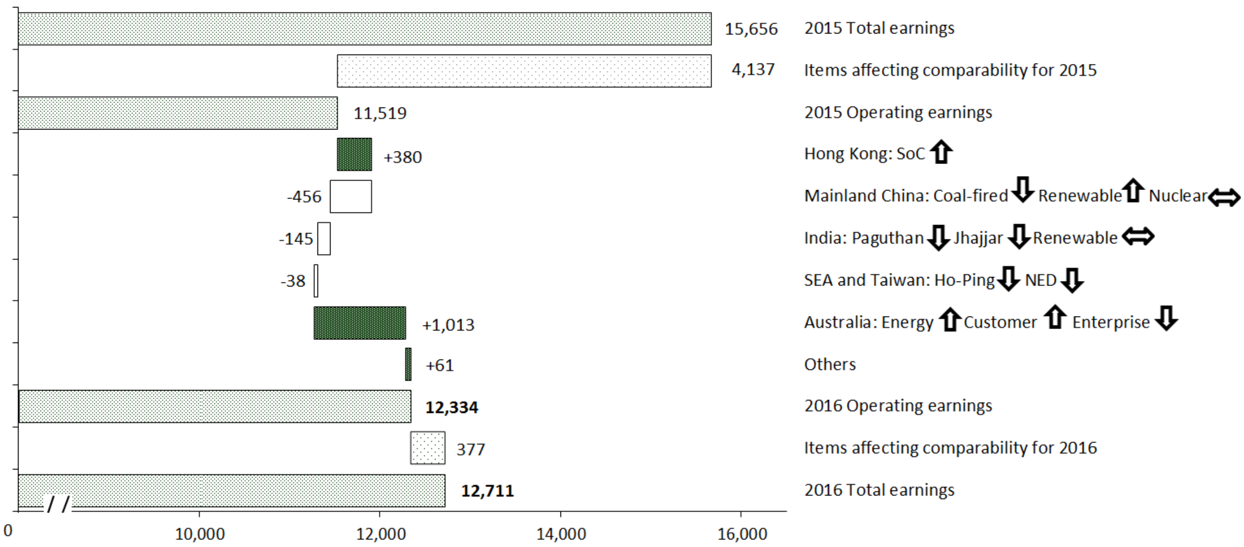
Operating earnings rose 7.1% to HK$12,334 million; total earnings decreased by 18.8% to HK$12,711 million mainly due to a significant contribution from the sale of the Iona Gas Plant in Australia in 2015.

	2016 HK$M	2015# HK$M	Increase/ (Decrease) %
Hong Kong	**8,640**	8,260	4.6
Hong Kong related*	**203**	206	
Mainland China	**1,521**	1,977	(23.1)
India	**469**	614	(23.6)
Southeast Asia (SEA) and Taiwan	**274**	312	(12.2)
Australia	**1,849**	836	121.2
Other earnings	**62**	(60)	
Unallocated net finance income	**33**	17	
Unallocated Group expenses	**(717)**	(643)	
Operating earnings	**12,334**	11,519	7.1
Items affecting comparability			
Property revaluation and transaction	**497**	99	
Impairment provision for Fangchenggang	**(199)**	-	
Impairment provision for Beijing Yire Power Station	**(58)**	(243)	
Reversal of over-provision of capital gain tax	**83**	-	
Reversal of onerous provision/(Impairment and onerous provisions) for generation assets	**54**	(1,480)	
Gain on sale of Iona Gas Plant	**-**	6,619	
Costs associated with the early termination of debt	**-**	(858)	
Total earnings	**12,711**	15,656	(18.8)

Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments about certain requirements of hedge accounting. Details are set out in Note 3 to the attached financial information.

* Hong Kong related includes PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

Earnings for the Year (HK$M)



The performance of individual business is analysed under individual business section.

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

Financial & Operational Performance

Overview

In 2016, we continued to provide our 2.5 million customers in Hong Kong with a safe, reliable and environmentally responsible electricity supply at a reasonable cost. Operating earnings from our electricity business were HK$8,640 million, a 4.6% increase from 2015.

During the year, we invested HK$7.3 billion to maintain and enhance our supply system and generation assets to meet both current and future energy demand. This included the upgrade of existing generation units, commissioning of new substations to support new development areas and the expansion of Hong Kong's railway networks, and the commissioning of new circuits to reinforce our transmission and distribution networks.

Demand for electricity and its delivery infrastructure was driven by new infrastructure projects and the city's ongoing development. Local electricity sales in 2016 rose 0.6% to 33,237 gigawatt hours (GWh) compared with the previous year and sales to the Mainland increased by 1.5% to 1,205GWh. Combined total electricity sales in 2016 increased by 0.6% to 34,442GWh.

We understand customers' concerns about the need for reasonable electricity prices, and we have always emphasised prudent management of costs. For 2017, we are able to freeze the Average Total Tariff at HK$1.132 per unit of electricity and at the same time offer our customers special fuel rebates amounting to nearly HK$800 million, or 2.3 cents per unit of electricity consumed in 2016.

Our local electricity business is regulated by the Hong Kong Government through the SoC Agreement. As the current agreement will expire in September 2018, we are in discussions with the Government over a new SoC Agreement. The SoC Agreement has served Hong Kong well for over half a century and has been an effective framework to meet the Government's energy objectives and community aspirations. We look forward to reaching agreement with the Government.

Climate Change

We endeavour to minimise the impact of power generation on the environment and to play our part in transforming Hong Kong into a smarter and greener city. We continued to pursue a number of key initiatives to support the Government in achieving its policy objective of increasing the use of natural gas to around 50% of the total fuel mix for electricity generation in 2020.

In December 2016 we obtained approval from the Government to construct a 550MW gas-fired generation unit at our Black Point Power Station which will use the state-of-the-art combined-cycle gas turbine technology. Construction work has started and we aim to commission the new unit before 2020. The total estimated capital expenditure of the new gas unit is about HK$5.5 billion.

In addition, we continued our discussions with the Government and other stakeholders regarding the proposal to build an offshore LNG terminal in Hong Kong waters. The terminal will enable us to have direct access to a range of gas sources from around the world and strengthen the reliability of Hong Kong's fuel supplies. We are progressing with various studies under the environmental impact assessment of the project, and are proactively engaging with potential suppliers to secure the additional supply of gas needed on a long-term basis. A final investment decision is expected by the end of 2018.

Meanwhile, to cater for gas demand in the near term, we are working closely with CNOOC Limited to link the new Wenchang gas field currently under development in the South China Sea to our existing pipeline to bring gas to Hong Kong from 2018 onwards as supply from the Yacheng gas field declines.

In order to combat climate change and in support of the Government's recently announced targets to reduce carbon intensity in Hong Kong from the 2005 level by 65% to 70% by 2030, CLP will undertake both supply and demand-side measures focusing on mitigation, adaptation and resilience.

Mitigation

As an electricity supplier, CLP is committed to mitigating the impact of our operation on climate change. On the supply side, we strive to lower the emissions from our power generation by using cleaner fuel and promoting the use of renewable energy where practicable despite its constraints in Hong Kong. For our existing fleet, we completed the upgrade of two generation units, one at Black Point and another at Castle Peak in 2016, with advanced emissions control technologies to improve efficiency and reduce emissions. We also supported the development of renewable energy and have connected more than 250 renewable energy systems to our grid. One example is the support we provided for the Drainage Services Department to build Hong Kong's biggest solar farm near the airport. The 1.1MW solar farm made up of over 4,200 solar panels is capable of generating electricity for about 230 households a year. We are also applying for an environmental permit from the Government to develop Hong Kong's largest landfill gas power generation project that will produce 10MW of renewable power close to our Black Point Power Station.

On the demand side, our efforts focus on the promotion of energy efficiency and conservation (EE&C) through the following green tools and education programmes.

Green Tools

EE&C support for customers

- Conducted 160 free energy audits for some of our industrial and commercial customers, and helped save 15.8GWh of electricity.
- Launched the "Supporting SME with 6 Energy-Saving Rewards" campaign to help small and medium businesses to reduce electricity consumption.

Eco Power 360

- Launched the enhanced online home energy assessment platform to encourage our customers to use energy wisely.

Meter Online

- Developed an innovative energy management tool that provides a nine-day energy forecast based on weather information to help our largest customers predict and manage their electricity consumption.

Eco Building Fund

- Provided subsidies to residential building owners to enhance the energy efficiency of the communal areas of their buildings.
- Approved 83 applications, with total funding reaching HK$36.4 million.

Education Programmes

POWER YOU Kindergarten Education Kit

- Has enabled 135,000 kindergarten children in Hong Kong to learn about electricity and energy efficiency through this electricity-themed interactive kit.

CLP's Green Studio

- Received over 110,000 visitors since 2009 through Hong Kong's first mobile classroom with interactive 4D movie and augmented reality educational games.

Engineer in School

- Reached out to some 3,000 secondary school students to learn more about energy and encouraging the younger generation to consider careers in the power industry and engineering.

Green Elites Campus Accreditation Programme cum Green Elites Portal Award Scheme

- Accredited 11 primary schools as green schools and reached out to more than 37,000 students to promote green education.

Adaptation & Resilience

While we work to reduce the carbon emissions contributing to climate change with the above measures, we also need to adapt and upgrade our facilities to strengthen our defence against extreme weather events that are becoming more frequent.

In 2016, we completed the reinforcement project for pylons of 400kV overhead lines and various critical structures at Castle Peak Power Station so that they can better withstand super typhoons. We have also installed flood damage mitigation and alarm systems at our low lying substations to guard against storm surges.

In addition, we conducted post-typhoon reviews and regular drills to ensure a smooth execution of our contingency plans when needed. Looking forward, we plan to develop a model that can more accurately forecast the effect of an approaching typhoon on our network so that even better preparation can be made.

Innovation

The phenomenal advancement of information and communication technologies in recent decades has provided ubiquitous connectivity and intelligent automation. The idea of "smart city" has emerged and cities around the world are building their own version of this concept. As an innovative energy service provider, CLP is well-positioned to support Hong Kong's transformation into becoming a smart city.

To further promote energy efficiency and conservation among our residential customers, we launched an innovative initiative Eco Rewards, a scheme that encourages energy savings where customers can earn points to redeem rewards. In addition to the many smart green tools that provide our customers with more choice, we recently cooperated with the Hong Kong Science and Technology Parks to explore new digital technologies designed by local start-ups to be showcased in our newly revamped customer service centre. These technologies will enable a more interactive and interesting experience for our customers in learning about the latest energy saving products and smart home solutions. Through this collaboration, CLP aims to act as a catalyst for innovation in Hong Kong.

Moreover, CLP is supportive of the Government's initiatives in developing a pilot project in Kowloon East to explore the feasibility of making Hong Kong a smart city. We will take every opportunity to apply emerging technologies in providing reliable, smart and greener electricity to customers.

In 2016, we joined forces with HKT in the Smart Charge service to promote green driving in Hong Kong. In addition to this, CLP has developed an extensive electric vehicle charging network in our supply area, where drivers can find a quick charging station on average every 10 kilometres.

<u>Environmental Performance</u>

Air Emissions

We have established a robust system to manage environmental issues, in particular air emissions, for our generation portfolio in Hong Kong and we conduct regular assessments to ensure our environmental controls are up to date.

In 2016, we continued to meet the stringent emissions caps set out by the Government which require CLP to reduce its emissions by up to 65% from the tight base of 2014. We adopted a number of operation measures including:

- further optimising our fuel mix,
- continuing the usage of low emissions coal, and
- enhancing the effectiveness of our emissions control facilities to meet the reduction targets, while maintaining high supply reliability at the same time.

During the year, we concluded discussions with the Government on a new set of emissions caps for our power stations starting from 2021. The new caps further tighten the allowances for emissions of sulphur dioxide, nitrogen oxides and respirable suspended particulates from the already stringent 2020 caps. With the approval of the new gas-fired generation unit at Black Point Power Station, we are on track to increase our natural gas generation to around 50% of our fuel mix starting in 2020.

Environmental Regulatory Compliance

All of our assets in Hong Kong achieved another year of full compliance with all environmental regulations in 2016.

Outlook

We look forward to agreeing with the Government on the new SoC Agreement in the near future, which will enable us to continue to provide a safe, reliable, environmentally friendly electricity supply for our customers at a reasonable cost.

We are equally committed to maintaining our excellent and innovative services for our customers and to stepping up our engagement with them through the offering of new products such as various digital platforms and visits to our new smart energy experience centre. As we expect electricity demand to continue to grow in our supply area on the back of new infrastructure developments and population growth, we need to keep pace with evolving customer needs, enabling their energy management and offering them more choice.

As Hong Kong's largest power company, we will also work closely with the Government to play our part in achieving its 2030 climate targets, supporting our city's transition to a greener and smarter future.

Electricity Business in the Mainland China

Financial & Operational Performance

Overview

In 2016, while Mainland China's economy continued to grow, albeit at a slower rate, utilisation of most thermal power plants remained low. This was partly due to the country's structural reform to shift away from heavy industry and other traditional growth sources as well as the continuous deployment of both thermal and renewable generation capacity. As a result, there was a glut in electricity supply in the northern and western parts of China with associated grid constraints and curtailments, particularly for renewables. In addition, more stringent environmental controls significantly affected thermal power plants. This is in line with China's commitment to reducing coal's dominance in the energy mix that was underlined in the 13^{th} Five-Year Plan announced in December 2016.

Against this backdrop, CLP's business in Mainland China reported a 23.1% decrease in operating earnings in 2016, mainly due to significant tariff reductions for our coal business, low utilisation hours, and the rebound of coal prices in the second half of the year. However, earnings of renewables rose by 27.4% to HK$404 million, largely driven by increased contributions from our hydro projects as well as new wind and solar projects. The earnings contribution of our renewable portfolio approached that of our coal projects. Meanwhile, earnings from our 25% stake in Daya Bay Nuclear Power Station increased by 2.3% as the plant continued to operate reliably with high utilisation rate.

The table below summarises our performance in Mainland China in the past two years.

Operating Earnings	**2016 (HK$m)**	2015 (HK$m)	Change
Renewables	404	317	+27.4%
Thermal	429	941	-54.4%
Nuclear	863	844	+2.3%
Operating and Development Expenditures	(175)	(125)	+40.0%
Total	1,521	1,977	-23.1%

Renewables Projects

In support of the Government's low carbon transition and CLP's Climate Vision 2050, we added 275MW to our renewable capacity in 2016, including 230MW wind and 45MW solar, bringing the total capacity of our renewable projects to over 2,000MW.

During the year, our hydro projects reported strong overall performance. Power generation at Huaiji in Guangdong province increased significantly thanks to abundant rainfall.

Our solar portfolio grew with the full-year operation of Xicun II in Yunnan province, which was commissioned in the second half of 2015, and our acquisition of the remaining 49% shareholding in Sihong in Jiangsu province from our joint venture partner in July. As a result, generation from our solar facilities increased by 17% compared with 2015.

Generation of our wind projects also increased from a year ago following the commissioning of Xundian I in Yunnan province, Sandu I in Guizhou province and CLP Laizhou I in Shandong province.

Notwithstanding the increase in earnings of our overall renewable portfolio, the financial performance of our renewable projects in Yunnan, Sichuan, Gansu and Jilin provinces were affected by grid curtailments and lower tariff rates prescribed by the local authorities under the different market sales programmes in 2016.

In 2016, Yang_er Hydro and Penglai Wind achieved Platinum 5-Star ratings from the internationally-recognised National Occupational Safety Association for the first time, recognising the projects' high safety, health and environmental standards.

Thermal Projects

During the year, utilisation of Fangchenggang Power Station was affected by the economic slowdown and competition from both nuclear and hydro projects in the Guangxi Zhuang Autonomous Region. The financial performance of Fangchenggang was also impacted by the discounted tariffs of increased direct sales. Because of these short-term adverse circumstances and the substantial environmental investment to enable Fangchenggang Power Station to effectively compete in the presently oversupplied market, we have booked a HK$199 million impairment to the carrying value of Fangchenggang's cash generating unit. Nevertheless, we remain optimistic about the long-term prospect of Fangchenggang due to its strategic location to the Association of Southeast Asian Nations countries. We are confident that demand for electricity will grow as more investors establish their businesses in Guangxi to take advantage of the region's access to the growing Belt and Road markets, a key initiative of the Central People's Government.

In the fourth quarter of 2016, we successfully commissioned two new units which use the most advanced ultra-supercritical technology at Fangchenggang Power Station Phase II.

In 2016, we were invited by the Guangxi Government to become a founding member of the Guangxi Power Exchange Centre. This provides us with an opportunity to contribute our knowledge and capitalise on our experience in competitive markets such as Australia.

Meanwhile, performance of our other minority-owned thermal projects was affected by tariff reductions, low utilisation and higher coal prices in the second half of the year.

Nuclear Projects

We believe nuclear energy plays a very important role in the world's and China's transition towards a low carbon economy. In November 2016, we entered into a conditional equity transfer agreement with CGN Power to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. The acquisition is a valuable opportunity for CLP to strengthen our presence in China's nuclear industry and in Guangdong province in particular.

During the year, the operation at Daya Bay Nuclear Power Station remained steady and its safety performance was ranked favourably by the World Association of Nuclear Operators.

Environmental Performance

Air Emissions

Fangchenggang is currently our only fossil-fuel based power station under CLP's operational control in Mainland China. Its air emissions in 2016 reduced from 2015 due to low dispatch levels.

The newly commissioned Fangchenggang II is designed and built to meet the latest and most stringent air emission requirements in Mainland China. We have begun tendering for a major retrofitting project for Fangchenggang I to enhance the efficiency and emission standards of its two supercritical units so that they can meet the same emissions requirements by 2020.

Environmental Regulatory Compliance

During the year, there was one environmental issue at Sandu I wind farm in Guizhou province where the construction of an access road and wind turbine platforms resulted in a greater impact on the environment and forestry land than initially authorised. The local Forestry authority has imposed a sanction totalling RMB14 million as at the end of 2016. A site environment restoration programme has mostly mitigated the impact with some seasonal revegetation works to be carried out in 2017. Project management and technical procedures have been enhanced to improve our future performance at this type of geographically difficult locations.

Outlook

With our diversified generation portfolio and an increasing share of non-carbon capacity, we are well-positioned to participate in the energy transition in Mainland China and withstand the impact of declining utilisation of our coal projects. In the coming years, we will focus on further expanding our clean energy portfolio, although we expect competition for new renewable projects to be keen and an evolving market regime is likely to affect their performance. At the same time, we expect the Yangjiang acquisition to have a positive impact on our future earnings from completion, which is expected to take place in the first half of 2017.

We also take note of the fact that direct trading with large power users will likely become more prevalent as China continues to reform its power sector. To this end, we will also seek to sign more direct sales contracts to boost utilisation.

As part of the move by the Central People's Government to combat climate change and lower emissions, it will establish a national carbon market in 2017 in order to expand the role of market forces in the development, manufacturing and operation of low carbon energy technologies. CLP will continue to monitor and prepare for the new market and ascertain how we can contribute our international experience to its development.

Electricity Business in India

Financial & Operational Performance

Overview

In 2016, operating conditions in India's power sector showed signs of improvement on the back of steady coal supply for thermal plants and better grid management for the renewable energy sector. Demand for power in India in recent months, however, has softened due to slower growth in the economy and the issue of power affordability. Nonetheless, the country continued to make progress with its low carbon transition in line with the target to achieve 160GW of renewable power by 2022.

During the year, availability of both of our thermal projects was above 90% with Jhajjar achieving a record availability of 93%. Energy produced by our wind farms increased from 1.5TWh in 2015 to 1.7TWh in 2016, reflecting the commissioning of new units. Despite these positive figures, operating earnings came down by HK$145 million to HK$469 million, mainly due to the fact that we benefited from several one-off elements in 2015 that amounted to HK$204 million and a contractual step down in tariffs for Jhajjar in 2016.

The table below summarises our performance in India in the past two years.

Operating Earnings	**2016 (HK$m)**	2015 (HK$m)	Change
Renewables	135	134	+0.7%
Thermal	334	480	-30.4%
Total	469	614	-23.6%

Renewables

2016 marked our entry into India's solar energy segment through a joint venture with Suzlon Group to develop a 100MW project in Telangana. CLP owns a 49% stake in the Veltoor Solar Farm with an option to acquire the remaining 51% in the future. The project is expected to be commissioned by mid-2017.

Our operating wind capacity totalled 924MW at the end of 2016. We commissioned Tejuva and Chandgarh wind farms in the second half of 2015 and their addition boosted the amount of electricity generated by wind power in 2016.

Meanwhile, Theni in Tamil Nadu had lower grid curtailment in 2016 compared with the previous year while our three wind farms in Rajasthan continued to face grid constraints throughout the year, although they had started to ease off in the fourth quarter. This challenge is not unique to CLP, and we are working closely with other members of the wind industry to resolve the issues.

In addition, we faced problems with one of our contractors suffering from financial difficulties, which led to lower availability of some of our projects. We are developing a course of action to address the situation and mitigate the adverse impacts on our business.

Thermal Projects

In 2016, both Paguthan and Jhajjar performed steadily.

At Paguthan, availability stood at 94%. The Government cancelled auctions for subsidised imports of gas from March 2016 due to a lack of competition. Consequently, utilisation has remained at around 10% as our customer Gujarat Urja Vikas Nigam Limited was reluctant to buy electricity from us due to the expensive fuel prices.

At Jhajjar, availability remained high at over 93%, but utilisation was low due to lower dispatch as a result of overcapacity and soft demand in the state of Haryana.

Despite the fact that our income from both plants is mainly determined by availability, we are working hard with our customers to raise utilisation so that both plants can be used more efficiently.

Environmental Performance

New Environmental Regulations

A set of new statutory limits applicable to Jhajjar will become effective in December 2017, covering particulates, nitrogen oxides, sulphur dioxide, and mercury. There is also a water use intensity requirement. Jhajjar is already equipped with environmental control systems to comply with most of these limits. A cross functional team has been formed to ensure Jhajjar will be able to meet all the new requirements.

Air Emissions

Overall air emissions levels for both Jhajjar and Paguthan were lower than 2015 due to low dispatch. However, Jhajjar's sulphur dioxide emission slightly increased in 2016 due to higher oil consumption.

Environmental Regulatory Compliance

During 2016, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our India assets in which we had operational control.

Outlook

The slowdown in the economy in recent months has led to softer demand for power in India. The Government's demonetisation initiative in November 2016 to curb black money and the implementation of a goods and service tax reform are expected to further dampen short-term economic growth. But in the long run, we expect these reforms to put India on a stronger footing towards improving transparency and better compliance, benefitting the business sector.

At the same time, in 2016 the Indian Government approved a restructuring package for the country's debt-ridden electricity distribution companies called Ujjwal Discom Assurance Yojana (UDAY). UDAY aims to improve the financial capacity of the distribution companies so that they can become financially and operationally viable for the long term. If successful, the initiative is expected to solve the biggest challenge facing the power sector.

We remain confident of the future prospects of India's power industry and will continue to contribute to the country's transition to a low carbon future through investing in renewable energy projects, including the possibility of decentralised generation, and potentially in transmission infrastructure to bring that energy to customers.

Electricity Business in Southeast Asia & Taiwan

Financial & Operational Performance

Overview

During 2016, our assets in Southeast Asia and Taiwan operated reliably. However, operating earnings declined by 12.2% to HK$274 million.

Although Ho-Ping coal-fired plant in Taiwan continued to perform steadily during the year, its profitability was affected by reduced tariffs resulting from a lagging contractual tariff adjustment mechanism which reflected lower coal prices in the previous year.

In Thailand, the Lopburi solar farm continued to perform solidly in 2016 although marginally lower solar resources resulted in reduced earnings.

In Vietnam, significant progress was made in the development of our two coal-fired projects - Vung Ang II and Vinh Tan III. Negotiations with the Vietnamese Government for the

Build-Operate-Transfer Contract and Power Purchase Agreement have reached the final stage and efforts to raise financing have progressed very well.

The table below summarises our performance in Southeast Asia and Taiwan over the past two years.

Operating Earnings	**2016 (HK$M)**	2015 (HK$M)	Change
Renewables	60	65	-7.7%
Thermal	249	274	-9.1%
Operating and Development Expenditures	(35)	(27)	+29.6%
Total	274	312	-12.2%

Outlook

In the near future, we will continue to focus on our existing operations in Ho-Ping and Lopburi, as well as the development of Vung Ang II and Vinh Tan III. In addition, we will explore opportunities in the renewables sector in markets where we operate to support the Group's transition to a low carbon future.

Energy Business in Australia

Financial & Operational Performance

Overview

EnergyAustralia performed well in 2016 with operating earnings up 121.2% to HK$1,849 million. Our customer-focused strategy continued to deliver progress and performance of the generation business improved due to higher volumes and higher wholesale electricity prices. Lower finance costs after repaying debt in December 2015, favourable non-cash mark-to-market gains on energy derivatives and lower depreciation and amortisation also contributed to the increase in earnings. Overall, the result represented continued good progress towards a goal of restoring value to the business.

The improvements were all the more notable in an eventful year for the broader industry. The need for a national approach to energy policy was highlighted by a series of issues including a major blackout in South Australia, generator and network reliability, the closure of coal-fired power stations, intense retail competition and Australia's climate change commitment.

Customer

Competition for customers in Australia remained intense in 2016 with discounts and rebates dominating the acquisition strategies of retailers. Despite this, EnergyAustralia, one of the around 30 retailers active in the key markets of New South Wales and Victoria, delivered value by increasing customer tenure with improvements to customer service and investment in its capacity to develop new products and services. Net Promoter Score, a metric of customer experience, improved compared to a year ago while the overall number of customer accounts held steady.

Crucially, better service has led to customers staying longer; EnergyAustralia's churn rates in New South Wales and Victoria were 13% and 19% respectively, against the industry's average of 17% and 24%. Across the business, complaints to state ombudsmen about customer service fell from a year ago while at the same time our capacity to collect and manage account payments improved, resulting in significantly lower bad debts.

The improvement in customer service was reflected in top ratings and awards, such as the recognition of our Geelong contact centre as the best in its category in Victoria. The opening of a new contact centre in the Philippines in March has allowed EnergyAustralia to extend operating hours at lower cost.

In December 2016, EnergyAustralia launched Go Neutral. The initiative is a government-certified carbon neutral product that allows existing residential customers to offset all the carbon emissions generated from the electricity they use at no cost to them.

Energy

In 2016, an excess of supply eased through a combination of short and long-term factors, including drought in Tasmania, interconnector and plant reliability, a tighter gas market and power station closures.

Meanwhile, demand in aggregate across the National Electricity Market (NEM) increased over the year, driven by a 4% growth in demand in Queensland from increased LNG production. However, increased renewable generation as a proportion of the NEM contributed to price volatility.

These market conditions and high utilisation of key assets underpinned the performance of the EnergyAustralia generation portfolio. Utilisation of the Mount Piper plant in New South Wales increased as coal supply issues were addressed. In addition, steps were taken to ensure the plant's future, with EnergyAustralia and partner Centennial Coal announcing an enhancement to an existing proposal to build a water treatment plant to support an extension of the Springvale Mine, which is the key source of coal supply for Mount Piper. The enhancement will improve the environmental outcomes of the water project and ensure significant long-term investment in the local community.

In the broader market, plant closures were a constant topic of discussion. In the last three years, operators of four base-load coal plants in the NEM which represent over 3,000MW have closed or announced plans to do so. In the latest closure, announced in November, France's ENGIE will shut down its 1,600MW Hazelwood coal-fired power plant by 31 March 2017. The station currently provides more than 20% of Victoria's power. While closing the plant will significantly lower Australia's carbon emissions it will also reduce base-load supply to the NEM.

Intermittent renewable generation will likely replace this base-load coal capacity as Australia pursues a national Renewable Energy Target under which renewable sources will supply 23.5% of total energy by 2020.

Supporting Low Carbon Investment

EnergyAustralia is committed to meeting its obligations under a national Renewable Energy Target and continues to support an orderly transition toward cleaner forms of energy. In December 2016, EnergyAustralia announced that it would sign agreements to underpin the development of up to 500MW of renewable energy in the form of new wind and solar projects across eastern Australia. As part of this commitment, EnergyAustralia has already announced that it has agreed to take output from the Manildra Solar Farm in New South Wales, the Ross River Solar Farm in Queensland and the Gannawarra Solar Farm in Victoria.

The approach supports the country's efforts to lower the emission intensity of electricity generation by helping new renewable energy projects to be built and operated in the most cost-effective way.

New Business

EnergyAustralia established a "NextGen" business unit in 2015 to identify and develop innovative products and solutions to meet the current and future needs of customers. NextGen has a particular focus on technology that allows customers to manage their energy consumption in ways that help them save money and reduce their impact on the environment.

In October 2016, EnergyAustralia committed to invest A$9 million in an Australian business, Redback Technologies. Redback's flagship product is a Smart Hybrid Solar Inverter System, combining a smart solar inverter, battery enclosure and sophisticated energy management software into one package. The technology will allow customers to decide how they use, save and even sell energy captured from their roof-top solar panels, all managed from a smartphone. The EnergyAustralia/Redback partnership plans to roll-out the second generation of this technology in the first half of 2017.

Environmental Performance

Air Emissions

EnergyAustralia had a generally stable year in environmental performance. Air emissions from our Australian thermal power stations increased by 10.7% compared with the previous year, but were below 2014 levels. This was mainly due to increased coal-fired power station output to meet higher demand for electricity, partially offset by lower running of gas-fired generation facilities due to higher gas prices.

Environmental Regulatory Compliance

During 2016, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our assets in Australia where we had operational control.

An audit carried out by the Victorian environmental regulator of the Yallourn power station identified no non-compliance or significant findings. The New South Wales environmental regulator also audited the Mount Piper power station and the Wallerawang ash dam. We received recommendations, which we are implementing, to improve the Mount Piper pollution incident response management plan as well as the monitoring and reporting of data from Wallerawang.

Outlook

In 2016, the Australian energy industry was characterised by wholesale market volatility and sustained high prices. With the announced closure of Hazelwood, new renewable projects and gas supply constraints, we expect wholesale electricity prices to remain strong but more volatile in the short term. We believe this suggests an urgent need for Australia to adopt a national energy plan to support the delivery of reliable, affordable and cleaner supplies of energy to customers.

While utilisation of EnergyAustralia’s generating assets is likely to benefit from tighter market conditions, gas portfolio margins are expected to be materially lower than in 2016 as supply costs increase.

We expect the retail market to remain intensely competitive. In this environment, EnergyAustralia will continue to focus on improving customer service, and evaluating and supporting innovative ideas for new energy-efficient technology.

Safety

Each year, we assess the safety levels of our assets to help us improve our safety performance and strive towards our ultimate goal of zero injuries.

Our Health, Safety, Security and Environment (HSSE) standards apply to assets where we have operational control and everyone who works with us needs to follow our safety requirements as defined in the CLP HSSE Management System Standards and Critical Risk Standards. We introduced the two standards in 2014 and they allow us to apply HSSE considerations across all our operations in a structured way. In the event of an emergency, our Crisis Management Plan helps us respond to situations promptly and with due care.

Sadly three people lost their lives while working at sites under our operating control, namely Sihong Solar in Mainland China, and Jhajjar and Tejuva Wind in India in 2016. All involved contractors with two of the incidents relating to falls from height and the other an assault on a security guard at a remote location. We have the deepest sympathies for the families of the deceased and have thoroughly investigated these incidents to avoid similar events in the future.

Following the incidents, we reminded all employees and contractors who work at our assets to pay special attention to safety precautions. We also reviewed the safety conditions of similar facilities to ensure that they are up to our required safety standards. In 2016, we did not register any breach of laws or regulations regarding the provision of a safe working environment and the protection of employees from occupational hazards.

The approach we have adopted to reduce the exposure to serious injuries and fatalities is to identify the high-risk situations in which management controls are either absent, ineffective, or not complied with and to address the risks by bringing in corresponding protection. In addition, we also established a set of life saving rules to avoid exposure to serious injuries and fatalities.

These rules will be implemented across assets under CLP's operational control in the first quarter of 2017.

We benchmark our safety performance by measuring our Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR). They refer to the number of lost time injuries or recordable injuries measured over 200,000 working hours of exposure, which is equivalent to around 100 persons working for one year. Notwithstanding the fatal incidents, our overall safety performance showed an improvement. The LTIR and TRIR for CLP Group were 0.06 and 0.15 respectively (compared to 0.07 and 0.25 in 2015).

Safety is always our number one priority. We hope that our existing and new measures will help reduce exposure to serious injuries and fatalities, for both employees and contractors.

Human Resources

As at 31 December 2016, the Group employed 7,428 staff (2015: 7,360), of whom 4,233 were employed in the Hong Kong electricity and related business, 2,925 by our businesses in Mainland China, India, Southeast Asia and Taiwan, and Australia, as well as 270 by CLP Holdings. Total remuneration for the year ended 31 December 2016 was HK$5,151 million (2015: HK$4,855 million), including retirement benefits costs of HK$440 million (2015: HK$384 million).

FINANCIAL INFORMATION

The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the audited financial statements.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2016

	Note	**2016 HK$M**	2015 HK$M (Restated)*
Revenue	*5*	**79,434**	80,700
Expenses			
Purchases of electricity, gas and distribution services		**(31,743)**	(31,280)
Staff expenses		**(3,892)**	(3,649)
Fuel and other operating expenses		**(19,744)**	(25,886)
Depreciation and amortisation		**(6,909)**	(6,765)
		(62,288)	(67,580)
Other gain		**-**	8,900
Operating profit	*6*	**17,146**	22,020
Finance costs	*7*	**(2,261)**	(4,106)
Finance income	*7*	**137**	170
Share of results, net of income tax			
Joint ventures	*8*	**737**	1,357
Associates		**904**	888
Profit before income tax		**16,663**	20,329
Income tax expense	*9*	**(2,855)**	(3,580)
Profit for the year		**13,808**	16,749
Earnings attributable to:			
Shareholders		**12,711**	15,656
Perpetual capital securities holders		**247**	247
Other non-controlling interests		**850**	846
		13,808	16,749
Earnings per share, basic and diluted	*11*	**HK$5.03**	HK$6.20

* Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments (HKFRS 9) about certain requirements of hedge accounting. Details are set out in Note 3.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

	2016 **HK$M**	2015 HK$M (Restated)*
Profit for the year	**13,808**	16,749
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(1,443)**	(3,728)
Cash flow hedges	**838**	(37)
Costs of hedging	**(187)**	(127)
Fair value changes on equity investments	**-**	(63)
Share of other comprehensive income of joint ventures	**20**	16
	(772)	(3,939)
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**(115)**	-
Share of other comprehensive income of joint ventures	**34**	79
	(81)	79
Other comprehensive income for the year, net of tax	**(853)**	(3,860)
Total comprehensive income for the year	**12,955**	12,889
Total comprehensive income attributable to:		
Shareholders	**11,865**	11,800
Perpetual capital securities holders	**247**	247
Other non-controlling interests	**843**	842
	12,955	12,889

* Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 about certain requirements of hedge accounting. Details are set out in Note 3.

Consolidated Statement of Financial Position
as at 31 December 2016

	Note	**2016 HK$M**	2015 HK$M
Non-current assets			
Fixed assets	*12*	**130,189**	127,801
Leasehold land and land use rights under operating leases	*12*	**5,444**	5,542
Investment properties	*12*	**3,788**	2,669
Goodwill and other intangible assets		**27,653**	28,257
Interests in and loan to joint ventures		**9,971**	11,250
Interests in associates		**813**	785
Finance lease receivables		**713**	799
Deferred tax assets		**981**	1,690
Derivative financial instruments		**1,519**	1,078
Equity investments		**1,528**	1,644
Other non-current assets		**181**	174
		182,780	181,689
Current assets			
Inventories – stores and fuel		**2,565**	3,110
Renewable energy certificates		**1,424**	902
Trade and other receivables	*13*	**13,799**	13,812
Finance lease receivables		**51**	52
Derivative financial instruments		**692**	600
Bank balances, cash and other liquid funds		**4,667**	3,799
		23,198	22,275
Current liabilities			
Customers' deposits		**(4,999)**	(4,829)
Trade and other payables	*14*	**(19,921)**	(19,023)
Income tax payable		**(792)**	(651)
Bank loans and other borrowings		**(10,651)**	(13,189)
Derivative financial instruments		**(977)**	(595)
		(37,340)	(38,287)
Net current liabilities		**(14,142)**	(16,012)
Total assets less current liabilities		**168,638**	165,677
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*16*	**74,767**	69,875
Shareholders' funds		**98,010**	93,118
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**1,972**	2,023
		105,773	100,932
Non-current liabilities			
Bank loans and other borrowings		**40,995**	42,294
Deferred tax liabilities		**13,819**	13,476
Derivative financial instruments		**1,580**	2,802
Fuel clause account		**2,867**	2,226
Scheme of Control (SoC) reserve accounts	*15*	**860**	1,009
Asset decommissioning liabilities		**916**	1,025
Other non-current liabilities		**1,828**	1,913
		62,865	64,745
Equity and non-current liabilities		**168,638**	165,677

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO), are governed by a SoC entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business.

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

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

The Company will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2016. The auditor's report is unqualified; does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and does not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in Accounting Policies

The Group has adopted the following amendments to standards effective from 1 January 2016. The adoption of these amendments has had no significant impact on the results and financial position of the Group.

- Amendments to HKAS 1 Disclosure Initiative. This is the IASB project to improve presentation and disclosure in the financial statements. The amendments clarify materiality requirements and are explicit that companies have flexibility as to the order in which they present the notes to the financial statements. Line items should be disaggregated on primary statements if this provides helpful information to users and can be aggregated on the statement of financial position if the line items specified by HKAS 1 are immaterial. Shares of other comprehensive income of associates and joint ventures are split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

- Annual Improvements to HKFRS 2012-2014 Cycle. The improvements include clarifications of changes in method of disposal under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations; continuing involvement for services contracts under HKFRS 7 Financial Instruments: Disclosures; and discount rates applied in HKAS 19 Employee Benefits.

3. Effect on adoption of HKFRS 9

The Group has early adopted HKFRS 9 with the date of initial application on 1 January 2016 which resulted in changes in accounting policies and adjustments to certain amounts recognised in the financial statements. The new accounting policies replace the provisions of HKAS 39 Financial Instruments: Recognition and Measurement (HKAS 39) in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments: Disclosures. The new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

The changes in accounting policies for recognition, classification and measurement of financial instruments and the impairment of financial assets have had no significant impact on the results and financial position of the Group.

The Group applies the new hedge accounting model prospectively from 1 January 2016. All hedge accounting relationships designated under the previous HKAS 39 have continued to be valid hedge accounting relationships in accordance with HKFRS 9. The impact of changes in hedge effectiveness testing and in accounting for cash flow hedges was not material.

Under HKAS 39, changes in fair value of the time value of an option are required to be recognised in profit or loss, giving rise to volatility. However, HKFRS 9 allows the change in fair value of the time value to be deferred in other comprehensive income. Retrospective adjustment for the time value of options is required on transition to HKFRS 9, resulting in a reclassification adjustment to the Group’s reserves at 1 January 2015.

Upon transition to HKFRS 9, the Group has elected the option to exclude forward elements of forward contracts and foreign currency basis spreads of financial instruments from the designation of hedging relationships. This change in accounting policy is applied retrospectively, resulting in a reclassification adjustment to the Group’s reserves at 1 January 2015.

3. Effect on adoption of HKFRS 9 (continued)

The tables below summarise the adjustments made to reflect the adoption of HKFRS 9:

	1 January 2016			1 January 2015		
	Retained Profits HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Retained Profits HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M
As previously reported under HKAS 39 (Note 16)	72,953	360	-	63,994	561	-
Reclassification of costs of hedging						
Time value of options	(4)	-	4	(6)	-	6
Forward element of forward contracts	-	(19)	19	-	29	(29)
Foreign currency basis spread	(66)	(179)	245	(50)	(368)	418
Restated under HKFRS 9 (Note 16)	72,883	162	268	63,938	222	395

	For the year ended 31 December 2015		
	As previously reported under HKAS 39	Adjustments	Restated under HKFRS 9
Consolidated Statement of Profit or Loss			
Finance costs (HK$M)	(4,090)	(16)	(4,106)
Income tax expense (HK$M)	(3,582)	2	(3,580)
Earnings attributable to shareholders (HK$M)	15,670	(14)	15,656
Earnings per share, basic and diluted (HK$)	6.20	-	6.20
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Cash flow hedges (HK$M)	(178)	141	(37)
Costs of hedging (HK$M)	-	(127)	(127)

4. Segment Information

The Group operates, through its subsidiaries, joint ventures and associates, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

4. Segment Information (continued)

Information about the Group's operations by geographical region is as follows:

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2016							
Revenue	37,968	1,197	3,808	13	36,441	7	79,434
EBITDAF* of subsidiaries	17,703	951	1,954	(12)	3,796	(678)	23,714
Share of results, net of income tax							
Joint ventures	(12)	461	-	283	5	-	737
Associates	-	907	-	-	(3)	-	904
EBITDAF of the Group	17,691	2,319	1,954	271	3,798	(678)	25,355
Depreciation and amortisation	(4,432)	(583)	(571)	-	(1,284)	(39)	(6,909)
Fair value adjustments	(26)	-	-	-	367	-	341
Finance costs	(1,020)	(200)	(802)	-	(215)	(24)	(2,261)
Finance income	-	44	25	3	8	57	137
Profit/(loss) before income tax	12,213	1,580	606	274	2,674	(684)	16,663
Income tax expense	(1,880)	(67)	(137)	-	(771)	-	(2,855)
Profit/(loss) for the year	10,333	1,513	469	274	1,903	(684)	13,808
Earnings attributable to							
Perpetual capital securities holders	(247)	-	-	-	-	-	(247)
Other non-controlling interests	(831)	(19)	-	-	-	-	(850)
Earnings/(loss) attributable to shareholders	9,255	1,494	469	274	1,903	(684)	12,711
Excluding: Items affecting comparability	(497)	174	-	-	(54)	-	(377)
Operating earnings	8,758	1,668	469	274	1,849	(684)	12,334
Capital additions	8,498	918	115	-	943	27	10,501
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	-	-	-	38	-	38
Receivables and others	3	-	20	-	336	-	359
At 31 December 2016							
Fixed assets, leasehold land and land use rights and investment properties	112,014	7,679	10,854	-	8,746	128	139,421
Goodwill and other intangible assets	5,545	4,945	28	-	17,135	-	27,653
Interests in and loan to joint ventures	50	8,127	-	1,764	30	-	9,971
Interests in associates	-	786	-	-	27	-	813
Deferred tax assets	-	86	-	-	895	-	981
Other assets	4,846	5,528	4,839	100	9,584	2,242	27,139
Total assets	122,455	27,151	15,721	1,864	36,417	2,370	205,978
Bank loans and other borrowings	37,814	4,973	7,591	-	1,268	-	51,646
Current and deferred tax liabilities	12,895	1,270	182	-	264	-	14,611
Other liabilities	24,892	1,454	377	2	6,913	310	33,948
Total liabilities	75,601	7,697	8,150	2	8,445	310	100,205

* EBITDAF stands for earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

4. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2015, as restated							
Revenue	38,937	937	5,104	9	35,707	6	80,700
EBITDAF of subsidiaries	16,548	786	1,985	(12)	10,315	(600)	29,022
Share of results, net of income tax							
Joint ventures	1	1,031	-	322	3	-	1,357
An associate	-	888	-	-	-	-	888
EBITDAF of the Group	16,549	2,705	1,985	310	10,318	(600)	31,267
Depreciation and amortisation	(4,201)	(517)	(556)	-	(1,448)	(43)	(6,765)
Fair value adjustments	4	-	-	-	(241)	-	(237)
Finance costs	(1,110)	(206)	(827)	-	(1,928)	(35)	(4,106)
Finance income	2	59	35	2	20	52	170
Profit/(loss) before income tax	11,244	2,041	637	312	6,721	(626)	20,329
Income tax expense	(1,806)	(147)	(23)	-	(1,604)	-	(3,580)
Profit/(loss) for the year	9,438	1,894	614	312	5,117	(626)	16,749
Earnings attributable to							
Perpetual capital securities holders	(247)	-	-	-	-	-	(247)
Other non-controlling interests	(837)	(9)	-	-	-	-	(846)
Earnings/(loss) attributable to shareholders	8,354	1,885	614	312	5,117	(626)	15,656
Excluding: Items affecting comparability	(99)	243	-	-	(4,281)	-	(4,137)
Operating earnings	8,255	2,128	614	312	836	(626)	11,519
Capital additions	7,588	1,648	1,396	-	825	26	11,483
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	-	-	-	1,865	-	1,865
Goodwill and other intangible assets	-	-	-	-	138	-	138
Receivables and others	4	-	37	-	418	-	459
At 31 December 2015							
Fixed assets, leasehold land and land use rights and investment properties	108,586	6,576	11,572	-	9,139	139	136,012
Goodwill and other intangible assets	5,545	5,208	28	-	17,476	-	28,257
Interests in and loan to joint ventures	18	9,498	-	1,709	25	-	11,250
Interest in an associate	-	785	-	-	-	-	785
Deferred tax assets	-	90	-	-	1,600	-	1,690
Other assets	5,938	4,496	5,177	71	8,311	1,977	25,970
Total assets	120,087	26,653	16,777	1,780	36,551	2,116	203,964
Bank loans and other borrowings	40,976	4,402	8,835	-	964	306	55,483
Current and deferred tax liabilities	12,408	1,452	215	-	52	-	14,127
Other liabilities	24,232	1,411	540	3	7,005	231	33,422
Total liabilities	77,616	7,265	9,590	3	8,021	537	103,032

5. Revenue

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

	2016 HK$M	2015 HK$M
Sales of electricity	**68,053**	68,566
Sales of gas	**7,382**	6,490
Operating lease income under Power Purchase Agreement (PPA)	**2,138**	3,409
Finance lease income under PPA	**117**	134
Lease service income under PPA	**533**	631
Other revenue	**951**	1,289
	79,174	80,519
Transfer for SoC to revenue (note)	**260**	181
	79,434	80,700

Note: Under the SoC Agreement, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss.

6. Operating Profit

Operating profit is stated after charging/(crediting) the following:

	2016 HK$M	2015 HK$M
Charging		
Retirement benefits costs [a]	**334**	302
Auditor's remuneration		
Audit services	**39**	39
Permissible audit related and non-audit services [b]	**9**	8
Operating lease expenditure on the agreement with Ecogen	**204**	230
Impairment of		
Fixed assets, leasehold land and land use rights under operating leases [c]	**38**	1,865
Goodwill and other intangible assets [c]	**-**	138
Inventories – stores and fuel	**10**	7
(Reversal of provision)/provision for onerous contract [c]	**(78)**	74
Loss on sale of a joint venture	**-**	42
Net exchange loss	**228**	101
Revaluation losses/(gain) on investment properties	**146**	(99)
Crediting		
Net (gain)/loss on disposal of fixed assets	**(386)**	343
Net fair value (gains)/losses on non-debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves to		
Purchases of electricity, gas and distribution services	**(267)**	(261)
Fuel and other operating expenses	**(36)**	(176)
Transactions not qualifying as hedges	**(341)**	237
Rental income from investment properties	**(35)**	(4)
Dividends from equity investments	**(43)**	(46)
Gain on sale of subsidiaries	**-**	8,900

6. Operating Profit (continued)

Notes:

(a) Retirement benefits costs for the year amounted to HK$440 million (2015: HK$384 million), of which HK$106 million (2015: HK$82 million) was capitalised.

(b) Permissible audit-related and non-audit services comprised Sustainability Report assurance, Continuing Connected Transactions limited assurance, audits of CLP's provident funds, auditor's attestation and accounting/tax advisory services.

(c) In 2015, the wholesale electricity market in Australia was significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. Therefore, the Group recognised impairments across three of its generation assets in Australia (Yallourn Power Station, Mount Piper Power Station and Tallawarra Power Station) and a provision for onerous contract with respect to Ecogen Master Hedge Agreement (Ecogen), totalling A$363 million (HK$2,058 million) (after tax: A$261 million (HK$1,480 million)). The onerous provision was reversed in 2016 after reassessment.

7. Finance Costs and Income

	2016 **HK$M**	2015 HK$M (Restated)
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**924**	1,196
Other borrowings	**893**	1,096
Tariff Stabilisation Fund (note)	**2**	2
Customers' deposits and fuel clause over-recovery	**151**	116
Finance charges under finance leases	**2**	2
Costs associated with the early termination of debt in Australia	**-**	1,226
Other finance charges	**281**	259
Net fair value loss/(gain) on debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves	**34**	(221)
Fair value hedges	**(9)**	(110)
Transactions not qualifying as hedges	**(70)**	45
Ineffectiveness of cash flow hedges	**7**	(16)
Ineffectiveness of fair value hedges	**6**	(7)
Loss on hedged items in fair value hedges	**9**	110
Other net exchange loss on financing activities	**268**	710
	2,498	4,408
Less: amount capitalised	**(237)**	(302)
	2,261	4,106
Finance income		
Interest income on short-term investments, bank deposits and loan to a joint venture	**137**	170

Note: In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund.

8. Share of Results of Joint Ventures, Net of Income Tax

Due to the several factors including the economic slowdown, discounted tariff of direct sale and oversupplied market in Guangxi Province, CLP Guangxi Fangchenggang Power Company Limited performed below management's expectation. Its carrying value was reassessed and an impairment of HK$199 million (CLP's share) was included in the share of results in 2016. In addition, the Group's share of results also included its share of CSEC Guohua International Power Company Limited's impairment provision for Beijing Yire Power Station of HK$58 million (2015: HK$243 million).

9. Income Tax Expense

Income tax in the consolidated statement of profit or loss represents the income tax of the Company and subsidiaries and is analysed below:

	2016 **HK$M**	2015 HK$M (Restated)
Current income tax	**2,032**	1,818
Deferred tax	**823**	1,762
	2,855	3,580

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

10. Dividends

	2016 **HK$** **per Share**	 **HK$M**	2015 HK$ per Share	 HK$M
First to third interim dividends paid	**1.71**	**4,320**	1.65	4,169
Fourth interim dividend declared	**1.09**	**2,754**	1.05	2,653
	2.80	**7,074**	2.70	6,822

At the Board meeting held on 27 February 2017, the Directors declared the fourth interim dividend of HK$1.09 per share (2015: HK$1.05 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements.

11. Earnings per Share

The earnings per share are computed as follows:

	2016	2015 (Restated)
Earnings attributable to shareholders (HK$M)	**12,711**	15,656
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**5.03**	6.20

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2016 (2015: nil).

12. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Properties

Fixed assets, leasehold land and land use rights under operating leases and investment properties totalled HK$139,421 million (2015: HK$136,012 million) which included assets under construction with book value of HK$12,966 million (2015: HK$14,364 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Properties [a]
	Land			Plant, Machinery and			
	Freehold	Leased	Buildings	Equipment	Total		
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Net book value at 1 January 2016	642	473	19,606	107,080	127,801	5,542	2,669
Acquisition of subsidiaries[b]	31	-	1	1,025	1,057	2	-
Additions	11	-	838	7,910	8,759	81	1,265
Revaluation losses	-	-	-	-	-	-	(146)
Transfers and disposals	77	(43)	(121)	(411)	(498)	-	-
Depreciation/amortisation	-	(13)	(622)	(5,338)	(5,973)	(174)	-
Impairment charge	-	-	-	(38)	(38)	-	-
Exchange differences	(16)	-	(201)	(702)	(919)	(7)	-
Net book value at 31 December 2016	**745**	**417**	**19,501**	**109,526**	**130,189**	**5,444**	**3,788**
Cost/valuation	842	539	31,629	195,507	228,517	6,344	3,788
Accumulated depreciation/ amortisation and impairment	(97)	(122)	(12,128)	(85,981)	(98,328)	(900)	-
Net book value at 31 December 2016	**745**	**417**	**19,501**	**109,526**	**130,189**	**5,444**	**3,788**

Notes:

(a) During the year, the Group acquired the commercial interest of the retail portion of the Laguna Mall. The Group's another investment property is located at Argyle Street, Kowloon.

(b) In June 2016, the Group acquired 49% interest in SE Solar Limited, with an option to acquire the remaining 51% interest one year after commissioning, to develop a 100MW solar farm in Telangana, India. SE Solar Limited is treated as a subsidiary because the Group has control over the company.

In July 2016, the Group acquired the remaining 49% interest in Sihong Tianganghu PV Power Co., Ltd. (Sihong Solar), which owns and operates a 93MW solar farm in Jiangsu, China, from its joint venture partner for a consideration of HK$234 million (RMB201 million). Sihong Solar became the wholly-owned subsidiary of the Group since then.

13. Trade and Other Receivables

	2016 HK$M	2015 HK$M
Trade receivables	**9,772**	10,061
Deposits, prepayments and other receivables	**2,814**	2,613
Dividend receivables from		
Joint ventures	**105**	80
Associates	**895**	877
Loan to and current accounts with		
Joint ventures	**212**	180
Associates	**1**	1
	13,799	13,812

The Group has established credit policy for customers in each of its retail business. In Hong Kong, customers are allowed to settle their electricity bills within two weeks after issue. To limit the credit risk exposure, customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days of consumption. In Australia, customers are allowed to settle their electricity bills within 7 to 45 days after issue. Trade receivables arising from sales of electricity to the offtakers in India and Mainland China are due for settlement within 15 to 60 days and 30 to 90 days after bills issue respectively.

The ageing analysis of trade receivables at 31 December based on invoice date is as follows:

	2016 HK$M	2015 HK$M
30 days or below	**6,832**	7,788
31 – 90 days	**763**	744
Over 90 days	**2,177**	1,529
	9,772	10,061

14. Trade and Other Payables

	2016 HK$M	2015 HK$M
Trade payables	**6,019**	5,904
Other payables and accruals	**6,512**	5,599
Advances from non-controlling interests	**6,692**	6,720
Current accounts with		
Joint ventures	**1**	1
Associates	**606**	577
Deferred revenue	**91**	222
	19,921	19,023

The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2016 HK$M	2015 HK$M
30 days or below	**5,632**	5,759
31 – 90 days	**188**	106
Over 90 days	**199**	39
	6,019	5,904

15. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Interim Refunds of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2016	2015
	HK$M	HK$M
Tariff Stabilisation Fund	**786**	935
Rate Reduction Reserve	**2**	2
Rent and Rates Interim Refunds (note)	**72**	72
	860	1,009

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the original Lands Tribunal judgment, and the subsequent judgment on the review of valuation matters, as well as the Court of Appeal judgment on a point of law were received in CLP Power Hong Kong's favour, the final resolution of the case will be subject to the outcome of a further appeal to the Court of Final Appeal by the Hong Kong Government against the Court of Appeal judgment.

Interim refunds totalling HK$1,713 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 to 2014. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and the subsequent appeals.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million had been offset against the interim refunds received.

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

16. Reserves

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2016	(6,221)	360	-	2,783	72,953	69,875
Effect on adoption of HKFRS 9 (net of tax) (Note 3)	-	(198)	268	-	(70)	-
Balance at 1 January 2016, as restated	(6,221)	162	268	2,783	72,883	69,875
Earnings attributable to shareholders	-	-	-	-	12,711	12,711
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(857)	-	-	-	-	(857)
Joint ventures	(577)	-	-	-	-	(577)
Associates	(2)	-	-	-	-	(2)
Cash flow hedges						
Net fair value gains	-	1,388	-	-	-	1,388
Reclassification to profit or loss	-	(289)	-	-	-	(289)
Tax on the above items	-	(261)	-	-	-	(261)
Costs of hedging						
Net fair value losses	-	-	(251)	-	-	(251)
Amortisation/reclassification to profit or loss	-	-	20	-	-	20
Tax on the above items	-	-	44	-	-	44
Fair value loss on equity investments	-	-	-	(115)	-	(115)
Share of other comprehensive income of joint ventures	19	1	-	34	-	54
Total comprehensive income attributable to shareholders	(1,417)	839	(187)	(81)	12,711	11,865
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(2)	2	-
Appropriation of reserves	-	-	-	76	(76)	-
Dividends paid						
2015 fourth interim	-	-	-	-	(2,653)	(2,653)
2016 first to third interim	-	-	-	-	(4,320)	(4,320)
Balance at 31 December 2016	**(7,638)**	**1,001**	**81**	**2,776**	**78,547** [(a)]	**74,767**

Note:

(a) The fourth interim dividend declared for the year ended 31 December 2016 was HK$2,754 million (2015: HK$2,653 million). The balance of retained profits after the fourth interim dividend of the Group was HK$75,793 million (2015: HK$70,230 million, as restated).

17. Capital Commitments

(A) Capital expenditure on fixed assets and investment properties, as well as intangible assets contracted for at the end of the year but not yet incurred amounted to HK$5,116 million (2015: HK$4,586 million).

(B) On 30 November 2016, the Group entered into the conditional Equity Transfer Agreement to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) from CGN Power Co., Ltd. and Guangdong Nuclear Investment Company, Limited (collectively known as "CGN Power") for a consideration which included the bid price of HK$5.6 billion (RMB5 billion) and an audited Completion Payment as defined under the Agreement. HK$568 million (RMB0.5 billion) has been paid as refundable deposit and outstanding commitment of HK$5.0 billion (RMB4.5 billion) is payable upon completion. Yangjiang Nuclear owns and operates the Yangjiang Nuclear Power Station located in Guangdong Province. It comprises six 1,086MW generating units: three are in commercial operation and the other three are currently under construction with sequential targeted commissioning dates spread over the period from 2017 to 2019. The completion of this acquisition is subject to all necessary regulatory approvals and filing and approvals from Yangjiang Nuclear's lenders and shareholders. The latest date for completion is 31 December 2017 and the Group and CGN Power are targeting to achieve the completion in the first half of 2017.

Except for the above, equity contribution required to be made for its joint ventures and an associate at 31 December 2016 was HK$24 million (2015: HK$106 million).

(C) At 31 December 2016, the Group's share of capital commitments of its joint ventures was HK$490 million (2015: HK$1,587 million).

18. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans

This is a dispute between CLP India Private Limited (CLP India) and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the power purchase agreement for the Paguthan Plant (Paguthan). GUVNL is required to make a "deemed generation incentive" payment to CLP India when plant availability is above a set threshold. GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$828 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$95 million) (2015: Rs.830 million (HK$97 million)).

18. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)

In February 2009, the GERC found in favour of GUVNL on the "deemed generation incentive" but held that GUVNL's claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans". CLP India appealed the GERC's decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the orders of the GERC which went against GUVNL. In January 2010, the APTEL upheld the decisions of the GERC. Both CLP India and GUVNL have filed further appeals in the Supreme Court of India. The appeal petitions have been admitted but the next date of hearing has not yet been fixed by the court.

At 31 December 2016, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$975 million) (2015: Rs.8,543 million (HK$1,000 million)). On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – WWIL's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 681MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2016, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Jhajjar – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.1,917 million (HK$219 million) at 31 December 2016 (2015: Rs.1,860 million (HK$218 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. JPL and its offtakers have filed appeals to APTEL. The next hearing date is expected on 2 March 2017.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2016 in support of the operation and growth of its electricity business. CLP Holdings maintained adequate liquidity with undrawn bank facilities of HK$8.4 billion and bank balances of HK$2.2 billion as at the end of December 2016 to meet business growth and contingencies. In 2016, CLP Holdings refinanced HK$4.2 billion one and two-year bank facilities at attractive terms to support its robust liquidity position. CLP Power Hong Kong arranged HK$6.1 billion three and five-year bank facilities and issued a HK$500 million private placement bond all at very competitive rates. CLP Power Hong Kong's Medium Term Note (MTN) Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As of 31 December 2016, notes with an aggregate nominal value of approximately HK$26.2 billion have been issued under the MTN Programme. For the combined-cycle gas turbine generation project at Black Point Power Station in Hong Kong, CAPCO had proactively lined up a number of relationship banks to potentially provide funding ahead of the Government's final approval which enabled CAPCO to move forward quickly and obtain financing at attractive terms.

The Group's project entities outside Hong Kong continue to maintain healthy liquidity. In Mainland China, CLP China arranged a RMB509 million (HK$566 million) long-term non-recourse project loan to fund construction of Sandu II wind project. In India, Jhajjar Power Limited issued INR2.2 billion (HK$251 million) seven and eight-year corporate bonds to refinance the existing US dollar loans. CLP India entities reduced interest rate margins with existing lenders, and arranged an aggregate of INR19.1 billion (HK$2.2 billion) and US$54 million (HK$419 million) financing and refinancing in 2016. In Australia, EnergyAustralia achieved stronger balance sheet and greater financing flexibility after Iona asset sale completed in December 2015 by reducing A$1.25 billion (HK$7 billion) bank facilities and repayment of A$426.5 million (HK$2.4 billion) shareholder's loan. In Vietnam, CLP achieved a key milestone on the non-recourse project financing for the Vinh Tan III coal-fired project. In September 2016, the Vinh Tan 3 Energy Joint Stock Company (VTEC) (24.5% owned by CLP) and the China Development Bank Corporation (CDB), executed a non-recourse project financing term sheet. In parallel, VTEC appointed CDB as the underwriter, the Sinosure coordinating bank and a lead arranger for the Vinh Tan III project financing.

As at 31 December 2016, the Group maintained HK$75.6 billion financing facilities, including HK$15.9 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK$51.6 billion had been drawn down, of which HK$8.9 billion related to EnergyAustralia and subsidiaries in India. The Group's total debt to total capital ratio as at 31 December 2016 was 31.5%, decreasing to 29.5% after netting off bank balances, cash and other liquid funds. EBIT (Earnings Before Interest and Taxes) Interest Cover and FFO (Fund From Operations) Interest Cover for the year ended 31 December 2016 were 10 and 14 times respectively.

CLP always strives to maintain strong investment grade credit ratings. In May 2016, Standard & Poor's (S&P) revised the rating outlooks for CLP Holdings and CLP Power Hong Kong to positive from stable, and affirmed their credit ratings at A- and A respectively. This rating action recognised the further strengthening of CLP Holdings' financial profile (lower debt gearing, more robust financial ratios) after EnergyAustralia's Iona asset sale in 2015, more robust operations of CLP Power Hong Kong and higher earnings from overseas businesses.

In December 2016, Moody's affirmed the A2 and A1 credit ratings of CLP Holdings and CLP Power Hong Kong respectively with stable outlooks. Moody's opined that CLP Holdings' strong financial profile will be supported by predictable operating cash flows from its Hong Kong operations and higher earnings from its overseas operations. CLP Holdings' sound liquidity profile is supported by the stable cash flows from the SoC business, good access to the domestic and international banks and capital markets, and the availability of sizeable committed bank facilities. At the same time, CLP Holdings' credit rating is constrained by the improving but modest performance of its Australian operations.

In July 2016, S&P upgraded the rating of EnergyAustralia to BBB from BBB- with outlook revised to positive from stable. This reflects the strengthening of EnergyAustralia's financial risk profile after the significant pay-down of external debt with proceeds from Iona asset sale and a target capital structure that EnergyAustralia would like to sustain. The positive outlook reflects S&P's expectations that EnergyAustralia's rating could move higher if it can resolve fuel supply issues at Mount Piper, maintain operational stability and sustain target leverage.

The Group's investments and operations have resulted in exposures to foreign currency risk, interest rate risk, credit risk, as well as energy portfolio risk associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the risk management objectives, we always prefer simple, cost-efficient and Hong Kong Financial Reporting Standards hedge-effective instruments. For instance, we prefer forward foreign exchange contracts or cross currency interest rate swaps to structured products for managing financial risks. We also monitor our risk exposures with the assistance of "Earnings-at-Risk" (EaR) and "Value-at-Risk" (VaR) methodologies. Other than very limited price discovery trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes.

As at 31 December 2016, the Group had gross outstanding derivative financial instruments amounted to HK$86.9 billion. The fair value of these derivative instruments was a net deficit of HK$346 million, representing the net amount payable if these contracts were closed out on 31 December 2016.

CORPORATE GOVERNANCE

The CLP Code on Corporate Governance is our own unique code on corporate governance (available on our website or from the Company Secretary on request). Our Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations in The Corporate Governance Code and Corporate Governance Report of the Hong Kong Stock Exchange (the Stock Exchange Code). The only exception to this however, concerns quarterly reporting.

We do not issue quarterly financial results, but we issue quarterly statements which set out key financial and business information. We have taken this considered approach as we are of the view that quarterly financial reporting does not bring significant benefits to our shareholders, and it encourages a short-term view of our business performance and activities which would not be consistent with the longer term nature of our activities and investments.

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code. CLP has also applied all the principles in the Stock Exchange Code.

The accounting principles and practices adopted by the Group, and the Financial Statements for the year ended 31 December 2016, have been reviewed by the Audit Committee. The Audit Committee also reviewed the adoption of amendments to standards and a new accounting standard. In particular, the Audit Committee considered the implications of the early adoption of HKFRS 9 Financial Instruments and its corresponding disclosure in the Financial Statements.

During 2016, the Audit Committee monitored and reviewed management's periodic internal control review update and the Group's risk management report, these were supplemented by the Group Internal Audit (GIA) and by the external auditor's report and testing of the control environment of the Group. During the period from 1 January 2016 to the date of this announcement, no material internal control issues were identified.

The Audit Committee also received and considered reports from GIA on the Internal Audit Review. Two reports out of a total of 30 submitted by GIA carried an unsatisfactory audit opinion. These included EnergyAustralia's payroll system access weaknesses and certain operational and maintenance procedures at CLP India Jhajjar's plant that were not followed. None of these had a material impact on the financial statements.

The Audit Committee was also satisfied that the Group's risk management and internal control systems were effective for the year ended 31 December 2016 and that these continue to be effective and adequate as at the date of this announcement.

Since 1989, the Company has adopted its own CLP Securities Code. This is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2016 they have complied with the required standard set out in the Model Code and CLP Securities Code.

We appreciate that some of our staff may in their day to day work have access to potentially inside information. As such, our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in the CLP Securities Code.

All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2016 they have complied with the required standard set out in the Model Code and CLP Securities Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2016.

FOURTH INTERIM DIVIDEND

Today, the Board of the Company declared the fourth interim dividend for 2016 at HK$1.09 per share (2015: HK$1.05 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 13 March 2017 after deducting any shares repurchased and cancelled up to the close of business on 13 March 2017. As at 31 December 2016, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.09 per share will be payable on 23 March 2017 to shareholders registered as at 14 March 2017.

The Register of Shareholders will be closed on 14 March 2017. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 March 2017.

ANNUAL GENERAL MEETING

The nineteenth Annual General Meeting (AGM) will be held at the Grand Ballroom, 1/F., Crowne Plaza Hong Kong Kowloon East, 3 Tong Tak Street, Tseung Kwan O, Hong Kong on Friday, 5 May 2017, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Stock Exchange and despatched to shareholders on or about 28 March 2017.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 28 April 2017 to 5 May 2017, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 27 April 2017.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 27 February 2017

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2016 will be published on the Company's website at www.clpgroup.com and the website of the Stock Exchange on or about 13 March 2017. The Annual Report and the Notice of AGM will be despatched to shareholders on or about 28 March 2017. All of these will be made available on the Company's website.

中 電 控 股 有 限 公 司
CLP Holdings Limited

(incorporated in Hong Kong with limited liability)
(Stock Code: 00002)

The Directors of CLP Holdings as at the date of this announcement are:

Non-executive Directors:	The Hon Sir Michael Kadoorie, Mr William Mocatta, Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee
Independent Non-executive Directors:	Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Mrs Fanny Law, Ms Irene Lee and Mrs Zia Mody
Executive Directors:	Mr Richard Lancaster and Mr Geert Peeters

Energy for Brighter Tomorrows