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## 華潤電力控股有限公司

### China Resources Power Holdings Company Limited

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

(Stock Code: 836)

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011**

### **SUMMARY OF OPERATING RESULTS**

The board of directors (the “Board”) of China Resources Power Holdings Company Limited (the “Company”) announces the audited financial results of the Company and its subsidiaries (the “Group” or “We”) for the year ended 31 December 2011 (Year 2011).

For Year 2011, the Group recorded a profit attributable to owners of the Company (“net profit”) of approximately HK\$4,451 million, representing a decrease of HK\$453 million or 9.2% from a net profit of approximately HK\$4,904 million for the year ended 31 December 2010 (Year 2010). Basic earnings per share for Year 2011 is HK\$0.95, representing a decrease of 9.5% from basic earnings per share of HK\$1.05 for Year 2010.

The Board resolved to declare a final dividend of HK\$0.24 per share for Year 2011. Including the interim dividend of HK\$0.06 per share paid on 3 October 2011, total dividend paid and proposed for the Year 2011 is HK\$0.30 per share, representing a payout ratio of approximately 31.6%.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2011</b>	<b>2010</b>
Turnover ( <i>HK\$'000</i> )	60,708,674	48,578,313
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	4,450,576	4,903,654
Basic earnings per share ( <i>HK\$</i> )	0.95	1.05
Interim dividend per share ( <i>HK\$</i> )	0.06	0.06
Final dividend per share ( <i>HK\$</i> )	<u>0.24</u>	<u>0.27</u>
Total dividend per share ( <i>HK\$</i> )	<u><u>0.30</u></u>	<u><u>0.33</u></u>

As at 31 December 2011, equity attributable to owners of the Company and total assets of the Group amounted to HK\$47,473 million and HK\$168,366 million, respectively. Bank balances and cash of the Group amounted to HK\$4,497 million, with net debt to shareholders' equity ratio standing at approximately 165.3%.

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Equity attributable to owners of the Company ( <i>HK\$'000</i> )	47,472,998	42,164,218
Total assets ( <i>HK\$'000</i> )	168,365,889	143,010,547
Bank balances and cash ( <i>HK\$'000</i> )	4,496,605	6,801,707
Bank and other borrowings ( <i>HK\$'000</i> )	82,987,231	74,911,153
Net debt to shareholders' equity (%)	165.3	161.5
EBITDA interest coverage ( <i>times</i> )	3.86	4.38

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

## **BUSINESS REVIEW FOR 2011**

We are engaged in the development, construction and operation of power plants, including large-scale efficient co-fired generation units and various clean and renewable energy projects as well as development, construction and operation of coal mines.

The Chinese economy faced a complex and rigorous domestic and international economic environment in 2011. The Chinese government adopted a series of macro-control measures to curb China's rapid inflation and high property prices, and the European debt crisis weakened exports from China. Despite these unfavourable market conditions, China's 2011 gross domestic product (GDP) still registered a year-on-year increase of 9.2%. According to the statistics of China Electricity Council (CEC), the national electricity supply was generally tight in 2011, power shortages in certain regions and periods were more serious, a total of 24 provincial power grid operators lacked electricity and the maximum power shortfall was more than 30 million kW. China's power consumption recorded an approximately 11.7% year-on-year increase in 2011.

Coal prices have been increasing since the fourth quarter of 2009. For instance, the price of Qinhuangdao 5,500 kcal Shanxi Premier Blend was RMB570/tonne in late August 2009 and rose to RMB805/tonne at the end of 2011, representing a significant increase of RMB235/tonne or 41.2%. There were no tariff adjustments for the entire year in 2010 and in April and May 2011, only some provinces saw a slight increase in tariffs, but coal prices continued to rise and very shortly offset this tariff compensation. The Chinese government further adjusted the tariffs in December 2011, but it was unable to improve the difficult situation the power industry was facing throughout the year, therefore, creating a very serious challenge to the Group.

As at the end of 2011, the total generation capacity in China increased to approximately 1,055.8GW, representing an approximate 9.3% or 90.4GW increase from the end of 2010. The total new capacity added for coal-fired, hydro and wind power projects amounted to approximately 55.8GW, 14.5GW and 15.5GW, respectively. New coal-fired generation capacity added during the year only represented 62.4% of the total new capacity additions, representing a drop of 1.9 percentage points from 2010.

As supply of new capacity, especially coal-fired capacity slowed down and power demand increased over 11.7% during the year in China, the average utilisation hours for coal-fired generation units in the country improved by 264 hours and reached 5,294 hours. Most power plants of the Group are large-scale efficient generation units which enable us to benefit from certain competitive strengths. We raised the generation volume by obtaining and securing fuel supply, bidding for excess power generation or replacing small generation units for power generation. Our average full-load equivalent utilisation hours for the generation units in 30 power plants with year-round operations reached 6,121 hours, exceeding the national average level by 827 hours.

## **Growth of generating capacity**

As at 31 December 2011, our total attributable operational generation capacity increased to 22,230MW from 19,358MW as at 31 December 2010.

As at 31 December 2011, coal-fired attributable operational generation capacity amounted to 20,773MW, accounting for 93.4% of our total attributable operational generation capacity, representing a decrease of 2.1 percentage points compared to the end of last year. Wind, gas-fired and hydro capacity amounted to 1,234MW, 77MW and 147MW, respectively, and together accounting for 6.6% of our total attributable operational generation capacity, representing an increase of 2.0 percentage points compared to the end of last year which is attributable to the commissioning of wind capacity.

During the year, we commissioned five large-scale coal-fired generation units, including a 600MW heat and power co-generation unit in Nanjing Thermal Power Plant, one 300MW heat and power co-generation unit in Nanjing Chemical Industry Park Phase II both located in Jiangsu, 2 x 600MW supercritical generating units in Heze Power Plant in Shandong and a 600MW supercritical generating unit in Dengfeng Power Plant Phase II in Henan, together representing a 2,460MW increase in operational generation capacity. In addition, we commissioned a number of wind farms in Guangdong, Shandong, Hebei, Gansu and Liaoning, which collectively added a total of 588MW of new attributable operational wind generation capacity.

## **Generation volume**

The total gross generation volume of our 50 consolidated operating power plants and wind farms amounted to 119,656,029MWh in 2011, representing an increase of 15.4% from 103,638,075MWh in 2010.

The total net generation volume of our 50 consolidated operating power plants and wind farms amounted to 112,080,283MWh in 2011, representing an increase of 15.8% from 96,785,044MWh in 2010.

On a same plant basis (using 30 coal-fired power plants which were in commercial operations for the entire year of 2010 and 2011), gross and net generation volumes increased by 1.0% and 1.1%, respectively. The average full-load equivalent utilisation hours for 2011 of the 30 coal-fired power plants amounted to 6,121 hours, representing an increase of 2.2% from 5,991 hours for 2010.

## **Fuel costs**

Average unit fuel cost for our consolidated operating power plants in 2011 was RMB280.5/MWh, a year-on-year increase of 11.0%. Average standard coal cost for our consolidated operating power plants in 2011 increased by 13.7% on a year-on-year basis.

In 2011, the average net generation standard coal consumption rate of our coal-fired power plants was 325.99g/kWh representing a decrease of 4.60g/kWh or 1.4% from 330.59g/kWh in the previous year.

## **Tariff increase**

In the second quarter of 2011, the National Development and Reform Commission (“NDRC”) announced that on-grid tariffs for coal-fired power plants in a number of provinces in China were adjusted with adjustment magnitudes and effective dates varying from province to province. A number of provinces also received retroactive tariff adjustments effective from 1 January 2010. Our power plants located in Henan, Hebei, Hubei, Shandong, Guangdong, Liaoning, Inner Mongolia, Hunan and Anhui received tariff adjustments. On 1 December 2011, NDRC further announced to adjust on-grid tariffs for coal-fired power plants in all provinces.

Due to a sharp rise in coal price, in addition to the above tariff adjustments approved by the country, some provincial and municipal power grid operators raised the excess output tariff during the year to compensate for the cost pressures of power plants as a result of coal price increase in 2011. As a result of the above factors, the average tariff (exclusive of VAT) of our subsidiary/consolidated coal-fired power plants during the year was RMB371.2/MWh, representing an increase of 3.6% from 2010.

## **Environmental expenses**

In 2011, environmental fees incurred by each of the subsidiaries were in the range of RMB13,000 to RMB29.65 million. The total amount of environmental fees incurred by our subsidiaries was RMB227 million, as compared with RMB196 million for 2010. The increase in environmental expenses was mainly due to the increase in coal-fired generation capacity from 18,488MW at the end of 2010 to 20,773MW at the end of 2011.

## **Development of renewable energy projects**

In 2011, we continued to increase our investment in renewable energy projects, especially in the development and construction of wind farms. At the end of 2011, our attributable operational wind generation capacity reached 1,234MW and wind power capacity under construction reached 451MW.

At the end of 2011, we obtained preliminary approvals from the government for the construction of a 2,970MW of wind capacity. At the same time, we have signed wind power investment & development agreements with 22 provinces and autonomous regions in China, with contracted reserves of wind power capacity of 30,000MW.

In addition, we actively developed other clean energy and renewable energy projects in certain targeted markets, such as waste-to-energy and solar power generation.

### **Development of coal mine operations**

In 2011, our coal mine operations in Shanxi, Jiangsu, Henan and Hunan provinces produced a total of approximately 16.37 million tonnes of coal (aggregation of each mine production volume on a 100% basis), representing an increase of 43.3% from 2010, among which, 13.11 million and 3.26 million tonnes were produced by our subsidiary coal mines and associate coal mines respectively. The production of coal mines in Lüliang District in Shanxi province reached 10.05 million tonnes in 2011, representing an increase of 55.5% from 2010 (aggregation of each mine production volume on a 100% basis).

On 11 March 2011, China Resources Coal Holdings Company Limited (“CR Coal Holdings”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement whereby it acquired a 56% equity interest in Shanxi Asian American-Danling Energy Co., Ltd. (“Shanxi Asian American-Danling”) which operates the Daning Coal Mine for a total consideration of US\$669 million. Shanxi Asian American-Danling also holds equity interests in three associated companies, namely Yangcheng Asian American-Danling Railroad Spur Operation Company Limited (陽城亞美大寧鐵路專線運營公司), Shanxi Lanhua Daning Power Generation Company Limited (山西蘭花大寧發電有限公司) and Lanhua Daning Coal Company Limited (山西蘭花煤炭有限公司). The total remaining reserves of the coal bed from which Daning Coal Mine produces coal is approximately 216 million tonnes. Pursuant to an approval issued by Shanxi provincial government in November 2009, Shanxi Asian American-Danling has been permitted to extract from an additional of two coal beds. Currently, the designed production of Daning Coal Mine is approximately 4 million tonnes per year.

On 30 July 2011, Asian-American Coal Inc. (“AACI(HK)”), a wholly owned subsidiary of CR Coal Holdings, and Shanxi Lanhua Science and Technology Company Ltd. (“Shanxi Lanhua”) signed a letter of intent, whereby AACI(HK) has agreed, subject to the signing of the final sale and purchase agreement, to transfer a 5% equity interest in Shanxi Asian American-Danling to Shanxi Lanhua for a total consideration of US\$59,732,143. Prior to the transfer, AACI(HK) owns a 56% equity interest in Shanxi Asian American-Danling. Upon execution and completion of the final agreement, our effective interest in Daning Coal Mine will be reduced to 51%.

On 9 September 2011, Shanxi Asian American-Danling resumed commercial operations. The annual production of Shanxi Asian American-Danling was 1.35 million tonnes by the end of 2011.

## **PROSPECTS FOR 2012**

According to CEC, despite the slowdown in macroeconomic growth trends, the annual electricity demand growth is still expected to reach 8.5%-10.5% in 2012. China is still facing power shortages in certain stages, regions and seasons, and the maximum power shortfall is expected to reach 30 to 40 million kW. In light of this, we expect national utilisation hours for coal-fired generation to remain at relatively high levels, and utilisation hours for power plants under China Resources Power to exceed this national level.

On 29 November 2011, the NDRC issued a notice imposing a temporary price intervention on thermal coal and strengthened the regulation on thermal coal prices (《關於對電煤實施臨時價格幹預和加強電煤價格調控的公告》), which not only regulated the key contract coal price growths, contract coal quality and fulfillment rates in 2012, but also gave price ceiling guidelines on spot coal prices in major ports. Since the fourth quarter of 2011, demand for coal has dropped in response to the slowdown in domestic economic growth, resulting in a continuous decline in Qinhuangdao spot coal prices. We believe that the overall supply and price trend of coal will move in favour of the demand side.

In 2011, we successfully offset a portion of the cost we bear from the increase in coal prices by improving the operational efficiency of our power plants by reducing the net generation standard coal consumption rate. The average standard coal consumption rate of our operational power plants in 2011 was 325.99g/kWh, representing a decrease of 4.60g/kWh or 1.4% from 330.59g/kWh in 2010. In 2012, we will continue to improve our operational efficiency and adopt standardized lean management throughout all our operational plants to further enhance operational efficiency.

In 2011, we have obtained approvals from the Chinese government for the construction of Guangdong Haifeng Power Plant (2 x 1,000MW coal-fired generation units), Zhejiang Cangnan Power Plant (2 x 1,000MW coal-fired generation units) and Yichang Power Plant (2 x 300MW heat and power co-generation units). In light of China's regulatory environment in the coal-fired power generation sector, we will carefully screen our investment projects and ensure that only selected coal-fired projects that we consider as highly competitive and can create future value for our

shareholders are pursued. Furthermore, we have also increased our investments in the clean and renewable energy sectors. In addition to wind farms, we are also exploring more opportunities to enter into other clean or renewable energy sectors such as the waste to energy sector.

We aim to further increase the production output of our coal mines, especially in Shanxi Province. The Daning Coal Mine in Jincheng, Shanxi which we acquired in 2011 has a designed production capacity of 4 million tonnes, and will form part of our full year operations in 2012 . Furthermore, the progress for resuming production of certain coal mines in Shanxi province were delayed and we will endeavor to have them resumed in 2012 as soon as possible.

We expect the production output of our coal mines and the coal consumption of our coal-fired power plants to continue to grow in the coming years. In response to this, we have made greater efforts to improve logistics management and arrangements accordingly.

In May 2011, we completed the issuance of a US\$750 million perpetual subordinated guaranteed capital securities; and in November 2011, we issued a RMB4.0 billion medium term notes in China. We have been trying to identify and broaden our financing channels with an aim to secure long-term low cost capital to support our business development. It is also critical for us to continue to monitor our capital structure and balance sheet on an on-going basis to ensure a stable capital structure to support the Group's operations and various development plans. In this regard, we will increase our efforts and effectiveness in resource allocation, including both financial and human resources, to ensure that they are strictly reflected on our business strategies and focus on value creation for shareholders.

## OPERATING RESULTS

The audited results of operations for the years ended 31 December 2010 and 2011 are as follows:

### Consolidated Income Statement For the year ended 31 December 2011

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Turnover	<u>60,708,674</u>	<u>48,578,313</u>
Operating expenses		
Fuel	(38,382,666)	(29,670,607)
Repairs and maintenance	(1,015,042)	(766,677)
Depreciation and amortisation	(5,502,030)	(4,274,656)
Staff costs	(3,247,286)	(2,616,018)
Consumables	(1,008,657)	(777,010)
Sales related taxes and surcharges	(424,735)	(182,268)
Others	<u>(4,066,615)</u>	<u>(3,168,003)</u>
Total operating expenses	<u>(53,647,031)</u>	<u>(41,455,239)</u>
Other income	1,248,732	730,461
Other gains and losses	<u>1,230,015</u>	<u>399,281</u>
Profit from operations	9,540,390	8,252,816
Finance costs	(3,515,563)	(2,526,568)
Share of results of associates	740,378	790,346
Share of results of jointly controlled entities	<u>96,944</u>	<u>289</u>
Profit before taxation	6,862,149	6,516,883
Taxation	<u>(1,242,763)</u>	<u>(755,046)</u>
Profit for the year	<u><u>5,619,386</u></u>	<u><u>5,761,837</u></u>
Profit for the year attributable to:		
Owners of the Company	4,450,576	4,903,654
Non-controlling interests		
— Perpetual capital securities	269,275	—
— Others	<u>899,535</u>	<u>858,183</u>
	<u><u>5,619,386</u></u>	<u><u>5,761,837</u></u>
Earnings per share		
— basic	<u><u>HK\$0.95</u></u>	<u><u>HK\$1.05</u></u>
— diluted	<u><u>HK\$0.94</u></u>	<u><u>HK\$1.04</u></u>

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2011**

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Profit for the year	<u>5,619,386</u>	<u>5,761,837</u>
Other comprehensive income and expense:		
Exchange differences from translation	1,724,851	1,030,232
Share of changes in translation reserve of associates and jointly controlled entities	763,786	385,606
Fair value change on cash flow hedges	<u>(29,103)</u>	<u>24,076</u>
Other comprehensive income for the year	<u>2,459,534</u>	<u>1,439,914</u>
Total comprehensive income for the year	<u><u>8,078,920</u></u>	<u><u>7,201,751</u></u>
Total comprehensive income for the year attributable to:		
Owners of the Company	6,711,817	6,079,511
Non-controlling interests		
— Perpetual capital securities	269,275	—
— Others	<u>1,097,828</u>	<u>1,122,240</u>
	1,367,103	1,122,240
	<u><u>8,078,920</u></u>	<u><u>7,201,751</u></u>

**Consolidated Statement of Financial Position**  
**As at 31 December 2011**

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	96,418,551	84,273,757
Prepaid lease payments	2,301,477	1,891,805
Mining rights	10,703,707	9,939,938
Exploration and resources rights	—	148,218
Interests in associates	18,294,014	12,279,541
Interests in jointly controlled entities	1,694,679	935,595
Goodwill	4,033,453	3,796,731
Investments in investee companies	1,101,266	1,093,160
Deposits paid for acquisition of property, plant and equipment	2,797,183	1,145,815
Deposits paid for acquisition of mining/exploration rights	1,295,175	2,794,700
Deposit paid for land use rights	—	111,741
Other non-current deposits paid	120,227	158,170
Loans to an associate	2,394,638	—
Loans to a jointly controlled entity	1,233,500	—
Deferred taxation assets	<u>171,875</u>	<u>107,084</u>
	<u>142,559,745</u>	<u>118,676,255</u>
Current assets		
Inventories	3,592,567	2,006,017
Trade and bills receivables, other receivables and prepayments	16,123,016	10,763,185
Amounts due from associates	593,992	2,853,053
Amounts due from jointly controlled entities	122,122	1,417,034
Amounts due from related companies	570,823	159,293
Financial assets at fair value through profit or loss	3,042	3,544
Restricted bank balances	—	58,641
Pledged bank deposits	303,977	271,818
Bank balances and cash	<u>4,496,605</u>	<u>6,801,707</u>
	<u>25,806,144</u>	<u>24,334,292</u>

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities		
Trade payables, other payables and accruals	19,305,755	14,682,456
Amounts due to associates	669,548	1,092,917
Amounts due to related companies	2,036,924	116,386
Taxation payable	398,408	149,198
Bank and other borrowings - repayable within one year	26,418,243	20,667,961
Derivative financial instruments	<u>147,559</u>	<u>—</u>
	<u>48,976,437</u>	<u>36,708,918</u>
Net current liabilities	<u>(23,170,293)</u>	<u>(12,374,626)</u>
Total assets less current liabilities	<u>119,389,452</u>	<u>106,301,629</u>
Non-current liabilities		
Bank and other borrowings - repayable after one year	56,568,988	54,243,192
Accrued retirement benefit cost	231,859	286,801
Derivative financial instruments	210,354	323,885
Deferred taxation liabilities	579,455	493,655
Deferred income	226,631	—
Deferred consideration payables	<u>—</u>	<u>693,987</u>
	<u>57,817,287</u>	<u>56,041,520</u>
	<u>61,572,165</u>	<u>50,260,109</u>
Capital and reserves		
Share capital	4,745,092	4,719,501
Share premium and reserves	<u>42,727,906</u>	<u>37,444,717</u>
	<u>47,472,998</u>	<u>42,164,218</u>
Non-controlling interests		
Prepetual capital securities	<u>5,900,367</u>	<u>—</u>
Others	8,198,800	8,095,891
	14,099,167	8,095,891
	<u>61,572,165</u>	<u>50,260,109</u>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2011**

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	6,862,149	6,516,883
Adjustments for:		
Amortisation of prepaid lease payments	69,572	65,121
Amortisation of mining rights	285,980	176,294
Depreciation for property, plant and equipment	5,146,478	4,033,241
Recognition of share-based payments	153,734	27,688
Impairment loss on investment in an investee company	53,350	—
Interest expense	3,515,563	2,526,568
Interest income	(271,465)	(187,645)
Fair value change on financial assets at fair value through profit and loss	502	2,300
Fair value change on derivative financial instruments	4,925	14,410
Share of results of associates	(740,378)	(790,346)
Share of results of jointly controlled entities	(96,944)	(289)
Dividends received from an investee company	(51,956)	(111,624)
Gain on disposal of a subsidiary	—	(127,477)
Net loss (gain) on disposal of property, plant and equipment	<u>53,345</u>	<u>(153,680)</u>
Operating cash flows before movements in working capital	14,984,855	11,991,444
Increase in inventories	(1,469,559)	(474,492)
Increase in trade and bills receivables, other receivables and prepayments	(3,319,437)	(1,505,908)
Increase in trade payables, other payables and accruals	3,391,406	1,444,601
Decrease in accrued retirement benefit cost	(36,342)	(19,145)
PRC Enterprise Income Tax paid	<u>(975,887)</u>	<u>(616,047)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>12,575,036</u>	<u>10,820,453</u>

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>		
Dividends received from associates	1,006,871	921,971
Dividend received from an investee company	51,956	111,624
Interest received	388,942	272,675
Withdrawal in pledged bank deposits	215,115	301,402
Placement in pledged bank deposits	(231,422)	(111,164)
Release of restricted bank balances	62,061	1,444,964
Acquisition of property, plant and equipment and land use rights	(12,199,050)	(14,424,802)
Deposit paid for acquisition of property, plant and equipment and land use rights	(2,655,881)	(1,425,470)
Purchase and deposit paid for acquisition of mining rights and exploration and resources rights	(173,958)	(919,987)
Loan repaid from a non-controlling shareholder of a subsidiary	16,205	1,136
Advance to associates	(41,018)	(1,542,149)
Loan repaid from (advance to) a jointly controlled entity	133,837	(1,410,624)
Advance to a non-controlling shareholder of a subsidiary	—	(96,171)
Capital contribution for investments in associates	(350,980)	(2,618,317)
Net cash outflow on acquisition of interest in an associate	(4,673,608)	—
Deposit paid for capital contribution for an associate	—	(60,660)
Deposit paid for capital contribution for a jointly controlled entity	—	(19,568)
Investments in investee companies	—	(36,179)
Acquisitions of subsidiaries	—	(119,161)
Proceeds from disposal of property, plant and equipment	239,994	316,763
Advances to an investee company	(57,975)	(42,285)
Proceeds from disposal of a subsidiary	—	200,393
Net cash outflow from acquisition of assets through acquisition of subsidiaries	—	(320,727)
Capital contribution to jointly controlled entities	(634,663)	(822,556)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(18,903,574)</b>	<b>(20,398,892)</b>

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of corporate bonds	4,934,000	10,479,293
Net proceeds from issue of perpetual capital securities	5,789,305	—
New bank and other borrowings raised	34,944,441	43,671,538
Repayment of bank and other loans	(36,403,474)	(36,394,972)
Capital contribution from non-controlling shareholders	156,668	148,972
Proceeds on issue of shares	116,595	159,281
Coupon paid on perpetual capital securities	(204,658)	—
Acquisition of additional interests in subsidiaries	—	(470,326)
Purchase of shares held by incentive plan	(77,610)	—
Repayment of advances from associates	(366,723)	(2,735,770)
(Advances to) repayment from group companies	(404,923)	272,163
Advances from an intermediate holding company	3,700,700	—
Loans repaid to an intermediate holding company	(2,488,363)	—
Advance from (Repayment of advances from) non-controlling shareholders of subsidiaries	708,172	(25,734)
Interest paid	(3,950,587)	(2,726,813)
Dividends paid	(1,549,311)	(1,770,924)
Dividends paid to non-controlling shareholders of subsidiaries	<u>(1,184,643)</u>	<u>(684,528)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>3,719,589</u>	<u>9,922,180</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,608,949)	343,741
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	6,801,707	6,261,931
<b>EFFECT ON FOREIGN EXCHANGE RATE CHANGE</b>	<u>303,847</u>	<u>196,035</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH</b>	<u><u>4,496,605</u></u>	<u><u>6,801,707</u></u>

## **Overview**

Net profit for the Year 2011 amounted to approximately HK\$4,451 million, representing a decrease of approximately 9.2% from HK\$4,904 million in 2010.

In 2011, due to a 15.8% increase in net generation volume as a result of the commissioning of coal-fired generation units and wind farms together with the net generation volume increase on a same plant basis, average tariffs increase of 3.6% for subsidiary coal-fired power plants, and the coal production of subsidiary coal mines increase of 37.1%, turnover increased by 25.0% to HK\$60,709 million from HK\$48,578 million in 2010. However, operating costs significantly increased by 29.4% to approximately HK\$53,647 million in 2011 from approximately HK\$41,455 million in 2010, resulting in profit from operations only increasing by 15.6% to HK\$9,540 million from last year. As a result of the increase in finance costs and tax expenses, as well as non-controlling interests, net profit during the year decreased by 9.2% compared to 2010.

## **Basis of preparation of financial statements and principal accounting policies**

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

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

The Group had net current liabilities as at 31 December 2011. The directors of the Company (the “Directors”) are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the financial statements. Hence, the financial statements have been prepared on a going concern basis.

## Turnover and segment information

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

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of electricity	50,705,427	41,718,794
Heat supply	2,018,296	1,429,117
Sales of coal	<u>7,984,951</u>	<u>5,430,402</u>
	<u>60,708,674</u>	<u>48,578,313</u>

Our turnover for the Year 2011 was HK\$60,709 million, representing a 25.0% increase from HK\$48,578 million in 2010. The increase in turnover was mainly due to (1) an increase in net generation volume of subsidiary power plants in 2011; the total net generation volume of our 50 consolidated operating power plants and wind farms amounted to 112,080,283 MWh in 2011, representing an increase of 15.8% from 96,785,044 MWh in 2010, (2) an increase in total coal volume produced by our subsidiary coal mines; the production of our subsidiary coal mines totally amounted to 13.11 million tonnes, representing an increase of 37.1% from 9.56 million tonnes in 2010, (3) an increase in average sales price of coal; the average sales price of coal of subsidiary coal mines (exclusive of VAT) during the year is RMB509.0 per tonne, representing an increase of 5.1% from 2010, and (4) an increase in average tariff; the average settlement tariff (exclusive of VAT) for subsidiary coal-fired power plants during the year is RMB371.2/MWh, representing an increase of 3.6% compared to last year.

The Group is currently engaged in two operating segments - sales of electricity (inclusive of supply of heat generated by thermal power plants) and coal mining.

### Segment revenue and results

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

For the year ended 31 December 2011

	<b>Sales of electricity</b> <i>HK\$'000</i>	<b>Coal mining</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue				
External sales	52,723,723	7,984,951	—	60,708,674
Inter-segment sales	<u>—</u>	<u>447,793</u>	<u>(447,793)</u>	<u>—</u>
Total	<u>52,723,723</u>	<u>8,432,744</u>	<u>(447,793)</u>	<u>60,708,674</u>
Segment result	<u>6,099,666</u>	<u>3,621,985</u>	<u>—</u>	<u>9,721,561</u>
Unallocated corporate expenses				(457,561)
Interest income				271,465
Fair value change on derivative financial instruments				4,925
Finance costs				(3,515,563)
Share of results of associates				740,378
Share of results of jointly controlled entities				<u>96,944</u>
Profit before taxation				<u>6,862,149</u>

For the year ended 31 December 2010

	<b>Sales of electricity</b> <i>HK\$'000</i>	<b>Coal mining</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue				
External sales	43,147,911	5,430,402	—	48,578,313
Inter-segment sales	<u>—</u>	<u>191,464</u>	<u>(191,464)</u>	<u>—</u>
Total	<u>43,147,911</u>	<u>5,621,866</u>	<u>(191,464)</u>	<u>48,578,313</u>
Segment result	<u>6,966,534</u>	<u>1,380,440</u>	<u>—</u>	<u>8,346,974</u>
Unallocated corporate expenses				(394,870)
Interest income				187,645
Fair value change on derivative financial instruments				(14,410)
Gain on disposal of a subsidiary				127,477
Finance costs				(2,526,568)
Share of results of associates				790,346
Share of results of jointly controlled entities				<u>289</u>
Profit before taxation				<u>6,516,883</u>

Inter-segment sales are charged at prevailing market rates.

#### Geographical segments

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

## Operating expenses

Operating expenses mainly comprise fuel costs, repair and maintenance, depreciation and amortisation, staff costs, consumables, sales related tax and surcharge, and other operating expenses. Other operating expenses include (among others) sustainable development funds, safety fees, discharge fees, professional fees, office rent, travelling expenses, entertainment expenses and write-off of pre-operating expenses. Operating expenses amounted to HK\$53,647 million in 2011, representing a 29.4% increase from HK\$41,455 million in 2010. The increase in operating expenses was mainly due to a significant increase in fuel costs, staff costs and repair and maintenance expenses as well as an increase in total depreciation expenses.

Fuel costs in 2011 amounted to approximately HK\$38,383 million, representing an increase of HK\$8,712 million or 29.4% from HK\$29,671 million in 2010. Although the generation volume of our consolidated power plants increased by 15.8% over last year, the average standard coal cost for our consolidated power plants in 2011 has increased by 13.7% on a year-on-year basis, and as a result, the increase in fuel costs reached to 29.4%.

The total depreciation and amortisation expenses in 2011 increased by approximately HK\$1,227 million or 28.7% to a total of approximately HK\$5,502 million. This is mainly due to an increase in the total number of operating coal-fired power plants and wind farms during the year with our attributable operational capacity increased from 19,358MW as at the end of 2010 to 22,230MW as at the end of 2011.

In 2011, repair and maintenance costs increased by approximately HK\$248 million or 32.4% to approximately HK\$1,015 million. This was mainly due to the number of generation units which underwent repair and maintenance increase during the year. Apart from more units in the coal-fired power plant undergoing an overhaul, this also included expenses relating to technical upgrades in the coal mines of approximately HK\$490 million. With more units undertaking overhaul, consumables increased from approximately HK\$777 million in 2010 to HK\$1,009 million, up 29.8%.

Staff costs increased sharply by approximately 24.1% or HK\$631 million from approximately HK\$2,616 million in 2010. This was due to a rapid increase in the number of employees with the expansion of the power and coal operations. As at the end of 2011, the Group had approximately 36,400 full-time employees, a significant increase from approximately 33,500 employees as at the end of 2010.

Sales related tax and surcharge increased by approximately 133.0% from HK\$182 million in 2010 to approximately HK\$425 million. This was attributed to a sharp increase of 25.0% in the turnover of the Group from power generation and coal

mining during the year, increased internal loan interest income through centralized management of internal funds during the year and the imposition of urban construction tax and education surtax on foreign investment enterprises by the government since 1 December 2010.

Other operating expenses for the Year 2011 amounted to approximately HK\$4,067 million, increased by HK\$899 million or 28.4% from HK\$3,168 million for the year of 2010. This is mainly due to the fact that our coal mine operations achieved rapid growth in the year of 2011 and production costs include (among others) sustainable development fund, safety fee and other fees, charges and funds levied by the Chinese government, as a result, our total other operating expenses increased during the year.

### **Other income and other gains and losses**

During 2011, Other income and other gains and losses amounted to approximately HK\$1,249 million and HK\$1,230 million respectively, representing an increase of 71.0% and 2.1 times respectively from approximately HK\$730 million and HK\$399 million respectively in 2010.

Other income mainly included government grant and subsidies of approximately HK\$425 million, interest income of approximately HK\$271 million and income of approximately HK\$100 million received under Clean Development Mechanism (“CDM”). Since the significant rise of coal price posed great difficulties for power plants in some areas, government grant and subsidies received in 2011 increased by a greater extent.

Other gains and losses were mainly affected by the appreciation of approximately 5% in RMB on a year-on-year basis and the significant increase in borrowings denominated in foreign currencies, as a result of which the total exchange gain increased by HK\$1,049 million to HK\$1,184 million from approximately HK\$135 million in 2010.

### **Profit from operations**

Profit from operations represents profit from subsidiaries before deduction of finance costs and non-controlling interests. Profit from operations amounted to approximately HK\$9,540 million in 2011, representing a 15.6% increase from HK\$8,253 million in 2010. The increase was mainly due to (1) an increase in profit contribution from our coal mine operations with our production volume from subsidiary coal mines increased by 37.1% to 13.11 million tonnes during the year; (2) increase in profit contribution from our wind farms with our total attributable operational wind capacity increased from 646MW as at the end of 2010 to 1,234MW as at the end of 2011; (3) increase in generation volume and average tariff of our

consolidated power plants; (4) increase in other income and other gains and losses; but offset by (5) an increase of approximately 29.4% in total operating costs, including a significant increase of 13.7% in the average standard coal cost, which gave rise to a significant increase in fuel costs and increase in other operating costs (other than fuel costs).

### Finance costs

Finance costs amounted to approximately HK\$3,516 million in 2011, representing a 39.1% increase from HK\$2,527 million in 2010. The increase in finance costs is due to a 20.2% increase in average bank and other borrowings (calculated using bank and other borrowings outstanding at the beginning and end of the year) from HK\$65,698 million for 2010 to HK\$78,949 million for 2011, and mainly due to average borrowing costs increased in 2011 as a result of the impact of the government's macroeconomic control policies.

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Interest on bank and other borrowings:		
— wholly repayable within five years	3,248,543	2,519,158
— not wholly repayable within five years	255,378	231,535
Interest on corporate bonds:		
— wholly repayable within five years	227,315	70,844
— not wholly repayable within five years	259,615	206,273
Others	<u>120,025</u>	<u>13,167</u>
	4,110,876	3,040,977
Less: Interest capitalised in property, plant and equipment	<u>(595,313)</u>	<u>(514,409)</u>
	<u><u>3,515,563</u></u>	<u><u>2,526,568</u></u>

### Share of results of associates

Share of results of associates in 2011 amounted to HK\$740 million, representing a decrease of 6.3% as compared to HK\$790 million in 2010. The decrease is mainly due to a decrease in share of results of associate power plants as result of the rising coal price, which was partly offset by contribution from Shanxi Asian American-Daning.

## **Share of results of jointly controlled entities**

Share of results of jointly controlled entities for 2011 amounting to approximately HK\$96.9 million (2010: HK\$0.3million) was mainly due to the Company's share of the contribution from Resources J Investment Company Holding Limited which is mainly engaged in construction and operation of 2 x 1000MW coal-fired generation units located in Hezhou, Guangxi Province.

## **Fair value change on derivative financial instruments**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion and changes in fair value of some swaps that do not qualify for hedge accounting are recognised immediately in profit and loss. Fair value loss on derivative financial instruments in 2011 amounted to HK\$4.93 million and represented the loss relating to the ineffective portion of cash flow hedge.

## **Taxation**

Taxation charge in 2011 was approximately HK\$1,243 million, representing a 64.6% increase from approximately HK\$755 million in 2010. The increase in PRC enterprise income tax is mainly due to the income tax expenses of Shanxi CR Liansheng and Changshu. As Shanxi CR Liansheng increased production volume by 55.5% in 2011, and as coal mine operations pay a standard tax rate of 25%, income tax payable by Shanxi CR Liansheng also increased significantly. Income tax payable by Changshu increased significantly in 2011 due to the tax preferential treatments enjoyed by Changshu expired gradually during the year, which leads to increase in tax payable.

Details of the taxation charge for the years ended 31 December 2010 and 2011 are set out below:

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises		
The Company and its subsidiaries in the PRC		
Enterprise Income Tax		
— current	1,216,396	682,662
— underprovision in prior years	<u>—</u>	<u>7,120</u>
	1,216,396	689,782
Deferred taxation	<u>26,367</u>	<u>65,264</u>
	<u><u>1,242,763</u></u>	<u><u>755,046</u></u>

No provision for Hong Kong Profits Tax has been made as the Group had no taxable profit in Hong Kong for both years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits in accordance with the relevant tax rates applicable to certain subsidiaries in the PRC.

**Profit for the year**

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration		
— Fees	1,280	1,202
— Other emoluments	12,937	17,889
— Pension costs	478	472
— Share-based compensations	<u>33,037</u>	<u>393</u>
	47,732	19,956
Salaries, wages and bonus	2,569,729	2,199,771
Pension costs, excluding directors	509,128	368,996
Share based compensations, excluding directors	<u>120,697</u>	<u>27,295</u>
Total staff costs	<u>3,247,286</u>	<u>2,616,018</u>
Amortisation of prepaid lease payments	69,572	65,121
Amortisation of mining rights (included in depreciation and amortisation)	285,980	176,294
Auditor's remuneration	7,200	4,952
Cost of inventories recognised as expenses	39,391,323	30,447,617
Depreciation of property, plant and equipment	5,146,478	4,033,241
Impairment loss on investment in an investee company	53,350	—
Minimum lease payments under operating leases in respect of:		
— land and buildings	72,341	80,377
— other assets	6,214	10,875
Pre-operating expenses of subsidiaries (included in other operating expenses)	—	44,170
Fair value change on financial assets at fair value through profit and loss (included in other gains and losses)	502	2,300
Fair value change on derivative financial instruments (included in other gains and losses)	<u>4,925</u>	<u>14,410</u>

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
and after crediting:		
CDM income	100,235	88,203
Dividend income from investee companies	51,956	111,624
Government grant	425,195	69,100
Interest income	271,465	187,645
Sales of scrap materials	198,354	148,039
Service income from heat connection contracts	15,860	56,577
Gain on disposal of a subsidiary (included in other gains and losses)	—	127,477
Net exchange gain (included in other gains and losses)	1,183,620	134,834
Net (loss) gain on disposal of property, plant and equipment (included in other gains and losses)	<u>(53,345)</u>	<u>153,680</u>
Expenses capitalised in construction in progress:		
Salaries, wages and bonus	113,248	118,595
Pension costs	25,062	24,310
Depreciation of property, plant and equipment	<u>11,537</u>	<u>6,377</u>

### **Profit for the year attributable to owners of the Company**

As a result of the above, the Group's net profit has decreased to HK\$4,451 million in 2011 from approximately HK\$4,904 million in 2010, representing a 9.2% decrease year-on-year.

### **Earnings per share**

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share (profit attributable to owners of the Company)	<u>4,450,576</u>	<u>4,903,654</u>

	<b>Number of ordinary shares</b>	
	<b>2011</b>	<b>2010</b>
Weighted average number of ordinary shares excluding own shares held for incentive plan for the purpose of basic earnings per share	4,695,272,325	4,659,998,240
Effect of dilutive potential ordinary shares:		
— share options	<u>42,626,981</u>	<u>70,242,373</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,737,899,306</u>	<u>4,730,240,613</u>
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
Basic earnings per share	<u>0.95</u>	<u>1.05</u>
Diluted earnings per share	<u>0.94</u>	<u>1.04</u>

#### **Final dividend and closure of register of members**

The Board resolved to recommend a final dividend of HK\$0.24 per share for the year of 2011 (2010: HK\$0.27 per share).

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2011 Interim, paid — HK\$0.06 per share (2010: HK\$0.06 per share)	284,458	282,612
2010 Final, paid — HK\$0.27 per share (2009: HK\$0.32 per share)	<u>1,278,745</u>	<u>1,503,979</u>
	<u>1,563,203</u>	<u>1,786,591</u>

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company on Friday, 8 June 2012, the final dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 20 June 2012. The register of members of the Company will be closed from Thursday, 14 June 2012 to Wednesday, 20 June 2012 (both days inclusive), during which no share transfer will be registered. To qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 13 June 2012. The dividend will be payable on or about Tuesday, 26 June 2012, and the record date for determining shareholders who will be entitled to attend the forthcoming annual general meeting will be at the close of business of Thursday, 7 June 2012.

### **Capital structure management**

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

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

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

### **Liquidity and financial resources, borrowings, and charge of assets**

The Group had net current liabilities as at 31 December 2011. The Directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months commencing from the date of the financial statements.

The bank balances and cash as at 31 December 2011 denominated in local currency and foreign currencies amounted to approximately HK\$1,341 million, RMB2,236 million and US\$51 million.

The bank and other borrowings of the Group as at 31 December 2010 and 2011 were as follows:

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Secured bank loans	1,039,999	861,058
Unsecured bank loans	65,997,182	63,294,724
Corporate bonds and notes	15,950,050	10,653,559
Other loans	<u>—</u>	<u>101,812</u>
	<u><b>82,987,231</b></u>	<u><b>74,911,153</b></u>

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Within 1 year	26,418,243	20,667,961
More than 1 year, but not exceeding 2 years	7,274,267	24,441,275
More than 2 years, but not exceeding 5 years	24,066,113	16,226,073
More than 5 years	<u>25,228,608</u>	<u>13,575,844</u>
	<u><b>82,987,231</b></u>	<u><b>74,911,153</b></u>

The above secured bank loans are secured by:

Pledge of assets (note)	<u>4,436,737</u>	<u>1,843,895</u>
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*Note:* Certain bank loans were secured by the Group's land use rights, buildings, power generating plant and equipment and note receivables with carrying values of HK\$447,107,000 (2010: HK\$65,444,000), HK\$134,923,000 (2010: HK\$128,543,000), HK\$3,854,707,000 (2010: HK\$1,418,691,000) and nil (2010: HK\$231,217,000), respectively.

The bank and other borrowings as at 31 December 2011 denominated in local currency and foreign currencies amounted to HK\$17,650 million, RMB48,621 million and US\$690 million, respectively.

As at 31 December 2011, bank and other borrowings of approximately HK\$17,650 million and US\$190 million (2010: HK\$14,019 million and US\$100 million) bore interest at a range from HIBOR plus 0.30% to HIBOR plus 2.30% per annum and LIBOR plus 1.34%, respectively. The remaining bank and other borrowings carried interest rates at a range from 1.34% to 7.40% (2010: 1.79% to 7.60%) per annum.

In May 2011, China Resources Power East Foundation Co., Ltd., a wholly owned subsidiary of the Company, issued US\$750 million perpetual capital securities.

The Group uses interest rate swaps with net quarterly settlement to minimise its exposure to interest expenses of certain Hong Kong Dollar bank borrowings by swapping floating interest rates to fixed interest rates. As at 31 December 2011, loans of HK\$11,941 million which were provided using floating rates were swapped to fixed interest rates at a range from 1.12% to 4.52% per annum.

As at 31 December 2011, the Group's ratio of net debt to shareholders' equity was 165.3%, with total debt to total capitalisation ratio of 57.4%. In the opinion of the Directors, the Group has a stable capital structure, which can support its future development plan and operations.

During 2011, the Group's primary sources of funding included new bank loans raised, proceeds from issuances of perpetual capital securities and medium-term notes and net cash inflow from operating activities, which amounted to HK\$34,944 million, HK\$10,723 million and HK\$12,575 million, respectively. The Group's funds were primarily used in repayment of bank loans, purchase for acquisition of property, plant and equipment and land use rights, net cash outflow for acquisition of interest in an associate and interest paid, which amounted to HK\$36,403 million, HK\$12,199 million, HK\$4,674 million and HK\$3,950 million, respectively.

#### **Trade and bills receivables**

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	8,014,370	6,006,705
Bills receivables	<u>988,163</u>	<u>759,054</u>
	<u>9,002,533</u>	<u>6,765,759</u>

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

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
0 - 30 days	7,236,940	5,663,100
31 -60 days	558,293	271,699
Over 60 days	<u>219,137</u>	<u>71,906</u>
	<u><b>8,014,370</b></u>	<u><b>6,006,705</b></u>

### **Trade payables**

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
0 - 30 days	4,110,078	2,994,329
31 -60 days	1,330,446	483,608
Over 60 days	<u>492,105</u>	<u>383,171</u>
	<u><b>5,932,629</b></u>	<u><b>3,861,108</b></u>

### **Key financial ratios of the Group**

	<b>2011</b>	<b>2010</b>
Current ratio (times)	0.53	0.66
Quick ratio (times)	0.45	0.61
Net debt to shareholders' equity (%)	165.3	161.5
EBITDA interest coverage (times)	3.86	4.38

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

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

Net debt to shareholders' equity	=	(balance of total bank and other borrowings at the end of the year - balance of bank balances and cash at the end of the year) / balance of equity attributable to owners of the Company at the end of the year
EBITDA interest coverage	=	(profit before taxation + interest expense + depreciation and amortisation) / interest expenditure (including capitalised interests)

### **Foreign exchange rate risk**

We collect substantially all of our revenue in Renminbi (“RMB”) and most of our expenditures including expenditures incurred in the operation of power plants as well as capital expenditures are also denominated in RMB. Dividends receivable from the Company’s subsidiaries and associates can be collected in either RMB, US Dollar (“USD”) or Hong Kong Dollar (“HKD”).

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

As the functional currency of the Group is RMB and most of our revenue and expenditures are denominated in RMB, the Group does not use derivative financial instruments to hedge its exposure against changes in exchange rates of RMB against HKD and USD.

As at 31 December 2011, the Group had approximately HK\$1,341 million and US\$51 million cash at bank and HK\$17,650 million and US\$690 million bank and other borrowings on its consolidated statement of financial position, the remaining assets and liabilities of the Group were mainly denominated in RMB.

### **Contingent liabilities**

The Group did not have any material contingent liabilities as at 31 December 2011 (2010: Nil).

## **Employees**

The Group had approximately 36,400 employees as at 31 December 2011 (2010: 33,500 employees).

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

## **Medium to Long-term Performance Evaluation Incentive Plan**

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

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

The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during 2011

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied, throughout the financial year, with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (“Model Code”)**

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

## AUDITORS AND AUDIT COMMITTEE

The financial statements of the Company are audited by Deloitte Touche Tohmatsu. The audit committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2011.

According to the relevant regulations issued by the Ministry of Finance of the PRC and the State-owned Assets Supervision and Administration Commission of the State Council regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is a subsidiary of China Resources (Holdings) Company Limited (“CRH”) which is a state-owned enterprise, and since the number of years that the Company has continuously engaged its existing auditor, Deloitte Touche Tohmatsu, has exceeded the prescribed time limit, Deloitte Touche Tohmatsu will retire as the auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company and will not be re-appointed. Special notice has been given by a shareholder of the Company which is a subsidiary of CRH, pursuant to Sections 116C and 132(1) of the Hong Kong Companies Ordinance, of the intention to propose the following resolution as an ordinary resolution at the forthcoming annual general meeting:

“THAT PricewaterhouseCoopers be appointed as the auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the directors of the Company.”

The Board has resolved, with the endorsement of the Audit Committee of the Company, to recommend the appointment of PricewaterhouseCoopers as the new auditor of the Company following the above-mentioned retirement of Deloitte Touche Tohmatsu and such proposed appointment is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

The Company has received a confirmation letter from Deloitte Touche Tohmatsu confirming that there are no matters connected with its retirement that should be brought to the attention of the shareholders of the Company. The Board has confirmed that there are no matters in respect of the proposed change of auditor that need to be brought to the attention of the shareholders of the Company.

## **PUBLIC FLOAT**

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for the year of 2011 will be held on 8 June 2012 in Hong Kong.

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

Hong Kong, 19 March 2012

*As at the date of this announcement, the Board of the Company comprises five executive directors, namely, Ms. Zhou Junqing (Chairman), Mr. Wang Yu Jun (Chief Executive Officer), Ms. Wang Xiao Bin (Chief Financial Officer and Company Secretary), Mr. Zhang Shen Wen and Mr. Li She Tang; four non-executive directors, namely Mr. Du Wenmin, Mr. Shi Shanbo, Mr. Wei Bin and Dr. Zhang Haipeng; and five independent non-executive directors, namely Mr. Anthony H. Adams, Mr. Chen Ji Min, Mr. Ma Chiu-Cheung, Andrew, Ms. Elsie Leung Oi-sie and Dr. Raymond K. F. Ch'ien.*