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 INTERIM RESULTS FOR 2018

SUMMARY OF OPERATING RESULTS

The board of directors (the "Board") of China Resources Power Holdings Company Limited (the "Company" or "CR Power") announces the unaudited financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

For the first half of 2018, the Group recorded a profit attributable to owners of the Company ("net profit") of HK$2,959 million, representing an increase of HK$1,106 million or 59.6% from a net profit of HK$1,854 million for the first half of 2017. Basic earnings per share for the first half of 2018 is 61.92 HK cents, representing an increase of 59.6% from 38.79 HK cents for the first half of 2017.

In the first half of the year, impairment provisions for power assets was approximately HK$624 million, which reduced the Group's net profit by approximately HK$562 million, mainly including impairment provisions for goodwill of China Resources Power Gucheng and Shenhai Power Plants, provision for the capital already invested in two hydropower projects that discontinued development, and impairment provisions for obsolete environmental protection, safety and energy saving facilities as a result of technological upgrades. The impairment provisions made for coal mine assets amounted to approximately HK$147 million, which reduced net profit of the Group by approximately HK$146 million, mainly in connection with the shut down of Hunan Coal Mine. For details, please refer to "Operating expenses" under the section headed "Operating results".

The Board resolved to declare an interim dividend of 12.5 HK cents per share for the six months ended 30 June 2018.

	For the six months ended 30 June	
	2018	**2017**
	(unaudited)	*(unaudited)*
Turnover *(HK$'000)*	39,307,766	34,092,283
Profit attributable to owners of the Company *(HK$'000)*	2,959,127	1,853,554
Basic earnings per share *(HK cents)*	61.92	38.79
Interim dividend per share *(HK cents)*	12.50	12.50
	As at 30 June 2018	**As at 31 December 2017**
	(unaudited)	*(audited)*
Total assets *(HK$'000)*	227,997,347	220,972,470
Cash and cash equivalents *(HK$'000)*	8,100,333	5,381,686
Pledged and restricted bank deposits *(HK$'000)*	550,058	890,182
Bank and other borrowings *(HK$'000)*	110,309,285	101,722,869
Equity attributable to owners of the Company *(HK$'000)*	73,514,570	75,213,819
Net debt to shareholders' equity (%)	138.3	126.9

BUSINESS REVIEW FOR THE FIRST HALF OF 2018

Generation capacity

As at 30 June 2018, the Group had an attributable operational generation capacity of 36,917MW, of which the attributable operational generation capacity of our coal-fired power plants amounted to 29,815MW or 80.8%. Wind, hydro, photovoltaic and gas-fired power generation capacity amounted to 6,411MW, 280MW, 333MW and 79MW, respectively or 19.2% in aggregate, representing an increase of 1.8 percentage points compared to the end of 2017.

In the first half of 2018, the Group commissioned 782MW and 58MW of attributable wind and photovoltaic power generation capacity.

Net generation volume

The total net generation volume of our consolidated operating power plants amounted to 76,880,815MWh in the first half of 2018, representing an increase of 4.0% from 73,913,260MWh in the first half of 2017, excluding the net generation volume of CR Liuzhi Power Plant, which was reclassified as an associate in December 2017.

For the 29 consolidated coal-fired power plants which were in operation for the first half of 2017 and 2018, the average full-load equivalent utilization hours amounted to 2,412 hours, representing an increase of 1.2% from 2,384 hours for the first half of 2017, and exceeded the national average utilization hours for the thermal power industry by 286 hours.

In the first half of 2018, the net generation volume of our consolidated power plants that participated in direct power transactions (including bilateral long-term agreements and power trading) amounted to 33,263,203 MWh, and the average tariff of direct power transactions was 13.2% lower than the average tariff approved by the Chinese government.

Fuel costs

In the first half of 2018, the average standard coal cost per tonne of our consolidated coal-fired power plants was RMB734.5/tonne, representing an increase of 6.2% compared with the same period last year. The average unit fuel cost was RMB221.2/MWh, representing an increase of 4.7% compared with the same period last year. The average net generation standard coal consumption rate was 298.3g/kWh, representing a decrease of 4.5g/kWh in comparison with the same period last year.

Development of renewable energy

As at 30 June 2018, the attributable operational generation capacity of the Group's wind power projects amounted to 6,411MW, representing an increase of 13.9% as compared to the end of December 2017. The average full-load equivalent utilization hours of our wind farms amounted to 1,290 hours in the first half of 2018, exceeding the national average utilization hours of the wind power industry by 147 hours.

As at 30 June 2018, our attributable operational photovoltaic generation capacity reached 333MW and our attributable operational hydro-electric generation capacity reached 280MW.

Environmental expenses

In the first half of 2018, the total amount of environmental protection tax incurred by our subsidiaries was approximately RMB60 million, which was RMB4 million or 7.0% higher than RMB56 million incurred in the first half of 2017. The increase was mainly due to the change in the form of collection in certain regions from fees to taxes and the increase in generation volume. As at 30 June 2018, the installation of ultra-low emission facilities for 58 generation units in our consolidated power plants was completed with a total attributable operational generation capacity of 24,085MW.

Capital expenditure

In the first half of 2018, the cash capital expenditure of the Group amounted to approximately HK$8.3 billion, among which, approximately HK$4.3 billion was used in the construction of wind, photovoltaic and hydro-electric power plants, approximately HK$2.8 billion was used in the construction of coal-fired generation units, HK$640 million was used in the upgrading of existing coal-fired generation units for ultra-low emission, safety and energy saving and heat supply technology, and approximately HK$530 million was used in the upgrading and construction of coal mines.

PROSPECTS FOR THE SECOND HALF OF 2018

In the first half of 2018, power consumption in China grew by 9.4%. Overall generation capacity increased by 6.2%. According to the forecast of the China Electricity Council, it is expected that power consumption growth in China in the second half of the year will decline slightly as compared to the first half of the year, and power consumption growth in China for the entire year of 2018 will be better than what was forecasted at the beginning of the year, higher than the growth rate in 2017.

In the first half of 2018, thermal coal price was volatile due to factors such as cold weather, government adjustment policies and summer peak season. Thermal coal price movement started off with a rise, then dropped, and eventually rose again, generally lingering at high levels. Thermal coal price is expected to decline in the second half of 2018.

In the first half of 2018, the Group implemented ultra-low emission transformation on 3 coal-fired generation units with a total attributable installed capacity of 1,600MW. The Group plans to complete the ultra-low emission transformation on additional 3 coal-fired generation units with a total attributable installed capacity of 558MW in the second half of the year to further reduce emissions.

As at the end of June 2018, the attributable installed capacity of the Group's coal-fired power plants under construction amounted to 4,014MW, including 2x1,000MW ultra-supercritical coal-fired generation units of Caofeidian Power Plant in Hebei, 90% owned by the Group and are expected to be commissioned in 2019; 2x660MW ultra-supercritical coal-fired generation units of Wujianfang in Inner Mongolia, 70% owned by the Group and are expected to be commissioned in 2019; 2x350MW heat and power co-generation units in Yundong, Hebei, 90% owned by the Group and are expected to be commissioned in 2019; and 2x660MW ultra-supercritical coal-fired generation units of Jinzhou project, 50% owned by the Group and are expected to be commissioned in 2020.

The generation capacity of the wind and photovoltaic power projects that the Group is expected to commission in 2018 is approximately 1,500 MW. At the end of June 2018, the attributable installed capacity of our wind, photovoltaic, and hydro-electric power under construction was 1,725MW, 119MW and 107MW respectively.

The Group will continue to control its capital expenditure based on the macro-economic conditions of China, in particular the domestic demand and supply of electricity, the government policies for energy and related industries and the Group's strategies, and make prompt and necessary adjustments to its capital expenditure based on external market conditions and the macro-economic policies of the government. Capital expenditure budgeted for the whole year is approximately HK$18.2 billion, of which approximately HK$12.1 billion to be used in the construction of wind, photovoltaic and hydro-electric power plants, and approximately HK$3.9 billion to be used in the construction of coal-fired generation units, approximately HK$1.7 billion to be used in the upgrading of existing operational coal-fired generation units for ultra-low emission, safety, energy saving and heat supply technology; and approximately HK$500 million to be used in the upgrading and construction of coal mines.

OPERATING RESULTS

The results of operations for the six months ended 30 June 2018, which have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 by the auditor and the Audit and Risk Committee of the Company, are set out as follows:

Interim Condensed Consolidated Statement of Income

	For the six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Turnover	39,307,766	34,092,283
Operating expenses		
Fuels	(20,196,427)	(18,062,751)
Depreciation and amortisation	(5,686,247)	(4,991,000)
Employee benefit expenses	(2,980,526)	(2,363,684)
Repairs and maintenance	(1,061,533)	(983,423)
Consumables	(512,911)	(443,073)
Impairment charges	(771,337)	(179,166)
Tax and surcharge	(719,327)	(531,369)
Others	(1,799,587)	(1,638,610)
Total operating expenses	(33,727,895)	(29,193,076)
Other income	1,023,327	942,568
Other gains/ (losses) - net	62,854	(63,675)
Operating profit	6,666,052	5,778,100
Finance costs	(2,201,425)	(1,910,894)
Share of results of associates	95,158	(135,692)
Share of results of joint ventures	41,401	(40,912)
Profit before income tax	4,601,186	3,690,602
Income tax expense	(1,233,606)	(1,483,669)
Profit for the period	3,367,580	2,206,933
Profit for the period attributable to:		
Owners of the Company	2,959,127	1,853,554
Non-controlling interests	408,453	353,379
	3,367,580	2,206,933
Earnings per share attributable to owners of the Company during the period		
- Basic	HK$0.62	HK$0.39
- Diluted	HK$0.62	HK$0.39

Interim Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	3,367,580	2,206,933
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	(912,014)	2,496,916
Share of other comprehensive income of investments accounted for using the equity method	(35,927)	108,270
Release to profit or loss in relation to disposal of a subsidiary	(4,091)	—
Fair value changes on available-for-sale investments, net of tax	—	(33,642)
Items that will not be reclassified to profit or loss		
Fair value changes on equity investments at fair value through other comprehensive income (FVOCI), net of tax	23,621	—
Other comprehensive income for the period, net of tax	(928,411)	2,571,544
Total comprehensive income for the period, net of tax	2,439,169	4,778,477
Attributable to:		
Owners of the Company	2,081,957	4,326,716
Non-controlling interests	357,212	451,761
Total comprehensive income for the period	2,439,169	4,778,477

Interim Condensed Consolidated Balance Sheet

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
ASSETS		
Non-current assets		
Property, plant and equipment	150,202,232	152,334,653
Prepaid lease payments	3,601,972	3,537,380
Mining rights	14,996,377	15,301,970
Exploration and resources rights	224,506	162,310
Prepayment for non-current assets	7,273,764	5,093,455
Investments in associates	8,929,684	8,747,317
Investments in joint ventures	3,720,223	3,660,368
Goodwill	1,320,806	1,626,560
Amounts due from a joint venture	141,351	142,566
Loans to a joint venture	41,235	41,590
Deferred income tax assets	1,016,529	946,782
Financial assets at fair value through other comprehensive income	1,538,273	—
Available-for-sale investments	—	1,516,177
Loans to a FVOCI investee company	148,659	—
Loans to an available-for-sale investee company	—	149,937
Loans to a non-controlling shareholder of a subsidiary	—	14,954
	193,155,611	193,276,019
Current assets		
Inventories	3,653,636	3,205,152
Trade receivables, other receivables and prepayments	20,449,663	16,006,853
Loans to associates	1,072,315	1,158,256
Loans to joint ventures	116,713	255,889
Loans to a FVOCI investee company	340,890	—
Loans to an available-for-sale investee company	—	303,893
Loans to a non-controlling shareholder of a subsidiary	37,955	—
Amounts due from associates	466,685	466,885
Amounts due from joint ventures	30,092	25,006
Amounts due from other related companies	23,396	2,649
Pledged and restricted bank deposits	550,058	890,182
Cash and cash equivalents	8,100,333	5,381,686
	34,841,736	27,696,451
Total assets	227,997,347	220,972,470

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	22,341,736	22,341,736
Other reserves	12,780,073	13,618,598
Retained earnings	38,392,761	39,253,485
	73,514,570	75,213,819
Non-controlling interests	5,695,786	5,528,061
Total equity	79,210,356	80,741,880
LIABILITIES		
Non-current liabilities		
Borrowings	69,778,686	68,761,886
Deferred income tax liabilities	2,527,404	2,576,356
Deferred income	1,072,167	1,060,334
Retirement and other long-term employee benefits obligations	159,201	224,604
	73,537,458	72,623,180
Current liabilities		
Trade payables, other payables and accruals	27,719,250	32,181,836
Contract liabilities	954,569	—
Dividends payable	3,587,192	—
Amounts due to associates	395,820	629,919
Amounts due to joint ventures	488,690	317,077
Amounts due to other related companies	1,787,241	1,440,535
Current income tax liabilities	586,172	877,060
Borrowings	39,730,599	32,160,983
	75,249,533	67,607,410
Total liabilities	148,786,991	140,230,590
Total equity and liabilities	227,997,347	220,972,470

Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES - NET	3,256,193	3,215,015
Cash flows from investing activities		
Dividends received from associates	178,807	402,304
Dividends received from available-for-sale investments	111,609	115,912
Interests received from related parties	147,617	158,482
Decrease in term deposit	16,278	97,994
Proceeds from disposal of property, plant and equipment	165,921	86,138
Acquisition of and deposits paid for property, plant and equipment and prepaid lease payments	(7,862,469)	(4,612,077)
Capital contribution into associates	(411,287)	(108,308)
Capital contribution into joint ventures	(43,759)	(61,494)
Acquisition of FVOCI Investment	(851)	—
Loans repaid by/to associates	74,220	(373,556)
Advance to an associate	—	(295,203)
Loans repaid by joint ventures	141,967	14,125
Cash outflow on acquisition of interest in a subsidiary	(4,924)	—
Other investing cash inflows	32,092	22,994
CASH FLOWS USED IN INVESTING ACTIVITIES-NET	(7,454,779)	(4,552,689)

	For the six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Cash flows from financing activities		
Proceeds from bank borrowings	30,858,713	24,997,053
Proceeds from issuance of shares for exercised options	—	33,954
Capital contribution from non-controlling interests	50,915	46,093
Repayment of bank and other borrowings	(21,396,604)	(15,700,375)
Repayment of advance from associates	(214,626)	(37,870)
Proceeds from partial disposal of investment in a subsidiary without loss of control	650,068	—
Repayment of advances from other related party	(479,686)	(128,653)
Advances from joint ventures	295,503	70,900
Advance from non-controlling interests	12,477	10,221
Dividends paid to owners of the Company	(11)	(3,577,349)
Dividends paid to non-controlling interests	(406,593)	(816,928)
Interests paid	(2,321,170)	(1,929,420)
Other financing cash outflows	(5,492)	(7,892)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES-NET	7,043,494	2,959,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,844,908	1,622,060
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,381,686	4,347,022
EFFECT OF EXCHANGE RATE CHANGES	(126,261)	199,431
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8,100,333	6,168,513

Overview

For the six months ended 30 June 2018, the Group's net profit increased by 59.6% to HK$2,959 million from HK$1,854 million for the same period last year.

The increase in net profit was mainly attributable to the following factors:

- Increase in turnover. Turnover for the first half of 2018 increased by 15.3%, mainly due to an increase of 3.1% in average tariff of all subsidiary power plants, an increase of 31.6% in heat sales and RMB appreciation of approximately 8.8% as compared with the same period of last year;

- Increase in share of results of associates and joint ventures. This was attributable to a reverse from losses into gains due to the increase in sales and price of coal of our associate consolidated coal mines and also the increase in tariff and utilization hours, which increased the profits of associate and joint venture coal-fired power plants;

- Decrease in taxation. The amount of dividend tax paid recorded a year-on-year decrease due to decreased offshore distribution by our subsidiaries during the period.

However, the increase was partially offset by:

- Increase in fuel costs. Fuel costs for the first half of 2018 increased by 11.8% as compared with the same period last year, mainly attributable to a 6.2% increase in standard coal cost per tonne, increase in power generation of subsidiary power plants and RMB appreciation, as compared with the same period last year;

- Increase in impairment loss of assets. In the first half of the year, impairment loss increased by HK$592 million to HK$771 million, mainly including: (1) impairment provisions for power assets of approximately HK$624 million; and (2) impairment provisions of approximately HK$147 million for the shut-down of coal mine assets including Hunan Coal Mine.

Basis of preparation of financial statements and principal accounting policies

The financial information relating to the year ended 31 December 2017 included in the condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Group had net current liabilities as at 30 June 2018. The Directors of the Company are of the opinion that, taking into account the current available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is, at least for the next 12 months from the date of the condensed consolidated interim financial information. Hence, the condensed consolidated interim financial information has been prepared on a going concern basis.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

(a) **New and amended standards, effective for the financial year beginning on or after 1 January 2018**

- HKFRS 9 "Financial instruments"
- HKFRS15 "Revenue from contracts with customers"
- Amendment to HKFRS 2 "Classification on Measurement of Share-based Payment Transactions"
- Amendment to HKFRS 4, "Insurance Contracts"

- Amendment to HKFRS 1 “First time adoption of HKFRS”
- Amendment to HKAS 28 “Investments in associates and joint ventures”
- Amendment to HKAS 40 “Transfers of investment property”
- HKFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The Group used modified retrospective approach while adopting HKFRS 9 and HKFRS 15 with all impact adjusted to the opening balance sheet without restating comparative information.

The impact from the adoption of HKFRS 9 are summarised below:

(1) Classification and measurement — available-for-sale investments of the Group are reclassified to FVOCI;

(2) Impairment on financial assets — the loss allowances amounting HK$ 316,105,000 for other receivables are made through the opening retained earnings;

The impact from the adoption of HKFRS 15 is summarised below:

(1) Classification and measurement — advanced proceeds received from customers are reclassified from “Trade payables, other payables and accruals” to “Contract liabilities”.

(b) **New and amended standards that have been issued but are effective for the financial year after 1 January 2018 and have not been early adopted by the Group**

- Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”
- HKFRS 17 “Insurance Contracts”
- HKFRS 16 “Leases”
- Amendment to HK(IFRIC) 23 “Uncertainty Over Income Tax Treatments”

The management has made an assessment of the impact of the above new standards and amendments to standards, and the result is consistent with the assessment the management made and disclosed in the annual financial statements for the year ended 31 December 2017.

SEGMENT INFORMATION

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

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

For the six months ended 30 June 2018

	Thermal power	**Renewable energy**	**Coal mining**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
External sales	31,018,432	5,354,816	2,934,518	—	39,307,766
Inter-segment sales	—	—	75,343	(75,343)	—
Total	31,018,432	5,354,816	3,009,861	(75,343)	39,307,766
Segment profit	2,967,081	3,081,344	1,169,750	—	7,218,175
Unallocated corporate expenses					(814,362)
Interest income					139,877
Loss on disposal of a subsidiary					3,012
Finance costs					(2,201,425)
Share of results of associates					95,158
Share of results of joint ventures					41,401
Dividend income from available-for-sale investments					111,929
Net exchange gains					7,421
Profit before income tax					4,601,186

For the six months ended 30 June 2017

	Thermal power *HK$'000*	Renewable energy *HK$'000*	Coal mining *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue					
External sales	28,050,422	3,621,785	2,420,076	—	34,092,283
Inter-segment sales	—	—	35,037	(35,037)	—
Total	28,050,422	3,621,785	2,455,113	(35,037)	34,092,283
Segment profit	3,139,300	2,091,736	983,739	—	6,214,775
Unallocated corporate expenses					(555,777)
Interest income					140,177
Losses on disposal of a subsidiary					(1,706)
Finance costs					(1,910,894)
Share of results of associates					(135,692)
Share of results of joint ventures					(40,912)
Dividend income from available-for-sale investments					86,891
Net exchange losses					(106,260)
Profit before income tax					3,690,602

Geographical information

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

Turnover

Turnover represents the amount received and receivable arising from sales of electricity, heat generated by thermal power plants and sales of coal during the period.

Turnover for the first half of 2018 was HK$39,308 million, representing an increase of 15.3% as compared with a turnover of HK$34,092 million for the first half of 2017. The increase in turnover was mainly due to (1) appreciation of the Renminbi ("RMB") against the Hong Kong dollar ("HKD") during the period resulting in a year-on-year increase of the value of turnover presented in HKD; (2) increase in average tariff of all subsidiary power plants as compared with the same period of last year; and (3) increase in heat sales.

Operating expenses

Operating expenses mainly comprise fuels, repairs and maintenance, depreciation and amortisation, employee benefit expenses, materials, tax and surcharge, impairment charges, and other operating expenses. Other operating expenses include (among others) coal safety production fees, office rent, water charges, utility expenses, production maintenance fees and other management fees. Total operating expenses for the first half of 2018 amounted to HK$33,728 million, representing an increase of HK$4,535 million or 15.5% from HK$29,193 million for the first half of 2017.

Fuel costs for the first half of 2018 amounted to approximately HK$20,196 million, representing an increase of HK$2,134 million or 11.8% from HK$18,063 million for the first half of 2017. Mainly due to an appreciation of the RMB and increased coal prices in the domestic market compared with the same period last year, standard coal cost per tonne for consolidated coal-fired power plants increased by 6.2% over the same period last year.

Repairs and maintenance expenses increased from HK$983 million for the first half of 2017 to HK$1,062 million for the first half of 2018, representing an increase of HK$78 million or 7.9%, mainly due to an appreciation of the RMB in the first half of the year.

Depreciation and amortisation increased from HK$4,991 million for the first half of 2017 to HK$5,686 million for the first half of 2018, representing an increase of HK$695 million or 13.9%. This was mainly due to newly commissioned wind and photovoltaic power projects and an appreciation of the RMB in the first half of 2018.

Employee benefit expenses increased by HK$617 million or 26.1% from HK$2,364 million in the first half of 2017 to HK$2,981 million in the first half of 2018. Apart from an appreciation of the RMB, the increase was mainly due to some accrual arrangement changes in the annual incentives of certain consolidated subsidiaries during the first half of the year.

Tax and surcharge increased by HK$188 million or 35.4% from HK$531 million in the first half of 2017 to HK$719 million which was mainly due to an increase in coal price, an increase in resource tax paid by subsidiary coal mines and the imposition of an environmental protection tax that commenced in 2018.

Impairment charges increased by approximately HK$592 million to HK$771 million from HK$179 million in the first half of 2017, mainly including: (1) impairment provisions made for power assets of approximately HK$624 million, which mainly included impairment provisions made for goodwill of China Resources Power Gucheng and Shenhai Power Plants, provisions made for the capital already invested in two hydropower projects that discontinued development, and impairment provisions made for obsolete environmental protection, safety and energy saving facilities as a result of technological upgrades; (2) impairment provisions of approximately HK$147 million made for coal mines assets, mainly in connection with the shut-down of Hunan Coal Mine.

Other operating expenses increased by approximately HK$161 million or 9.8% from HK$1,639 million for the first half of 2017 to HK$1,800 million for the first half of 2018. Other operating expenses mainly include other production costs for power operations such as water charges and utility expenses in an aggregate amount of approximately HK$900 million; other production costs for coal operations such as safety production fees and production maintenance fees in an aggregate amount of approximately HK$392 million; and management fees such as office rent, building management fees and professional fees in an aggregate amount of approximately HK$508 million.

Other income and other gains - net

Other income amounted to approximately HK$1,023 million for the first half of 2018, representing an increase of HK$81 million or 8.6% from HK$943 million for the first half of 2017, which was mainly attributable to increased income received from sales of scrap materials and government subsidies. Other income for the first half of 2018 mainly included sales of scrap materials of approximately HK$335 million, government subsidies of HK$298 million, interest income of approximately HK$140 million and dividend income of approximately HK$112 million.

Other gains-net for the first half of 2018 were approximately HK$63 million, comprising (among others) gains on disposal of long-term assets of HK$37 million, insurance claims income of HK$11 million and exchange gains of HK$7 million.

Operating profit

Operating profit represents profit from the Company and its subsidiaries before deduction of finance costs, income tax expenses and non-controlling interests. Operating profit for the first half of 2018 amounted to HK$6,666 million, representing an increase of HK$888 million or 15.4% from HK$5,778 million for the first half of 2017. The increase was mainly due to (1) profit contribution of newly commissioned wind power plants; (2) appreciation of the RMB against the HKD; such increase was partially offset by (1) increase in unit fuel cost of the Group's subsidiary coal-fired power plants; and (2) increase in asset impairment charges.

Finance costs

Finance costs amounted to approximately HK$2,201 million for the first half of 2018, representing an increase of HK$291 million or 15.2% from HK$1,911 million for the first half of 2017. Apart from the impact of exchange rate changes, the increase was mainly due to an increase in total bank and other borrowings of the Group.

	For the six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Interests on bank borrowings	2,100,109	1,722,233
Interests on corporate bonds	424,648	390,324
Others	49,058	44,892
	2,573,815	2,157,449
Less: Interests capitalized in property, plant and equipment	(372,390)	(246,555)
	2,201,425	1,910,894

Share of results of associates

Share of results of associates for the first half of 2018 amounted to HK$95 million, as compared to losses of HK$136 million in the first half of 2017. The increase in share of results of associates was mainly due to a rebound in profits of associate coal mines resulting in a reverse from losses into gains and the contribution from newly commissioned associate power plants, such as the offshore wind power project.

Share of results of joint ventures

Share of results of joint ventures for the first half of 2018 amounted to HK$41 million, as compared to losses of HK$41 million for the first half of last year, mainly due to an increase in utilization hours of Hezhou Power Plant in Guangxi, a joint venture of the Group, resulting in a reverse from losses into gains.

Income tax expense

Income tax expense for the first half of 2018 amounted to HK$1,234 million, representing a decrease of HK$250 million or 16.9% from HK$1,484 million for the first half of 2017. The decrease in PRC enterprise income tax was mainly due to a decrease in offshore distribution of subsidiaries that resulted in a decrease in withholding tax. Details of the income tax expense for the six months ended 30 June 2018 as compared with the same period of last year are set out below:

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Current income tax - PRC enterprise income tax	1,358,451	1,545,747
Deferred income tax	(124,845)	(62,078)
	1,233,606	1,483,669

No provision for Hong Kong profits tax shall be made as the Group had no taxable profit in Hong Kong for both periods.

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

Profit for the period

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	5,459,782	4,860,605
Amortisation of prepaid lease payments	54,307	46,286
Amortisation of mining rights	172,158	84,109
Total depreciation and amortisation	5,686,247	4,991,000
Employee benefit expenses	2,980,526	2,363,684
Included in other income		
Sales of scrap materials	334,609	270,262
Dividend income from available-for-sale investments	—	86,891
Dividend income from FVOCI	111,929	—
Government grant	298,282	309,016
Interest income	139,877	140,177
Service income from heat supply connection contracts	8,671	68,674
Service fee income	40,482	40,711
Others	89,477	26,837
Included in other gains and losses		
Gains/(losses) on disposal of subsidiary	3,012	(1,706)
Net exchange gains/(losses)	7,421	(106,260)
Net (losses)/gains from disposal of property, plant and equipment	(31,362)	24,925
Net gains from disposal of prepaid lease payment	67,951	—
Others	15,832	19,366

Profit for the period attributable to owners of the Company

As a result of the above, the Group's net profit for the first half of 2018 amounted to approximately HK$2,959 million, representing an increase of 59.6% as compared to HK$1,854 million in the first half of 2017.

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:

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	2,959,127	1,853,554

	Number of ordinary shares Six months ended 30 June	
	2018	**2017**
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,779,124,511	4,778,112,362
Effect of dilutive potential ordinary shares:		
-share options	—	370,287
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,779,124,511	4,778,482,649

Interim dividend and closure of register of members

The Board resolved to declare an interim dividend of 12.5 HK cents per share for the six months ended 30 June 2018 (2017: interim dividend of 12.5 HK cents per share). The interim dividend will be paid in cash. Based on the number of shares in issue as at the date of this announcement, a total amount of dividend of approximately HK$601 million will be distributed.

At the Board meeting held on 19 March 2018, the Directors proposed a final dividend of HK$0.75 per share for the year ended 31 December 2017. The proposal was subsequently approved by the shareholders of the Company on 28 May 2018. The final dividend paid in July 2018 was approximately HK$3,580 million (2017: HK$3,584 million).

The interim 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 11 October 2018. The register of members of the Company will be closed from Tuesday, 9 October 2018 to Thursday, 11 October 2018 (both days inclusive), during such period no share transfer will be registered. To qualify for the interim 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 Monday, 8 October 2018. The interim dividend will be payable on Friday, 26 October 2018.

Capital structure management

The Group and the Company manage its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through optimizing the debt and equity structures. The overall strategies of the Group and the Company remain unchanged from the prior year.

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

The Directors review the capital structure on a regular 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 of approximately HK$40,408 million as at 30 June 2018. The Directors are of the opinion that, taking into account the current available banking facilities and net operating cash inflows generated internally by the Group, the Group has sufficient working capital for its present requirements, that is, at least for the next 12 months from the date of the condensed consolidated interim financial information.

Cash and cash equivalents as at 30 June 2018 denominated in local currency and foreign currencies mainly included HK$296 million, RMB6,567 million and US$2 million, respectively.

The bank and other borrowings of the Group as at 31 December 2017 and 30 June 2018 were as follows:

	As at 30 June 2018	**As at 31 December 2017**
	HK$'000	*HK$'000*
Secured bank loans	3,619,381	4,115,637
Unsecured bank loans	86,574,265	77,325,486
Corporate bonds and notes	19,315,639	19,481,746
Loans from related parties	800,000	800,000
	110,309,285	101,722,869

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

	As at 30 June 2018	**As at 31 December 2017**
	HK$'000	*HK$'000*
Within 1 year	40,530,599	32,960,983
Between 1 and 2 years	25,633,327	20,774,002
Between 2 and 5 years	16,588,930	25,426,074
Over 5 years	27,556,429	22,561,810
	110,309,285	101,722,869
The above secured bank and other borrowings are secured by:		
Pledge of assets (note)	2,998,949	3,072,225

Note: As at 30 June 2018, certain bank loans were secured by the Group's land use rights, buildings, power generating plant and equipment with carrying values of HK$923,000 (31 December 2017: HK$940,000), HK$1,084,045,000 (31 December 2017: HK$1,137,179,000) and HK$1,913,981,000 (31 December 2017: HK$1,934,106,000), respectively.

The bank and other borrowings as at 30 June 2018 denominated in local currency and foreign currencies mainly amounted to HK$19,110 million, RMB76,085 million, EUR 2 million and US$120 million, respectively.

As at 30 June 2018, the borrowings denominated in HKD and United States Dollar ("USD") included in bank and other borrowings bore interest at a range from HIBOR plus 0.9% to 1.6% (30 June 2017: HIBOR plus 1.5% to 1.8%) per annum and LIBOR plus 1.6% (30 June 2017: LIBOR plus 1.6%) per annum, respectively, and the remaining borrowings carried interest rates at a range from 2.35% to 4.9875% (30 June 2017: 2.75% to 6.4% per annum).

As at 30 June 2018, the Group's net debt to shareholders' equity was 138.3%. In the opinion of the Directors, the Group has a reasonable capital structure, which can support its future development plans and operations.

For the six months ended 30 June 2018, the Group's primary sources of funding included new bank borrowings, dividend income and net cash inflow from operating activities, which amounted to HK$30,859 million, HK$290 million and HK$3,256 million, respectively. The Group's funds were primarily used for the repayment of bank borrowings, acquisition of and deposits paid for property, plant and equipment and prepaid lease payments, interest and dividend payments, which amounted to HK$21,397 million, HK$7,862 million, HK$2,321 million and HK$407 million, respectively.

Trade receivables, other receivables and prepayments

Trade receivables are generally due within 60 days from the date of billing, except for the portion of wind or photovoltaic power electricity tariff beyond the local thermal power benchmark tariff. The settlement of the portion of wind or photovoltaic power electricity beyond the local thermal power benchmark tariff is subject to approval by the government, and being included in the renewable energy tariff subsidy directory. Thereafter funds to the local grid companies are disbursed by the government, resulting in a relatively longer time for settlement.

The following is an aging analysis based on the invoice dates of trade receivables at the end of the reporting period:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
0-30 days	7,979,905	6,868,924
31-60 days	694,084	655,806
Over 60 days	6,567,509	3,053,244
	15,241,498	10,577,974

Trade payables

The following is an aging analysis based on the invoice dates of trade payables at the end of the reporting period:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
0-30 days	3,969,065	5,112,944
31-90 days	1,449,686	2,779,780
Over 90 days	4,052,218	3,494,283
	9,470,969	11,387,007

Key financial ratios of the Group

	As at 30 June 2018	As at 31 December 2017
Current ratio (times)	0.46	0.41
Quick ratio (times)	0.41	0.36
Net debt to shareholders' equity (%)	138.3%	126.9%
EBITDA interest coverage (times)[(1)]	5.1	5.4

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period - balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net debt to shareholders' equity	=	(balance of borrowings at the end of the period - cash and cash equivalents at the end of the period - balance of pledged cash at the end of the period)/balance of equity attributable to owners of the Company at the end of the period
EBITDA interest coverage	=	(profit before income tax + interest expense + depreciation and amortisation) / interest expenses (including capitalized interests)

Note:

(1) Excluding non-cash charges, such as impairment charges, fair value change on derivative financial instrument, net exchange gains and losses.

Foreign exchange risk

The Group collects substantially all of its revenue in RMB and most of its expenditures, including expenditures incurred in the operation of power plants as well as capital expenditures, are denominated in RMB. Dividends receivables from the Company's subsidiaries and associates are collected in either RMB, USD or HKD.

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

The majority of the Group's operations are in the PRC and transactions are mainly denominated in RMB which is the functional currency of the respective group entities. Foreign exchange risk mainly arises from certain borrowings denominated in HKD and USD, particularly depreciation of the RMB against the HKD and the USD. The Group does not use derivative financial instruments to hedge its exposure against changes in exchange rates of the RMB against the HKD and the USD.

As at 30 June 2018, the Group had HK$296 million and US$2 million cash at bank, and HK$19,110 million and EUR 2 million and US$120 million bank borrowings on its balance sheet, the remaining assets and liabilities of the Group were mainly denominated in RMB.

Contingent liabilities

As at 30 June 2018, the Group provided certain guarantees in the amount of HK$3,034,631,000 (31 December 2017: HK$3,849,912,000) to its related parties.

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

Employees

As at 30 June 2018, the Group had approximately 30,625 employees.

The Group has entered into employment contracts with all employees. The compensation of employees mainly includes salaries and performance-based bonuses.

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

The Company and its subsidiaries did not purchase, sell or redeem any of their securities during the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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.

AUDITOR AND AUDIT AND RISK COMMITTEE

The interim results for the six months ended 30 June 2018 have been reviewed by the Audit and Risk Committee under the Board of the Company and the auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

CHANGES SINCE 30 JUNE 2018

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the interim report for the six months ended 30 June 2018.

By order of the Board
CHINA RESOURCES POWER HOLDINGS COMPANY LIMITED
Li Ru Ge
Chairman

Hong Kong, 16 August 2018

As at the date of this announcement, the Board of the Company comprises three non-executive directors, namely Mr. LI Ru Ge (Chairman), Mr. CHEN Ying and Mr. WANG Yan; three executive directors, namely Mr. GE Changxin (Vice Chairman), Mr. HU Min (President) and Ms. WANG Xiao Bin (Chief Financial Officer and Company Secretary); and four independent non-executive directors, namely, Mr. MA Chiu-Cheung, Andrew, Ms. LEUNG Oi-sie, Elsie, Mr. CH'IEN Kuo-Fung, Raymond and Mr. SO Chak Kwong, Jack.