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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 INTERIM RESULTS FOR 2020

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 2020.

For the first half of 2020, the Group recorded a profit attributable to owners of the Company (“Net Profit”) of HK\$4,529 million, representing an increase of HK\$511 million or 12.7% from a Net Profit of HK\$4,018 million for the first half of 2019.

Basic earnings per share for the first half of 2020 is 94.15 HK cents, representing an increase of 12.7% from 83.52 HK cents for the first half of 2019.

The Board resolved to declare an interim dividend of 22.5 HK cents per share for the first half of 2020, representing an increase of 12.5% from 20 HK cents per share as compared with the same period last year.

	For the six months ended 30 June	
	2020 <i>(unaudited)</i>	2019 <i>(unaudited)</i>
Turnover <i>(HK\$'000)</i>	31,184,879	32,916,036
Profit attributable to owners of the Company <i>(HK\$'000)</i>	4,528,857	4,017,785
Basic earnings per share <i>(HK cents)</i>	94.15	83.52
Interim dividend per share <i>(HK cents)</i>	22.5	20.00
	As at 30 June 2020 <i>(unaudited)</i>	As at 31 December 2019 <i>(audited)</i>
Total assets <i>(HK\$'000)</i>	224,218,411	215,735,726
Cash and cash equivalents <i>(HK\$'000)</i>	4,164,948	4,907,306
Pledged and restricted bank deposits <i>(HK\$'000)</i>	134,838	425,503
Bank and other borrowings <i>(HK\$'000)</i>	104,256,989	94,136,758
Equity attributable to owners of the Company <i>(HK\$'000)</i>	73,458,001	72,923,979
Net debt to shareholders' equity (%)	136.1	121.8

BUSINESS REVIEW FOR THE FIRST HALF OF 2020

Generation capacity

As at 30 June 2020, the Group had a controlled generation capacity of 50,022MW and an attributable operational generation capacity of 41,630MW, of which the attributable operational generation capacity of our thermal power plants amounted to 31,482MW or 75.6%; and the attributable operational generation capacity of our renewable energy power plants amounted to 10,148MW or 24.4%, representing an increase of 1.1 percentage points as compared to the end of 2019. Among renewable energy, the Group's attributable operational generation capacity of wind, photovoltaic, and hydro-electric power generation capacity amounted to 9,405MW, 464MW and 280MW, respectively.

In the first half of 2020, the Group newly commissioned 825MW of thermal power generation capacity, comprising of 1x1,000MW ultra-supercritical generation unit in Caofeidian (Phase II), Hebei, 51% owned by the Group, and 1x350MW coal-fired co-gen power generation unit in Yundong, Hebei, 90% owned by the Group. The Group also newly commissioned 718MW and 10MW of attributable wind and photovoltaic power generation capacity, respectively.

Net generation volume

The total net generation volume of our consolidated power plants amounted to 70,209,208MWh in the first half of 2020, representing a decrease of 0.6% from 70,646,350MWh in the first half of 2019.

In the first half of 2020, the net generation volume of our consolidated power plants that follow market-based pricing accounted for 60.1%; and that participated in direct power transactions (including bilateral long-term agreements and on-grid competitive bidding) accounting for 50.2%. The average tariff (exclusive of tax) of direct power transactions was 6.9% lower than that of the benchmark on-grid tariff, further narrowing as compared with the first half of 2019.

Fuel costs

In the first half of 2020, the average standard coal cost per tonne of our consolidated coal-fired power plants was approximately RMB626.0/tonne, representing a decrease of 9.1% compared with the same period last year. The average unit fuel cost was RMB185.0/MWh, representing a decrease of 10.4% compared with the same period last year. The average net generation standard coal consumption rate was 293.7g/kWh, representing a decrease of 2.5g/kWh or 0.9% compared with the same period last year.

Environmental expenses

In the first half of 2020, the amount of environmental protection tax incurred by our consolidated power plants was approximately HK\$52 million, representing a decrease of 20.0% compared to the HK\$65 million incurred in the first half of 2019, which was mainly due to the decrease in net generation volume of coal-fired power plants, upgrades for energy-saving in certain power plants, decrease in coal consumption rate and efficiency enhancement of desulfurization and denitrification.

Capital expenditure

In the first half of 2020, the cash capital expenditure of the Group amounted to approximately HK\$15.85 billion, among which, approximately HK\$13.97 billion was used in the construction of wind, photovoltaic and hydro-electric power plants, approximately HK\$1.28 billion was used in the construction of thermal power generation units, HK\$520 million was used in the technological upgrading of coal-fired power generation units, and approximately HK\$80 million was used in the upgrading and construction of coal mines.

PROSPECTS FOR THE SECOND HALF OF 2020

In 2020, the grid connection target of wind and photovoltaic power projects of the Group is approximately 3,500MW. At the end of June 2020, the attributable installed capacity of our wind, photovoltaic, and hydro-electric power projects under construction was 4,771MW, 8.7MW and 107MW, respectively. In the second half of 2020, the Company will continue to push the construction of wind power projects, aiming to meet the construction target by the end of the year.

Capital expenditure budgeted for 2020 is approximately HK\$24.0 billion, of which approximately HK\$19.0 billion to be used in the construction of wind, photovoltaic and hydro-electric power plants, approximately HK\$3.0 billion to be used in the construction of thermal power generation units, approximately HK\$1.0 billion to be used in upgrading the operating coal-fired power units, and approximately HK\$1.0 billion to be used in the construction of coal mines.

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.

OPERATING RESULTS

The results of operations for the six months ended 30 June 2020, which have been reviewed by the auditor (in accordance with the Hong Kong Standard on Review Engagements 2410) and the Audit and Risk Committee of the Company, are set out as follows:

Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Turnover	<u>31,184,879</u>	<u>32,916,036</u>
Operating expenses		
Fuels	(13,781,742)	(16,363,809)
Depreciation and amortisation	(5,592,420)	(5,272,712)
Employee benefit expenses	(2,784,405)	(2,671,911)
Repairs and maintenance	(1,021,248)	(1,073,594)
Consumables	(463,797)	(494,222)
Impairment charges	(138,394)	(26,055)
Tax and surcharge	(338,927)	(394,923)
Others	<u>(955,924)</u>	<u>(1,220,855)</u>
Total operating expenses	<u>(25,076,857)</u>	<u>(27,518,081)</u>
Other income	1,003,850	1,224,584
Other gains – net	<u>233,844</u>	<u>157,665</u>
Operating profit	7,345,716	6,780,204
Finance costs	(1,713,718)	(1,903,307)
Share of results of associates	186,179	181,819
Share of results of joint ventures	<u>191,603</u>	<u>64,154</u>
Profit before income tax	6,009,780	5,122,870
Income tax expense	<u>(1,124,757)</u>	<u>(783,895)</u>
Profit for the period	<u><u>4,885,023</u></u>	<u><u>4,338,975</u></u>

	For the six months ended 30 June	
	2020	2019
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period attributable to:		
Owners of the Company	4,528,857	4,017,785
Non-controlling interests	<u>356,166</u>	<u>321,190</u>
	<u>4,885,023</u>	<u>4,338,975</u>
Earnings per share – Basic	<u>HK\$0.94</u>	<u>HK\$0.84</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit for the period	4,885,023	4,338,975
Other comprehensive income/(loss):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(2,189,603)	(492,173)
Share of other comprehensive income of investments accounted for using the equity method	(299,709)	(111,180)
Release to profit or loss in relation to disposal of subsidiaries	(73)	(11,994)
Release to profit or loss in relation to disposal of associates	(20,639)	–
<i>Items that will not be reclassified to profit or loss</i>		
Fair value changes on equity investments at fair value through other comprehensive income, net of tax	5,144	43,706
Other comprehensive loss for the period, net of tax	<u>(2,504,880)</u>	<u>(571,641)</u>
Total comprehensive income for the period, net of tax	<u>2,380,143</u>	<u>3,767,334</u>
Attributable to:		
Owners of the Company	2,208,056	3,512,498
Other non-controlling interests	172,087	254,836
Total comprehensive income for the period	<u>2,380,143</u>	<u>3,767,334</u>

Condensed Consolidated Statement of Financial Position

	30 June 2020	31 December 2019
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	152,171,981	150,581,102
Right-of-use assets	5,294,719	5,377,588
Mining rights	331,950	320,628
Exploration and resources rights	148,533	151,462
Goodwill	759,876	773,405
Deferred tax assets	788,496	744,390
Other receivables and prepayment	15,208,341	11,937,592
Interests in associates	7,757,516	8,833,069
Interests in joint ventures	5,362,410	5,158,844
Financial assets at fair value through other comprehensive income (FVOCI)	1,587,417	1,934,571
Loan to a FVOCI investee company	415,310	339,633
Loan to a non-controlling shareholder	–	13,954
Loan to a joint venture	54,738	–
	<u>189,881,287</u>	<u>186,166,238</u>
Current assets		
Inventories	3,082,173	3,171,932
Trade receivables, other receivables and prepayments	26,248,056	20,395,018
Loans to associates	58,581	32,821
Loans to joint ventures	409,550	415,059
Loan to a FVOCI investee company	–	83,867
Amounts due from associates	112,428	27,348
Amounts due from joint ventures	16,323	21,141
Amounts due from other related companies	110,227	89,493
Pledged and restricted bank deposits	134,838	425,503
Cash and cash equivalents	4,164,948	4,907,306
	<u>34,337,124</u>	<u>29,569,488</u>
Total assets	<u><u>224,218,411</u></u>	<u><u>215,735,726</u></u>

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	22,316,710	22,316,710
Other reserves	5,848,816	8,225,686
Retained earnings	<u>45,292,475</u>	<u>42,381,583</u>
Equity attributable to owners of the Company	<u><u>73,458,001</u></u>	<u><u>72,923,979</u></u>
Perpetual capital securities holders	5,581,750	5,581,750
Other non-controlling interests	<u>8,467,411</u>	<u>8,210,284</u>
Total equity	<u><u>87,507,162</u></u>	<u><u>86,716,013</u></u>
Non-current liabilities		
Borrowings	73,913,823	68,763,429
Contract liabilities	251,350	432,157
Lease liabilities	841,765	826,903
Deferred tax liabilities	429,091	480,933
Deferred income	855,598	740,073
Retirement and other long-term employee benefits obligations	<u>284,032</u>	<u>115,002</u>
	<u>76,575,659</u>	<u>71,358,497</u>
Current liabilities		
Trade payables, other payables and accruals	23,825,268	28,719,884
Contract liabilities	748,024	1,309,434
Lease liabilities	157,281	210,811
Amounts due to associates	1,499,408	468,532
Amounts due to joint ventures	1,377,918	140,549
Amounts due to other related companies	7,434,087	6,747,540
Tax liabilities	663,256	924,147
Borrowings	<u>24,430,348</u>	<u>19,140,319</u>
	<u>60,135,590</u>	<u>57,661,216</u>
Total liabilities	<u><u>136,711,249</u></u>	<u><u>129,019,713</u></u>
Total equity and liabilities	<u><u>224,218,411</u></u>	<u><u>215,735,726</u></u>

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	2,956,375	4,060,547
Cash flows from investing activities		
Dividends received from associates and joint ventures	6,375	1,008,218
Dividends received from a subsidiary disposed in prior years	264,888	–
Interests received from related parties	12,457	2,641
Proceeds from disposal of property, plant and equipment	56,654	21,495
Proceeds from disposal of subsidiaries, net of cash disposed	–	274,359
Proceeds from disposal of associates	583,786	–
Proceeds from disposal of a FVOCI investment	349,147	–
Acquisition of and deposits paid for property, plant and equipment and right-of-use assets	(15,572,117)	(9,704,236)
Capital contributions into associates	(45,516)	(25,770)
Capital contributions into joint ventures	(199,542)	(2,398,158)
Additional investment made into financial assets at FVOCI	(29,688)	–
Repayment of capital contribution into associates in prior years	(44,322)	–
Loans to associates	(26,517)	–
Loans to joint ventures	(57,382)	(52,745)
Loans repaid by other related parties	–	37,382
Government grants related to assets	4,419	1,025
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(14,697,358)	(10,835,789)

	For the six months ended 30 June	
	2020	2019
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from financing activities		
Proceeds from bank and other borrowings	30,335,639	23,720,319
Repayment of bank and other borrowings	(16,588,112)	(19,159,423)
Proceeds from issuance of corporate bonds	–	3,509,730
Redemption of corporate bonds	(2,568,454)	(2,290,880)
Proceeds from bills deposits	16,946	–
Capital contribution from non-controlling interests	84,605	46,895
Capital withdrawal by non-controlling interests	–	(79,227)
Advance from/(repayment of advance from) associates	1,109,243	(353,343)
Proceeds from partial disposal of investment in a subsidiary without loss of control	–	1,366,166
(Repayment of advances from)/advances from other related parties	(65,020)	191,819
Advances from an intermediate holding company	564,380	568,745
Repayment of advances from an intermediate holding company	(869,672)	–
Advances from joint ventures	1,280,201	309,889
Repayment of advances from non-controlling interests	–	(15,832)
Dividends paid to owners of the company	(75)	–
Dividends paid to non-controlling interests	–	(138,021)
Interests paid	(2,152,248)	(2,262,151)
Principal elements of lease payments	(65,333)	(57,698)
Other financing cash outflows	–	(2,563)
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NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	11,082,100	5,354,425
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(658,883)	(1,420,817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,907,306	7,977,153
EFFECT OF EXCHANGE RATE CHANGES	(83,475)	(53,191)
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,164,948	6,503,145
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Overview

For the six months ended 30 June 2020, the Group's Net Profit increased by 12.7% to HK\$4,529 million from HK\$4,018 million for the same period last year.

The increase in Net Profit was mainly attributable to the following factors:

- Decrease in fuel costs. In the first half of 2020, average standard coal cost decreased by 9.1% and average net generation standard coal consumption rate decreased by 2.5g/kWh, resulting in a 15.8% decrease in fuel costs as compared with the same period last year.
- Profit contribution of newly commissioned wind farms. In the first half of 2020 and in the second half of 2019, newly commissioned generation capacity of wind power was 718MW and 936MW, respectively.
- Decrease in finance costs.
- Increase in profit contribution from joint ventures.

However, the increase was partially offset by:

- Decrease in net generation volume of thermal power. In the first half of 2020, the net generation volume of subsidiary thermal power plants decreased by 4.1% as compared with the same period last year.
- Depreciation of approximately 4.5% in the exchange rate of RMB against HKD.

Basis of preparation of financial statements and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2020, the Group had net current liabilities of approximately HK\$25,798 million. The directors of the Board ("Directors") are of the opinion that, taking into account the current operation of the Group as well as the banking facilities available to the Group, the Group has sufficient working capital to enable it to meet in full its financial obligations as and when they fall due in the coming twelve months from the reporting date. Therefore, the condensed consolidated financial statements have been prepared on a going concern basis.

Changes in accounting standards and disclosures

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

Other than additional accounting policies as resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

SEGMENT INFORMATION

The Group is engaged in two business segments – thermal power (inclusive of coal-fired and gas-fired power plants) and renewable energy (inclusive of wind, hydro-electric and photovoltaic power).

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

For the six months ended 30 June 2020

	Thermal power <i>HK\$'000</i>	Renewable energy <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
external sales	<u>24,754,891</u>	<u>6,429,988</u>	<u>31,184,879</u>
Timing of revenue recognition			
– at a point in time	24,738,856	6,429,988	31,168,844
– over time	<u>16,035</u>	<u>–</u>	<u>16,035</u>
	<u>24,754,891</u>	<u>6,429,988</u>	<u>31,184,879</u>
Segment profit	<u>4,013,697</u>	<u>3,687,393</u>	<u>7,701,090</u>
Unallocated corporate expenses			(756,341)
Interest income			150,941
Finance costs			(1,713,718)
Share of results of associates			186,179
Share of results of joint ventures			191,603
Gains on disposal of associates			4,891
Net exchange gains			<u>245,135</u>
Profit before income tax			<u>6,009,780</u>

For the six months ended 30 June 2019

	Thermal power HK\$'000	Renewable energy HK\$'000	Total HK\$'000
Segment revenue external sales	<u>27,440,200</u>	<u>5,475,836</u>	<u>32,916,036</u>
Timing of revenue recognition			
– at a point in time	27,415,813	5,475,836	32,891,649
– over time	<u>24,387</u>	<u>–</u>	<u>24,387</u>
	<u>27,440,200</u>	<u>5,475,836</u>	<u>32,916,036</u>
Segment profit	<u>4,030,071</u>	<u>3,131,970</u>	<u>7,162,041</u>
Unallocated corporate expenses			(763,010)
Interest income			184,775
Finance costs			(1,903,307)
Share of results of associates			181,819
Share of results of joint ventures			64,154
Gains on disposal of subsidiaries			39,085
Dividend income from FVOCI investee companies			51,280
Net exchange gains			<u>106,033</u>
Profit before income tax			<u>5,122,870</u>

Geographical information

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

Turnover

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

Turnover for the first half of 2020 was HK\$31,185 million, representing a decrease of 5.3% as compared with a turnover of HK\$32,916 million for the first half of 2019. The decrease in turnover was mainly due to (1) the 4.1% year-on-year decrease in net generation volume of subsidiary thermal power plants mainly due to the epidemic; (2) the depreciation of 4.5% in the exchange rate of RMB against HKD resulting in a year-on-year decrease of the value of turnover presented in HKD; partially offset by the increase in net generation volume of subsidiary wind farms.

Operating expenses

Operating expenses mainly comprise fuels, repairs and maintenance, depreciation and amortisation, employee benefit expenses, consumables, tax and surcharge, impairment charges, and other operating expenses. Other operating expenses include (among others) office rent, water charges, utility expenses and other management fees. Total operating expenses for the first half of 2020 amounted to HK\$25,077 million, representing a decrease of HK\$2,441 million or 8.9% from HK\$27,518 million for the first half of 2019.

Fuels for the first half of 2020 amounted to approximately HK\$13,782 million, representing a decrease of HK\$2,582 million or 15.8% from HK\$16,364 million for the first half of 2019. The decrease was mainly due to the decrease in the unit price of standard coal by approximately 9.1% year-on-year, and the decrease in the net generation volume of subsidiary thermal power plants by approximately 4.1% year-on-year. In addition, the depreciation of 4.5% in the exchange rate of RMB against HKD resulting in a year-on-year decrease of the fuel cost presented in HKD.

Repairs and maintenance expenses decreased from HK\$1,074 million for the first half of 2019 to HK\$1,021 million for the first half of 2020, representing a decrease of HK\$52 million or 4.9%, mainly due to the depreciation in the exchange rate of RMB against HKD.

Depreciation and amortisation increased from HK\$5,273 million for the first half of 2019 to HK\$5,592 million for the first half of 2020, representing an increase of HK\$320 million or 6.1%, mainly due to the commissioning of coal-fired power units in Caofeidian (Phase II), Xilingol and Yundong and the commissioning of wind power projects. However, such increase was partially offset by the depreciation in the exchange rate of RMB against HKD.

Employee benefit expenses increased by HK\$112 million or 4.2% from HK\$2,672 million in the first half of 2019 to HK\$2,784 million in the first half of 2020, mainly due to (1) the employee dismissal benefits provided for the coal business of Tianneng; and (2) newly commissioned wind power projects; however, such increase was partially offset by the depreciation in the exchange rate of RMB against HKD.

Consumables decreased by HK\$30 million or 6.2% from HK\$494 million in the first half of 2019 to HK\$464 million in the first half of 2020, mainly due to (1) the decrease in net generation volume of subsidiary coal-fired power plants, which resulted in reduced consumption of consumables; and (2) the depreciation in the exchange rate of RMB against HKD.

Tax and surcharge decreased by HK\$56 million or 14.2% from HK\$395 million in the first half of 2019 to HK\$339 million in the first half of 2020, which was mainly due to (1) lower generation volume of subsidiary coal-fired power plants, energy-saving from technical transformation, a decrease in environmental tax and resource tax payable and; (2) a decrease in urban maintenance and construction tax and education surcharge payable as a result of adjustment in the rate of value-added tax; and (3) the depreciation in the exchange rate of RMB against HKD.

Impairment charges increased by HK\$112 million from HK\$26 million in the first half of 2019 to HK\$138 million in the first half of 2020. The amount mainly included the impairment provision for goodwill of Yangzhou No. 2 Power Generation Co., Ltd., the impairment provision for dismantling the specific wind turbines, and the impairment provision for obsolete assets.

Other operating expenses decreased by HK\$265 million or 21.7% from HK\$1,221 million for the first half of 2019 to HK\$956 million for the first half of 2020. 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\$784 million; and management fees such as office rent, building management fees and professional fees in an aggregate amount of approximately HK\$172 million.

Other income and other gains – net

Other income amounted to approximately HK\$1,004 million for the first half of 2020, representing a decrease of HK\$221 million or 18.0% from HK\$1,225 million for the first half of 2019, which was mainly attributable to the decrease in income from government subsidies, labour income and dividend income. Other income for the first half of 2020 mainly included sales of by-products of approximately HK\$419 million, government subsidies of approximately HK\$278 million, interest income of approximately HK\$151 million, and income from service fees of HK\$126 million.

Other gains – net for the first half of 2020 were approximately HK\$234 million, comprising (among others) exchange gains of HK\$245 million, gains on disposal of property, plant and equipment of HK\$61 million, and insurance claims income of HK\$14 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 2020 amounted to HK\$7,346 million, representing an increase of HK\$566 million or 8.3% from HK\$6,780 million for the first half of 2019. The increase was mainly due to (1) decrease in average unit fuel cost of subsidiary coal-fired power plants of the Group; and (2) increase in profit contribution of newly commissioned wind power plants; such increase was partially offset by (1) decrease in net generation volume of subsidiary thermal power plants; (2) increase in asset impairment charges; (3) decrease in other income; and (4) the depreciation in the exchange rate of RMB against HKD.

Finance costs

Finance costs amounted to approximately HK\$1,714 million for the first half of 2020, representing a decrease of HK\$190 million or 10.0% from HK\$1,903 million for the first half of 2019. The decrease in finance costs was mainly attributable to the decrease in the average borrowing interest rate and the depreciation in the exchange rate of RMB against HKD.

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank borrowings	1,704,565	1,993,637
Interests on corporate bonds	192,427	290,142
Interests on loans from related parties	96,498	–
Interests on lease liabilities	24,424	9,560
Others	28,856	44,529

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less: Interest capitalised in property, plant and equipment	2,046,770 (333,052)	2,337,868 (434,561)
	<u>1,713,718</u>	<u>1,903,307</u>

Share of results of associates

Share of results of associates for the first half of 2020 amounted to HK\$186 million, representing an increase of 2.4% from HK\$182 million for the first half of 2019. The increase in share of results of associates was mainly due to increase in profit contribution from associate power plants of the Group.

Share of results of joint ventures

Share of results of joint ventures for the first half of 2020 amounted to HK\$192 million, representing a substantial increase of 198.7% from HK\$64 million for the first half of 2019, mainly due to (1) an increase in net generation volume and a decrease in fuel cost of Hezhou Power Plant in Guangxi, a joint venture of the Group, resulting in an increase in its earnings; and (2) an increase in profit contribution from the offshore wind power project in the United Kingdom.

Income tax expenses

Income tax expense for the first half of 2020 amounted to HK\$1,125 million, representing an increase of HK\$341 million or 43.5% from HK\$784 million for the first half of 2019, mainly attributable to (1) the increases in income tax expenses for the period as a result of profit increase of subsidiary coal-fired power plants, and (2) the reversal of deferred income tax liabilities during the first half of 2019 due to the disposal of Shanxi coal assets.

Details of the income tax expense for the six months ended 30 June 2020 as compared with the same period of last year are set out below:

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax – PRC enterprise income tax	1,188,289	1,026,112
Deferred tax	(63,532)	(242,217)
	<u>1,124,757</u>	<u>783,895</u>

No provision for Hong Kong Profits Tax has been 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 in the PRC.

Profit for the period

	For the six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant, equipment and right-of-use assets	5,592,420	5,263,627
Amortisation of mining rights	–	9,085
	<u>5,592,420</u>	<u>5,272,712</u>
Total depreciation and amortisation		
Salaries and employee benefit expenses	2,784,405	2,671,911
Included in other income		
Sales of scrap materials	418,558	430,469
Dividend income from FVOCI investee companies	–	51,280
Government grant	277,606	384,367
Interest income	150,941	184,775
Service income from heat connection contracts	–	24,387
Service fee income	126,016	68,682
Others	30,729	80,624
Included in other gains and losses		
Gains on disposal of associates/subsidiaries	4,891	39,085
Net exchange gains	245,135	106,033
Net gains/(losses) on disposal of property, plant and equipment	60,856	(5,450)
Others	(77,038)	17,997
	<u><u>2,784,405</u></u>	<u><u>2,671,911</u></u>

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 2020 amounted to approximately HK\$4,529 million, representing an increase of 12.7% as compared to HK\$4,018 million in the first half of 2019.

Earnings per share

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	<u>4,528,857</u>	<u>4,017,785</u>
	Number of ordinary shares For the six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>4,810,443,740</u>	<u>4,810,443,740</u>

Interim dividend and closure of register of members

The Board resolved to declare an interim dividend of 22.5 HK cents per share for the six months ended 30 June 2020 (2019: Interim dividend of 20.0 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\$1,082 million will be distributed.

At the Board meeting held on 30 March 2020, the Directors proposed a final dividend of HK\$0.348 per share for the year ended 31 December 2019. The proposal was subsequently approved by the shareholders of the Company on 9 June 2020. The final dividend paid in July 2020 was approximately HK\$1,674 million (2019: HK\$977 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 15 October 2020. The register of members of the Company will be closed from Monday, 12 October 2020 to Thursday, 15 October 2020 (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 Friday, 9 October 2020. The interim dividend will be payable on Friday, 23 October 2020.

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 as those adopted in the previous years.

The capital structure of the Group consists of debts (including long-term bank borrowings, short-term bank borrowings, corporate bonds and loans from related parties), 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, including the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends and the issue of new debts or the repayment of existing debts.

Liquidity and financial resources, borrowings, and charge of assets

Cash and cash equivalents as at 30 June 2020 denominated in local currency and foreign currencies mainly included HK\$88 million and RMB3,722 million, respectively.

The bank and other borrowings of the Group as at 30 June 2020 and 31 December 2019 were as follows:

	As at 30 June 2020	As at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	2,757,717	2,996,099
Unsecured bank loans	84,857,806	71,416,559
Corporate bonds and notes	10,728,648	13,491,090
Loans from related parties	5,912,818	6,233,010
	<u>104,256,989</u>	<u>94,136,758</u>

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

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Within 1 year	30,343,166	25,373,329
Between 1 and 2 years	8,428,688	10,821,374
Between 2 and 5 years	39,111,341	35,164,519
Over 5 years	26,373,794	22,777,536
	<u>104,256,989</u>	<u>94,136,758</u>

The above secured bank and other borrowings are secured by:

Pledge of assets (<i>note</i>)	<u>2,002,713</u>	<u>2,106,542</u>
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Note: As at 30 June 2020, certain bank loans were secured by the Group's buildings, power generating plant and equipment with carrying values of HK\$908,679,000 (31 December 2019: HK\$941,449,000) and HK\$1,094,034,000 (31 December 2019: HK\$1,165,093,000), respectively.

The major bank and other borrowings as at 30 June 2020 denominated in local currency and foreign currencies amounted to HK\$21,928 million, RMB73,887 million, GBP150 million and EUR1.42 million, respectively.

As at 30 June 2020, bank and other borrowings of approximately HK\$21,928 million and GBP150 million (31 December 2019: HK\$21,888 million and GBP150 million) bore interest at a range from HIBOR plus 0.6% to 1.03% per annum and LIBOR plus 0.89% to 0.98% per annum, respectively, and the remaining bank and other borrowings carried interest rates at a range from 1.85% to 4.90% (31 December 2019: 2.35% to 4.90%) per annum.

As at 30 June 2020, the ratio of the Group's net debt to shareholders' equity was 136.1%. 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 2020, the Group's primary sources of funding included new bank borrowings, advances from associates and joint ventures, borrowings from China Resources (Holdings) Company Limited and net cash inflow from operating activities, which amounted to HK\$30,336 million, HK\$2,389 million, HK\$564 million and HK\$2,956 million, respectively. The Group's funds were primarily used for the repayment of bank borrowings, repayment of bonds, acquisition of and deposits paid for property, plant and equipment and right-of-use assets and interest payment, which amounted to HK\$16,588 million, HK\$2,568 million, HK\$15,572 million and HK\$2,152 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 tariff 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 for trade receivables before netting of loss allowance based on the invoice dates at the end of the reporting period:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
0-30 days	7,304,327	6,426,672
31-60 days	1,486,406	604,875
Over 60 days	10,757,116	7,661,824
	<u>19,547,849</u>	<u>14,693,371</u>

Trade payables

The aging analysis of trade payables based on invoice dates was as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
0-30 days	3,298,114	3,406,975
31-90 days	556,334	2,077,496
Over 90 days	1,794,741	3,505,208
	<u>5,649,189</u>	<u>8,989,679</u>

Key financial ratios of the Group

	As at 30 June 2020	As at 31 December 2019
Current ratio (times)	0.57	0.51
Quick ratio (times)	0.52	0.46
Net debt to shareholders' equity (%)	136.1	121.8
EBITDA interest coverage (times) ⁽¹⁾	6.5	5.9

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 losses and 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, HKD or GBP.

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 functional currency of major project companies of the Group is RMB, and their revenue and expenses are mainly denominated in RMB. Foreign exchange risk mainly arises from borrowings denominated in HKD. However, certain entities are located in Hong Kong and their functional currencies are HKD. Their foreign exchange risk mainly arises from balances denominated in RMB and borrowings denominated in RMB and GBP.

In addition, given that there are different functional currencies within the Group, even if the transactions and balances within the Group are offset, there will still be foreign exchange risks. As at 30 June 2020, the Group had cash at bank of HK\$88 million and a small amount of USD and GBP deposits, and bank borrowings of HK\$21,928 million and GBP150 million and EUR1.42 million on its balance sheet. The remaining assets and liabilities of the Group were mainly denominated in RMB.

Events after the balance sheet date

The Group had no significant subsequent event since the end of the financial period.

Contingent liabilities

As at 30 June 2020, the Group provided certain guarantees in the amount of HK\$278,899,000 (31 December 2019: HK\$849,088,000) 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 2020, the Group had approximately 21,108 employees.

The Group has entered into employment contracts with all of its 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 listed securities during the six months ended 30 June 2020.

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 2020 have been reviewed by the Audit and Risk Committee under the Board of the Company and the auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

A full set of unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 which has been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published as soon as practicable.

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2020 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 (Chapter 622 of the laws of Hong Kong) (“Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 Companies Ordinance.

By order of the Board
**CHINA RESOURCES POWER
HOLDINGS COMPANY LIMITED**
WANG Chuandong
Chairman

Hong Kong, 17 August 2020

As at the date of this announcement, the Board of the Company comprises three non-executive directors, namely Mr. WANG Chuandong (Chairman), Mr. CHEN Ying and Mr. WANG Yan; three executive directors, namely Mr. TANG Yong (President), Mr. ZHANG Junzheng (Vice Chairman) 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, Dr. CH’IEN Kuo-fung, Raymond and Mr. SO Chak Kwong, Jack.