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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 2014

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” or “We”) for the six months ended 30 June 2014.

For the six months ended 30 June 2014, the Group recorded a profit attributable to owners of the Company (“net profit”) of HK\$6,064 million, representing an increase of HK\$733 million or 13.8% from a net profit of HK\$5,331 million for the six months ended 30 June 2013. Basic earnings per share for the six months ended 30 June 2014 is 127.54 HK cents, representing an increase of 13.3% from 112.57 HK cents for the six months ended 30 June 2013.

The Board resolved to declare an interim dividend of 8 HK cents per share for the six months ended 30 June 2014.

	Six months ended	
	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Turnover (<i>HK\$'000</i>)	35,826,042	32,347,107
Profit attributable to owners of the Company (<i>HK\$'000</i>)	6,063,754	5,330,636
Basic earnings per share (<i>HK cents</i>)	127.54	112.57
Interim dividend per share (<i>HK cents</i>)	8.00	8.00
	As at 30 June 2014	As at 31 December 2013
Total assets (<i>HK\$'000</i>)	218,919,088	213,864,903
Cash and cash equivalents (<i>HK\$'000</i>)	8,072,027	6,035,046
Bank and other borrowings (<i>HK\$'000</i>)	97,177,495	92,569,457
Equity attributable to owners of the Company (<i>HK\$'000</i>)	67,230,389	64,985,061
Net debt to shareholders' equity (%)	130.7	132.2

BUSINESS REVIEW FOR THE FIRST HALF OF 2014

Growth of generation capacity

As at 30 June 2014, we had 37 coal-fired power plants, two hydro-electric plants, one gas-fired plant and 54 wind farms in commercial operation with a total attributable operational generation capacity of 29,897MW.

In the first half of 2014, the Company commissioned six coal-fired generation units, including two 1,000MW ultra-supercritical generation units of Cangnan Power Plant in Zhejiang, two 350MW heat and power co-generation units of Yichang Power Plant in Hubei and two 350MW heat and power co-generation units of Panjin Power Plant in Liaoning, resulting in an increase in total attributable operational generation capacity of 2,900MW. Newly added total attributable operational generation capacity in wind-farms was 328MW. In January 2014, we divested our 20% stake in Zhongjiagang Shazhou Power Plant, reducing our total attributable operational generation capacity by 252MW.

As at 30 June 2014, the attributable operational generation capacity of our coal-fired power plants amounted to 26,340MW, representing 88.1% of our total attributable operational generation capacity. Wind, gas-fired and hydro-power generation capacity amounted to 3,201MW, 77MW and 280MW, respectively, in aggregate representing 11.9% of our total attributable operational generation capacity.

Generation volume

Total net generation volume of our operating power plants amounted to 90,701,240MWh in the first half of 2014, representing an increase of 8.3% from 83,745,227MWh in the first half of 2013, of which the total net generation volume of our consolidated operating power plants amounted to 66,106,136MWh in the first half of 2014, representing an increase of 12.7% from 58,649,062MWh in the first half of 2013.

The growth in net generation volume of our operating power plants was mainly due to (1) six coal-fired generation units with total attributable capacity of 2,900MW commissioned in the first half of 2014; and (2) the newly commissioned wind farms.

In the first half of the year, gross generation volume increased on a same plant basis. For the 33 coal-fired power plants which were in commercial operations for the entire first half of 2013 and 2014, gross and net generation volume for the first half of 2014 increased by 2.0% and 2.1% respectively from the first half of 2013. The average full-load equivalent utilization hours for the first half of 2014 of these 33 coal-fired power plants amounted to 2,752 hours, representing an increase of 2.0% from 2,698 hours for the first half of 2013.

Fuel costs

Due to the slowdown in China's macroeconomic growth as well as the economic transition and industrial restructuring in the country, supply and demand in the coal market during the first half of 2014 maintained an easing trend in general with supply greater than demand. The easing of supply and demand of coal and the decrease in spot coal prices enabled us to further control fuel costs.

In the first half of 2014, average standard coal cost of our consolidated operating power plants decreased by 9.2% compared with the first half of 2013. Average unit fuel cost for our consolidated operating power plants was RMB194.8/MWh, representing a decrease of 11.7% compared with the first half of 2013. This was mainly due to decreasing coal prices and further enhanced operating efficiency of our subsidiary power plants as a result of our continuous implementation of lean

management. The net generation standard coal consumption rate of our coal-fired power plants for the first half of 2014 inclusive of associates and subsidiaries was 311.0g/kWh, representing a decrease of 4.54g/kWh in comparison with the same period last year.

Coal production

In the first half of 2014, the Company's coal mines produced a total of 6.209 million tonnes of raw coal, representing a decrease of 16.6% as compared to the same period last year. This was mainly due to a decrease in coal sales volume amid the weak coal market.

Development of renewable energy

As at 30 June 2014, the attributable operational generation capacity of the Company's wind power projects amounted to 3,201MW, representing an increase of 32.6% and 11.4% as compared to the end of June 2013 and the end of last year, respectively. The attributable operational generation capacity of our wind farms under construction amounted to 708MW. The average full-load equivalent utilization hours of wind farms that were in commercial operation in the first half of 2014 amounted to 1,082 hours versus 1,214 hours in the first half of 2013.

Environmental expenses

In the first half of 2014, the total amount of discharge fees incurred by our subsidiaries was approximately RMB128 million, which was RMB13 million or 11.4% higher than RMB115 million incurred in the first half of 2013. This was mainly as a result of a year-on-year increase of RMB32 million from our Shenyang Heat and Power Co-generation Plant.

PROSPECTS FOR THE SECOND HALF OF 2014

In the first half of 2014, national power consumption increased by 5.3% representing a slight growth of 0.2 percentage point as compared to the same period last year, indicating a general steady trend in power consumption growth nation-wide. We believe that in the second half of 2014, power consumption would continue to rise modestly and a sound balance would reappear between the supply and demand in the national market. As the economy is beginning to stabilize and recover, we anticipate that power consumption growth of the national economy in the second half of this year will be slightly higher than that in the first half. One of the primary focuses for CR Power will be to strive for higher utilization hours.

Due to the continuous weak coal market, and excess supply of coal in the domestic coal market, coal prices continued to drop on a monthly basis since the beginning of this year and remained at low levels. Without a fundamental change in the trend of quantitative easing and structural surplus in the coal market, it is expected that coal prices will continue to remain weak in the short term, and remain so in the second half.

We will continue to focus on organic growth and will comprehensively, systemically and deeply promote lean management and benchmarking in respect of the three divisions, i.e. thermal power, coal-mining and renewable energy. In this regard, we will continue to improve and optimize various productive and economic indicators, and enhance the overall operational efficiency and management level of the Company. Meanwhile, we will continue to accelerate the upgrading of denitration and ash-removal facilities in our coal-fired power plants to actively perform on our social obligations in energy conservation and emission reduction.

As at the end of June 2014, the attributable generation capacity of our coal-fired power plants under construction amounted to 4,440MW, including 2x1,000MW ultra-supercritical generation units in Shanwei, Guangdong, 2x660MW ultra-supercritical heat and power co-generation units in Jiaozuo, Henan, 2x350MW supercritical heat and power co-generation units in Tangshan, Hebei and 2x350MW supercritical heat and power co-generation units in Cangzhou Bohai New District, Hebei.

In the first half of 2014, we obtained the approval from the Chinese government to construct 2x660MW coal-fired generation units of Liuzhi Power Plant in Guizhou. Based on the development prospects in the coal-fired power industry, we will adhere to our investment hurdle rates and select only those coal-fired power projects that we believe to be highly competitive and capable of creating value for our shareholders in the future. In addition, we will also continue to increase our investments in renewable energy with a focus on the development of wind farms.

OPERATING RESULTS

The results of operations for the six months ended 30 June 2014, which have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 by the auditors and the Audit and Risk Committee of the Company, are set out as follows:

Interim Condensed Consolidated Statement of Income

	Six months ended 30 June 2014 HK\$'000 (unaudited)	30 June 2013 HK\$'000 (unaudited)
Turnover	<u>35,826,042</u>	<u>32,347,107</u>
Operating expenses		
Fuels	(16,406,962)	(15,876,097)
Repairs and maintenance	(829,994)	(761,213)
Depreciation and amortisation	(4,079,659)	(3,451,439)
Employee benefit expenses	(2,363,102)	(1,938,669)
Consumables	(467,634)	(443,911)
Impairment charges	(1,999,262)	(623,287)
Business tax and surcharge	(334,410)	(263,670)
Others	<u>(1,699,434)</u>	<u>(1,858,837)</u>
Total operating expenses	<u>(28,180,457)</u>	<u>(25,217,123)</u>
Other income	670,902	761,590
Other gains — net	<u>600,435</u>	<u>448,840</u>
Operating profit	8,916,922	8,340,414
Finance costs	(1,548,313)	(1,704,337)
Share of results of associates	306,107	829,151
Share of results of joint ventures	<u>278,341</u>	<u>233,295</u>
Profit before income tax	7,953,057	7,698,523
Income tax expense	<u>(2,021,813)</u>	<u>(1,557,995)</u>
Profit for the period	<u>5,931,244</u>	<u>6,140,528</u>
Profit for the period attributable to:		
Owners of the Company	6,063,754	5,330,636
Non-controlling interests		
- Perpetual capital securities	210,900	210,962
- Others	<u>(343,410)</u>	<u>598,930</u>
	<u>(132,510)</u>	<u>809,892</u>
	<u>5,931,244</u>	<u>6,140,528</u>
Earnings per share attributable to owners of the Company during the period		
- Basic	<u>HK\$1.28</u>	<u>HK\$1.13</u>
- Diluted	<u>HK\$1.27</u>	<u>HK\$1.12</u>

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	<u>5,931,244</u>	<u>6,140,528</u>
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation difference	(732,496)	1,077,035
Share of changes in translation reserve of associates and joint ventures	(69,887)	127,115
Fair value changes on cash flow hedges, net of tax	<u>34,117</u>	<u>123,864</u>
Total items that may be reclassified subsequently to profit or loss	<u>(768,266)</u>	<u>1,328,014</u>
Total comprehensive income for the period, net of tax	<u><u>5,162,978</u></u>	<u><u>7,468,542</u></u>
Attributable to:		
Owners of the Company	5,411,259	6,465,506
Non-controlling interests		
- Perpetual capital securities	210,900	210,713
- Others	<u>(459,181)</u>	<u>792,323</u>
	<u>(248,281)</u>	<u>1,003,036</u>
	<u><u>5,162,978</u></u>	<u><u>7,468,542</u></u>

Interim Condensed Consolidated Balance Sheet

	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	137,632,556	131,579,042
Prepaid lease payments	2,920,839	2,747,683
Mining rights	19,130,591	21,381,263
Exploration and resources rights	170,931	172,565
Prepayments for non-current assets	5,949,957	7,066,387
Investments in associates	11,994,948	12,995,773
Investments in joint ventures	2,278,818	1,873,202
Goodwill	3,117,660	3,126,941
Deferred income tax assets	702,945	494,493
Available-for-sale investments	1,365,944	1,375,876
Loans to an associate	1,654,502	—
Loan to a non-controlling shareholder of a subsidiary	17,008	17,171
Derivative financial instruments	575,898	—
	<u>187,512,597</u>	<u>182,830,396</u>
Current assets		
Inventories	3,207,078	3,481,838
Trade receivables, other receivables and prepayments	16,487,482	18,344,979
Loans to associates	931,022	839,447
Loans to joint ventures	370,461	369,903
Loan to an available-for-sale investee company	275,227	277,860
Amounts due from associates	649,975	264,727
Amounts due from joint ventures	106,993	778,419
Amounts due from other related companies	78,486	41,329
Financial assets at fair value through profit or loss	2,928	2,956
Pledged and restricted bank deposits	1,224,812	598,003
Cash and cash equivalents	8,072,027	6,035,046
	<u>31,406,491</u>	<u>31,034,507</u>
Total assets	<u>218,919,088</u>	<u>213,864,903</u>

	As at 30 June 2014 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2013 <i>HK\$'000</i> <i>(audited)</i>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital: nominal value	—	4,791,457
Other statutory capital reserve	—	17,232,192
Share capital and other statutory capital reserves	<u>22,053,697</u>	<u>22,023,649</u>
Other reserves	12,877,370	12,264,103
Retained profits	<u>32,299,322</u>	<u>30,697,309</u>
	<u>67,230,389</u>	<u>64,985,061</u>
Non-controlling interests		
- Perpetual capital securities	5,897,140	5,897,006
- Others	<u>11,938,465</u>	<u>13,850,814</u>
	<u>17,835,605</u>	<u>19,747,820</u>
Total equity	<u>85,065,994</u>	<u>84,732,881</u>
LIABILITIES		
Non-current liabilities		
Borrowings	77,237,826	73,438,346
Derivative financial instruments	105,929	173,652
Deferred income tax liabilities	2,580,221	2,569,573
Deferred income	646,074	607,513
Retirement and other long-term employee benefits obligations	<u>552,972</u>	<u>386,797</u>
	<u>81,123,022</u>	<u>77,175,881</u>
Current liabilities		
Trade payables, other payables and accruals	28,327,507	29,956,821
Amounts due to associates	1,804,650	969,497
Amounts due to joint ventures	102,506	397,203
Amounts due to other related companies	1,483,091	4,997,201
Current income tax liabilities	1,038,175	1,322,159
Borrowings	19,939,669	14,313,260
Derivative financial instruments	<u>34,474</u>	<u>—</u>
	<u>52,730,072</u>	<u>51,956,141</u>
Total liabilities	<u>133,853,094</u>	<u>129,132,022</u>
Total equity and liabilities	<u>218,919,088</u>	<u>213,864,903</u>
Net current liabilities	<u>(21,323,581)</u>	<u>(20,921,634)</u>
Total assets less current liabilities	<u>166,189,016</u>	<u>161,908,762</u>

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES - NET	<u>12,715,963</u>	<u>12,256,973</u>
Cash flows from investing activities		
Dividends received from associates	527,296	88,073
Dividends received from joint ventures	751,678	—
Dividends received from available-for-sale investments	23,501	—
(Increase)/decrease in pledged and restricted bank deposits	(626,809)	84,456
Net cash inflow on acquisition of subsidiaries	—	5,007,498
Net cash inflow on disposal of equity investments	583,654	423,626
Acquisition of and deposits paid for property, plant and equipment and prepaid lease payments	(10,651,290)	(9,847,885)
Acquisition of and deposits paid for mining rights and exploration and resources rights	(114,053)	(378,085)
Capital contributions into associates	—	(232,838)
Capital contributions into a joint venture	(219,763)	—
(Loans to)/repayments from associates	(1,753,117)	3,322,986
Other investing cash inflows	<u>205,270</u>	<u>543,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES-NET	<u>(11,273,633)</u>	<u>(988,193)</u>

	Six months ended	
	30 June	30 June
	2014	2013
	<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 raised	18,663,936	15,478,613
Proceeds from issuance of notes discounted	716,924	—
Proceeds from issuance of shares for exercised options	20,385	156,817
Capital contributions from non-controlling interests	167,432	137,865
Repayment of bank and other borrowings	(8,723,701)	(20,920,274)
Repayment of loan due to an intermediate holding company	(4,285,740)	—
Repayment of advances due to other related companies	(35,385)	—
Advances from associates	844,253	425,570
Repayment of advances due to joint ventures	(290,934)	—
Dividends paid to owners of the Company	(3,182,310)	(2,134,940)
Dividends paid to non-controlling interests of the subsidiaries	(841,520)	(1,760,159)
Interests paid	(2,180,659)	(1,919,948)
Coupon paid on perpetual capital securities	<u>(210,766)</u>	<u>(211,096)</u>
CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES-NET	<u>661,915</u>	<u>(10,747,552)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,104,245	521,228
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,035,046	4,397,289
EXCHANGE (LOSSES)/GAINS	<u>(67,264)</u>	<u>218,908</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>8,072,027</u>	<u>5,137,425</u>

Overview

For the six months ended 30 June 2014, our net profit increased by 13.8% to HK\$6,064 million from HK\$5,331 million for the same period in 2013.

Mainly due to the increase in net generation volume of our subsidiary power plants, and decrease in average unit fuel cost of our consolidated operating coal-fired power plants in comparison with the first half of 2013, our operating profit for the first half of 2014 increased by 6.9% to HK\$8,917 million as compared to the same period in 2013, which resulted in an increase in net profit of 13.8% for the first half of 2014 as compared to the same period in 2013.

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

- Increase in turnover. Turnover in the first half of 2014 increased by 10.8%, mainly attributable to the increase in net generation volume of our subsidiary power plants as compared to the same period last year as a result of the newly commissioned attributable capacity of 2,900MW coal-fired power projects and 328 MW wind power projects, and Shanxi China Resources Daning Energy Co., Ltd (“CR Daning”) was consolidated as a subsidiary from March 2013. This was partially offset by a decrease in sales volume of our subsidiary coal mines, fall in the average sales price of coal and on-grid tariff cut for our coal-fired power plants in the second half of last year;
- Decrease in unit fuel costs. Average unit fuel cost was RMB194.8/MWh, representing a decrease of 11.7% when compared with the first half of 2013, which is mainly due to falling coal prices. In the first half of the year, the unit price of standard coal decreased by 9.2% and the net generation standard coal consumption rate decreased by 4.54g/KWh when compared with the same period last year;
- Increase in gains on change in fair value. Gains on change in fair value amounted to HK\$575 million for the first half of 2014, compared to HK\$0.5 million for the first half of 2013, which was mainly due to the recognition of gains on changes in fair value of the call option to acquire additional 16% equity interest in Hezhou Power Plant, a joint venture, in the first half of this year.
- Decrease in finance costs. The finance costs for the first half of 2014 amounted to HK\$1,548 million, representing a decrease of approximately HK\$156 million or 9.2% in comparison with the first half of 2013, which was mainly due to the decrease in average funding cost of bank and other borrowings by approximately 0.22 percentage point to approximately 4.58% from 4.80% in the first half of 2013 and interest capitalisation of the projects under construction.

However, these increases were offset by the following:

- Increase in asset impairment charges. Impairment charges increased by HK\$1,376 million or 220.8% to HK\$1,999 million for the first half of 2014 from HK\$623 million for the first half of last year, which was mainly due to the recognition of impairment charges in respect of coal mine assets of the Group.
- Increase in exchange losses. As a result of fluctuations in the exchange rate of RMB against the Hong Kong Dollar, exchange losses in the first half of 2014 was approximately HK\$277 million, as compared to exchange gains of approximately HK\$464 million for the same period last year.
- Increase in income tax expense. Due to improvement of profitability of our subsidiary power plants and expiration of preferential taxation treatment enjoyed by certain of our power plants, income tax expense increased by HK\$464 million or 29.8% as compared to the same period last year.

Basis of preparation of financial statements and principal accounting policies

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and 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 2014. 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 financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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 farms and hydro-electric projects) and coal mining.

Segmental information on these operating segments are set out below.

For the six months ended 30 June 2014

	Coal-fired power <i>HK\$'000</i>	Renewable energy <i>HK\$'000</i>	Coal mining <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales	31,594,141	2,272,327	1,959,574	—	35,826,042
Inter-segment sales	<u>—</u>	<u>—</u>	<u>121,392</u>	<u>(121,392)</u>	<u>—</u>
Total	<u>31,594,141</u>	<u>2,272,327</u>	<u>2,080,966</u>	<u>(121,392)</u>	<u>35,826,042</u>
Segment profit/(loss)	<u>8,827,316</u>	<u>1,286,385</u>	<u>(1,809,298)</u>	<u>—</u>	<u>8,304,403</u>
Central corporate expenses					(331,029)
Interest income					92,650
Fair value changes on derivative financial instruments					575,030
Gains on disposal of equity investments					275,868
Finance costs					(1,548,313)
Share of results of associates					306,107
Share of results of joint ventures					<u>278,341</u>
Profit before income tax					<u>7,953,057</u>

For the six months ended 30 June 2013

	Coal-fired power <i>HK\$'000</i>	Renewable energy <i>HK\$'000</i>	Coal mining <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales	28,322,671	1,700,409	2,324,027	—	32,347,107
Inter-segment sales	<u>—</u>	<u>—</u>	<u>12,142</u>	<u>(12,142)</u>	<u>—</u>
Total	<u>28,322,671</u>	<u>1,700,409</u>	<u>2,336,169</u>	<u>(12,142)</u>	<u>32,347,107</u>
Segment profit	<u>6,818,725</u>	<u>1,038,692</u>	<u>688,131</u>	<u>—</u>	<u>8,545,548</u>
Central corporate expenses					(296,815)
Interest income					111,226
Fair value changes on derivative financial instruments					522
Losses on disposal of equity investments					(20,067)
Finance costs					(1,704,337)
Share of results of associates					829,151
Share of results of joint ventures					<u>233,295</u>
Profit before income tax					<u>7,698,523</u>

Geographical information

Substantially all of the Group's non-current assets are located in the People's Republic of China ("PRC"), and operations for the period were substantially carried out in the PRC.

Turnover

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

Turnover for the first half of 2014 was HK\$35,826 million, representing a 10.8% increase from HK\$32,347 million for the first half of 2013. The increase in turnover was mainly due to a year-on-year increase in total net generation volume of our consolidated operating power plants by 12.7% as a result of the commissioning of

new generation units, as well as the consolidation of CR Daning since March 2013 as a subsidiary of the Group. This was partially offset by the decrease in sales volume of our subsidiary coal mines, decrease in average sales price of coal per tonne as compared to the same period last year in the first half of 2014 and on-grid tariff cut for our coal-fired power plants in the second half of last year.

Operating expenses

Operating expenses mainly comprise fuels, repairs and maintenance, depreciation and amortisation, employee benefit expenses, consumables, impairment charges, business tax and surcharge, and other operating expenses. Other operating expenses include (among others) coal safety production fees, land sliding fees, production maintenance fees, sustainable development funds, coal sales costs, utility expenses, discharge fees, administrative fees, professional fees, entertainment expenses, travelling expenses, water charges, insurance fees, vehicle expenses, office rent and other management fees. Total operating expenses for the first half of 2014 amounted to HK\$28,180 million, representing an increase of HK\$2,963 million or 11.8% from HK\$25,217 million in the first half of 2013.

Fuels in the first half of 2014 amounted to approximately HK\$16,407 million, representing an increase of HK\$531 million or 3.3% from HK\$15,876 million in the first half of 2013. Although the net generation volume of our consolidated power plants increased by 12.7% over the same period last year, the average unit fuel cost for our consolidated coal-fired power plants in the first half of 2014 decreased by 11.7% over the same period last year, as a result, fuels only increased by 3.3% over the same period last year.

Repairs and maintenance increased from HK\$761 million for the first half of 2013 to HK\$830 million for the first half of 2014, representing an increase of HK\$69 million or 9.0%. The increase in repairs and maintenance expenses was mainly due to increased generation capacity and the fact that some of the newly commissioned power plants made monthly provision for repairs and maintenance expenses.

Depreciation and amortisation increased from HK\$3,451 million for the first half of 2013 to HK\$4,080 million for the first half of 2014, representing an increase of HK\$628 million or 18.2%. This was mainly due to (1) an increase in the operational generation capacity to 29,897MW as at 30 June 2014 from 26,062MW as at 30 June 2013. New coal-fired power plants and wind farms commissioned during the first half of the year are all subsidiary power plants; and (2) CR Daning was consolidated into the Group as a subsidiary of the Company since March 2013.

Employee benefit expenses increased by HK\$424 million or 21.9% from HK\$1,939 million in the first half of 2013 to HK\$2,363 million in the first half of 2014. This was due to an increase in our generating capacity and additional employee termination benefits incurred in respect of the units of Jinzhou Power Plant in Liaoning which were closed down in the first half of 2014.

Business tax and surcharge increased by 26.8% from HK\$264 million in the first half of 2013 to HK\$334 million. This was mainly attributable to the decrease in input value-added tax as a result of a decline in coal prices and the fact that certain power plants began to pay the value-added tax following full utilization of equipment input value-added tax deduction.

Impairment charges increased by 220.8% from approximately HK\$623 million in the first half of 2013 to HK\$1,999 million, mainly due to the recognition of impairment charges in respect of coal mine assets of the Group.

Other operating expenses decreased from HK\$1,859 million for the first half of 2013 to HK\$1,699 million for the first half of 2014. Other operating expenses for the first half of 2014 mainly included other production costs for our coal operations such as safety production fees, land sliding fees, production maintenance fees, sustainable development funds, environmental restoration assurance fund, coal mine transformation development fund and coal selling expense in an aggregated amount of approximately HK\$174 million; other production costs for electricity operations such as discharge fees, utility expenses, water charges and insurance fees in an aggregated amount of approximately HK\$738 million; and management fees such as entertainment expenses, travelling expenses, taxes, office rent, building management fees, utility expenses, air-condition expenses, vehicle expenses, professional fees, start-up costs, transportation costs, conference fees, consumables, printing and stationary costs and other administrative fees in an aggregated amount of approximately HK\$787 million.

Other income and other gains/(losses) - net

Other income amounted to approximately HK\$671 million for the first half of 2014, representing a decrease of HK\$91 million or 11.9% from HK\$762 million for the first half of 2013. Other income mainly included sales of scrap materials of approximately HK\$341 million, interest income of approximately HK\$93 million, government grant of approximately HK\$72 million, service income from heat connection contracts of approximately HK\$38 million and dividend income of approximately HK\$26 million.

Other gains — net amounted to approximately HK\$600 million for the first half of 2014, comprising exchange losses of HK\$277 million as a result of the depreciation of Renminbi against Hong Kong Dollar in the first half of this year, gain on disposal of equity investments of HK\$276 million, and gain on change in fair value of the call option to indirectly acquire additional 16% equity interest in Hezhou Power Plant, a joint venture, of HK\$576 million recognised in accordance with accounting standards. Other gains — net recorded gains of HK\$449 million for the same period last year, including exchange gains of approximately HK\$464 million recorded for the same period last year.

Fair value change on derivative financial instruments

The Group made use of interest rate swaps (net quarterly settlement) to minimise its exposure to changes in interest expenses of certain floating-rate Hong Kong Dollar bank borrowings by swapping floating interest rates into fixed interest rates. Such interest rate swaps and the corresponding bank borrowings have similar matching terms, therefore the Directors considered such interest rate swaps to be highly effective hedging instruments.

Derivatives were initially recognised at fair value at the date when a derivative contract was entered into and subsequently re-measured their fair values at each balance sheet date. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges were deferred in equity. The gain or loss relating to the ineffective portion would be recognised immediately in the income statement under other gain/(losses). The losses of the ineffective portion arising from fair value changes of derivative financial instruments for the first half of 2014 were HK\$868,000 (The gains for the first half of 2013: HK\$522,000).

In 2010, the Group and an independent third party (the “Partner”) entered into a share subscription agreement (“Share Subscription Agreement”) and pursuant to which they formed a company, namely Resources J Energy Investment Limited (“Resources J”), and Resources J indirectly holds 100% equity interest in Hezhou Power Plant.

Pursuant to a Call Option Agreement entered into between the Group and the Partner dated 19 August 2010, the Partner granted the Group a call option at a consideration of HK\$1 to acquire 16% equity interest (“Call Option Shares”) in Resources J at a pre-determined consideration. The consideration is determined based on the capital contributed by the Partner attributable for the Call Option Shares plus interest accrued at a compound annual interest rate at 5.5%, reduced by the dividend received by the Partner in respect of the Call Option Shares and the interest on dividend received by the Partner in respect of the Call Option Shares. The call option can be exercised on any business day within the period from 17 December 2015 to 1 January 2016 (“Call Option Period”). As of 30 June 2014, the fair value of the call option is assessed to be approximately HK\$ 575,898,000 and has been recognised as gain on fair value change of derivative financial instruments.

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 amounted to HK\$8,917 million for the first half of 2014, representing an increase of HK\$577 million or 6.9% from HK\$8,340 million for the first half of 2013. The increase was mainly due to (1) an increase in profit of power plants as a result of the decrease in unit fuel cost of our subsidiary power plants; (2) profit contribution from newly commissioned coal-fired generation units, which was partially offset by (3) decrease in profit of coal operations resulted from the reduction of sales volume of our subsidiary coal mines and fall in sales price of coal; (4) increase in impairment charges; and (5) an increase in exchange losses.

Finance costs

Finance costs amounted to approximately HK\$1,548 million for the first half of 2014, representing a decrease of 9.2% from HK\$1,704 million for the first half of 2013, mainly due to the decrease in the average cost of bank and other borrowings by approximately 0.22 percentage point to approximately 4.58% from 4.80% in the first half of 2013 and interest capitalisation of the projects under construction. The average amount of bank and other borrowings (being the average of the sum of total interest-bearing liabilities at the beginning and the end of the period) increased to HK\$94,873 million in the first half of 2014 from HK\$82,890 million in the first half of 2013.

	Six months ended	
	30 June	30 June
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank borrowings		
— wholly repayable within five years	1,189,547	1,085,317
— not wholly repayable within five years	412,907	353,372
Interests on corporate bonds		
— wholly repayable within five years	300,501	113,676
— not wholly repayable within five years	112,073	311,205
Interests on loans from related parties		
— wholly repayable within five years	15,451	36,052
Others	<u>108,671</u>	<u>97,537</u>
	2,139,150	1,997,159
Less: Interests capitalised in property, plant and equipment	<u>(590,837)</u>	<u>(292,822)</u>
	<u>1,548,313</u>	<u>1,704,337</u>

Share of results of associates

Share of results of associates in the first half of 2014 amounted to HK\$306 million, representing a 63.1% decrease from HK\$829 million in the first half of 2013. The decrease was mainly due to (1) CR Daning was consolidated into the Group as a subsidiary in the first half of this year, while it was accounted for as an associate prior to March 2013; (2) the increase in losses of associate coal mines due to weak market conditions in the first half of 2014, and the recognition of asset impairment charges in respect of certain associates of the Company; and (3) the decrease in the net generation volume due to scheduled overhaul of certain associate coal-fired power plants of the Group in the first half of 2014.

Share of results of joint ventures

Share of results of joint ventures in the first half of 2014 amounted to HK\$278 million, as compared to HK\$233 million in the first half of last year. This was mainly attributable to the profit contributed by Hezhou Power Plant in Guangxi, a joint venture of the Group.

Income tax expense

Income tax expense for the first half of 2014 amounted to HK\$2,022 million, representing an increase of HK\$464 million or 29.8% from HK\$1,558 million for the first half of 2013. The increase in PRC enterprise income tax was mainly due to (1) the increase in profit of our consolidated power plants; (2) the increase in tax rates due to the expiration of tax concessions for certain subsidiary coal-fired power plants; and (3) certain consolidated wind power projects entering preferential income tax stage with 50% concession or paying full tax rate. Details of the income tax expense for the six months ended 30 June 2013 and 2014 are set out below:

	Six months ended	
	30 June	30 June
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax - PRC enterprise income tax	2,222,255	1,555,245
Deferred income tax	<u>(200,442)</u>	<u>2,750</u>
	<u>2,021,813</u>	<u>1,557,995</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 certain subsidiaries in the PRC.

Profit for the period

	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	3,901,549	3,276,684
Amortisation of prepaid lease payments	36,462	39,940
Amortisation of mining rights	<u>141,648</u>	<u>134,815</u>
Total depreciation and amortisation	<u>4,079,659</u>	<u>3,451,439</u>
Employee benefit expenses	2,363,102	1,938,669
Included in other income		
Sales of scrap materials	341,378	251,543
Dividend income	26,178	151,965
Government grant	71,829	117,624
Interest income	92,650	111,226
Service income from heat connection contracts	38,012	1,832
Service fee income	23,689	18,581
Management fee income	18,395	12,857
Sales of outsourcing coal	17,179	38,706
CERs income	—	3,100
Others	41,592	54,156
Included in other gains and losses		
Fair value changes on derivative financial instruments	575,030	522
Gains/(losses) on disposal of equity investment	275,868	(20,067)
Net exchange (losses)/gains	(276,745)	464,223
Others	<u>26,282</u>	<u>4,162</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 2014 amounted to approximately HK\$6,064 million, representing an increase of 13.8% as compared to HK\$5,331 million in the first half of 2013.

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 2014	30 June 2013
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	<u>6,063,754</u>	<u>5,330,636</u>
	Number of ordinary shares	
	Six months ended	
	30 June 2014	30 June 2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,754,356,560	4,735,192,882
Effect of dilutive potential ordinary shares: — share options	<u>12,457,136</u>	<u>23,528,627</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,766,813,696</u>	<u>4,758,721,509</u>

Interim dividend and closure of register of members

The Board resolved to declare an interim dividend of 8 HK cents per share for the six months ended 30 June 2014 (2013: interim dividend of 8 HK cents per share). Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the interim dividend is estimated to be HK\$383 million.

At the Board meeting held on 17 March 2014, the Directors proposed a final dividend of HK\$0.67 per share for the year ended 31 December 2013. The proposal was subsequently approved by the shareholders of the Company on 10 June 2014. The final dividend paid in 2014 was approximately HK\$3,186 million (2013: HK\$2,135 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 25 September 2014. The register of members of the Company will be closed from Monday, 22 September 2014 to Thursday, 25 September 2014 (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, 19 September 2014. The dividend will be payable on or about Friday, 10 October 2014.

Capital structure management

The Group and the Company manages 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 and other 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. 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\$21,324 million as at 30 June 2014. 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 financial statements.

Cash and cash equivalents as at 30 June 2014 denominated in local currency and foreign currencies mainly included HK\$506 million, RMB5,238 million and US\$125 million, respectively.

The bank and other borrowings of the Group as at 31 December 2013 and 30 June 2014 were as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Secured bank loans	5,725,822	5,525,013
Unsecured bank loans	73,969,621	64,612,881
Corporate bonds and notes	17,482,052	17,613,712
Loans from related parties	<u>—</u>	<u>4,817,851</u>
	<u>97,177,495</u>	<u>92,569,457</u>

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

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Within 1 year	19,939,669	19,131,111
Between 1 and 2 years	14,313,763	14,579,142
Between 2 and 5 years	42,660,125	37,698,033
Over 5 years	<u>20,263,938</u>	<u>21,161,171</u>
	<u>97,177,495</u>	<u>92,569,457</u>

The above secured bank and other borrowings are secured by:

Pledge of assets (note)	<u>4,605,029</u>	<u>4,582,227</u>
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Note: Certain bank loans were secured by the Group's land use rights, buildings, power generating plant and equipment with carrying values of HK\$40,218,000 (2013: HK\$40,942,000), HK\$949,141,000 (2013: HK\$971,465,000) and HK\$3,615,670,000 (2013: HK\$3,569,820,000).

The bank and other borrowings as at 30 June 2014 denominated in local currency and foreign currencies amounted to HK\$35,476 million, RMB43,893 million and US\$824 million, respectively.

The Group made use of interest rate swaps (net quarterly settlement) to minimise its exposure to changes in interest expenses of certain Hong Kong Dollar bank borrowings by swapping floating interest rates into fixed interest rates. As at 30 June 2014, loans of HK\$8,002 million which were provided using floating rates were swapped into fixed interest rates at a range from 1.12% to 2.33% per annum.

As at 30 June 2014, the Group's ratio of net debt to shareholders' equity was 130.7%. 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 2014, the Group's primary sources of funding included new bank borrowings and net cash inflow from operating activities, which amounted to HK\$18,664 million and HK\$12,716 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, repayment of loan due to an intermediate holding company (consideration for acquisition of equity interest in Elite Wing), interest and dividend payments, which amounted to HK\$8,724 million, HK\$10,651 million, HK\$4,286 million, HK\$2,181 million and HK\$4,024 million respectively.

Trade receivables, other receivables and prepayments

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

The following is an ageing analysis based on the invoice date of trade receivables included in trade receivables, other receivables and prepayments at the end of the reporting period:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
0-30 days	7,625,079	9,240,964
31-60 days	518,787	684,262
Over 60 days	<u>2,327,715</u>	<u>2,287,630</u>
	<u>10,471,581</u>	<u>12,212,856</u>

Trade payables

The following is an ageing analysis based on the invoice date of trade payables included in trade payables, other payables and accruals at the end of the reporting period:

	As at 30 June 2014	As at 31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	7,412,808	5,730,765
31-90 days	769,355	1,829,807
Over 90 days	<u>1,141,171</u>	<u>2,878,940</u>
	<u>9,323,334</u>	<u>10,439,512</u>

Key financial ratios of the Group

	As at 30 June 2014	As at 31 December 2013
Current ratio (times)	0.60	0.60
Quick ratio (times)	0.53	0.53
Net debt to shareholders' equity (%)	130.7%	132.2%
EBITDA interest coverage (times) ⁽¹⁾	7.1	6.6

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 + balance of borrowings from related parties at the end of the period - balance of 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 capitalised interest)

Note:

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

Foreign exchange risk

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

RMB is not a freely convertible currency. Future exchange rates of 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 RMB. The appreciation or depreciation of RMB against HKD or 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 HKD and USD. The Group does not use derivative financial instruments to hedge its exposure against changes in exchange rates of the RMB against HKD and USD.

As at 30 June 2014, the Group had HK\$506 million and US\$125 million cash at bank, and HK\$35,476 million and US\$824 million bank borrowings on its balance sheet, the remaining assets and liabilities of the Group were mainly denominated in RMB.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2014.

Employees

As at 30 June 2014, the Group had approximately 41,176 employees.

The Group has entered into employment contracts with all of its employees. The compensation of employees mainly includes salaries and performance-based bonuses. The Company has also implemented share option schemes and Medium to Long-term Performance Evaluation Incentive Plan in order to attract and retain the best employees and to provide additional incentives to employees.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2014.

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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (“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.

AUDITORS AND AUDIT AND RISK COMMITTEE

The interim results for the six months ended 30 June 2014 have been reviewed by the Company’s Audit and Risk Committee and auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

PUBLIC FLOAT

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

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

Hong Kong, 18 August 2014

As at the date of this announcement, the Board of Directors of the Company comprises four executive directors, namely, Ms. ZHOU Junqing (Chairman), Mr. WANG Yu Jun (President), Mr. ZHANG Shen Wen (Vice Chairman) and Ms. WANG Xiao Bin (Chief Financial Officer and Company Secretary); four non-executive directors, namely Mr. DU Wenmin, Mr. WEI Bin, Mr. WANG Yan and Mr. CHEN Ying; 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.