中国再生能源

CHINA RENEWABLE ENERGY INVESTMENT LIMITED
中國再生能源投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 987)

(website: www.cre987.com)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of China Renewable Energy Investment Limited (the "Company" or "CRE") wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*5*	**96,389**	85,455
Cost of sales		**(51,991)**	(47,163)
Gross profit		**44,398**	38,292
Other (loss)/income – net	*5*	**(981)**	4,048
Administrative expenses		**(11,834)**	(13,679)
Operating profit	*6*	**31,583**	28,661
Finance income	*7*	**1,356**	1,363
Finance costs	*7*	**(12,598)**	(15,856)
Finance costs – net	*7*	**(11,242)**	(14,493)
Share of profits less losses of associates		**27,351**	49,652

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Profit before income tax		**47,692**	63,820
Income tax expense	*8*	**(5,041)**	(7,573)
Profit for the period		**42,651**	56,247
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**(1,477)**	(13,184)
Currency translation differences of associates		**(956)**	(14,885)
Other comprehensive loss for the period, net of tax		**(2,433)**	(28,069)
Total comprehensive income for the period		**40,218**	28,178
Profit attributable to:			
Equity holders of the Company		**41,647**	55,690
Non-controlling interests		**1,004**	557
		42,651	56,247
Total comprehensive income attributable to:			
Equity holders of the Company		**39,231**	27,616
Non-controlling interests		**987**	562
		40,218	28,178
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic earnings per share	*10(a)*	**1.66**	2.32
Diluted earnings per share	*10(b)*	**1.66**	2.32

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,074,870**	825,547
Construction in progress		**200,091**	321,004
Right-of-use assets		**9,637**	–
Prepaid land lease payments		**–**	10,257
Intangible assets		**4,264**	4,614
Prepayments and other receivables	*11*	**68,956**	59,749
Interests in associates		**842,927**	884,894
Total non-current assets		**2,200,745**	2,106,065
Current assets			
Inventories		**6,321**	6,728
Trade and other receivables	*11*	**322,117**	204,986
Restricted cash		**2,388**	2,391
Short-term bank deposits		**2,356**	43,656
Cash and cash equivalents		**198,948**	161,585
Total current assets		**532,130**	419,346
Total assets		**2,732,875**	2,525,411
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,732,710**	1,703,504
Equity attributable to equity holders of the Company		**1,757,772**	1,728,566
Non-controlling interests		**(310)**	(1,297)
Total equity		**1,757,462**	1,727,269

	Note	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**424,021**	383,450
Deferred income tax liabilities		**28,438**	31,270
Total non-current liabilities		**452,459**	414,720
Current liabilities			
Trade and other payables	*12*	**207,287**	63,207
Current portion of bank borrowings		**117,419**	122,510
Amount due to a shareholder		**197,632**	197,511
Current income tax liabilities		**616**	194
Total current liabilities		**522,954**	383,422
Total liabilities		**975,413**	798,142
Total equity and liabilities		**2,732,875**	2,525,411

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Renewable Energy Investment Limited (the "Company" or "CRE") is an exempted company incorporated in the Cayman Islands with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are principally engaged in renewable energy business. The Group has operations mainly in the People's Republic of China (the "PRC").

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company is Claudio Holdings Limited, a company incorporated in the British Virgin Islands.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$ thousand or HK$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the board of directors of the Company (the "Board") on 22 August 2019.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018.

(a) New standard, amendments to standards and interpretation adopted by the Group

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation and Modification of Financial Liabilities
HKFRS 16	Leases
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC) − Interpretation 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 is disclosed below.

HKFRS 16 Leases – Impact of adoption

HKFRS 16 replaces HKAS 17 and the related interpretations, HK (IFRIC) 4, HK (SIC) 15 and HK (SIC) 27, which establishes new accounting requirements on leases. HKFRS 16 leads to the recognition of lease transactions in lessee's financial statements, focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to the accounting for lessees. A right-of-use asset which represents the right to use the leased asset for the lease term and a lease liability which represents the obligation to pay rentals are recognised for all leases. The accounting for lessors will not significantly change.

Until 31 December 2018, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

The Group has adopted HKFRS 16 from 1 January 2019. The Group has used the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The reclassifications arising from the new leasing rules are therefore recognised in the opening balance on 1 January 2019.

The Group's leases consist of rentals of land and office premises, in which their existing contracts satisfy the definition of a lease under HKFRS 16. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits as at 1 January 2019, the date of initial adoption.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial adoption

- Excluded the initial direct costs from the measurement of the right-of-use assets

Upon the adoption of HKFRS 16, the Group reclassified the prepaid land lease payments to right-of-use assets for presentation purpose.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK$'000
Operating lease commitments at 31 December 2018	8,552
Less:	
Exemption for short-term leases:	
– Leases for which the lease term ends within 12 months	(1,218)
– Adjustment relating to changes in lease terms	(7,334)
Lease liabilities at 1 January 2019	–

The table below summarises the impact on the adoption of HKFRS 16:

	At 1 January 2019
	HK$'000
Decrease in prepaid land lease payments	(10,257)
Increase in right-of-use assets	10,257

Other than HKFRS 16, the adoption of these amendments to standards and interpretation does not have any significant impact on the Group.

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted

The following standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8	Amendment Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group has not early adopted the new standards and amendments to standards, which have been issued but are not effective for the financial year beginning on 1 January 2019. The Group has already commenced an assessment on the impact of these new standards and amendments to standards, and expected that the adoption of those new standards and amendments to standards will not have any significant impact on the Group's consolidated financial information in the current or future reporting periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5 REVENUE AND OTHER (LOSS)/INCOME – NET

The amount of each significant category of revenue and other (loss)/income – net recognised during the period is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**96,389**	85,455
Other (loss)/income – net		
Value-added tax refund	**3,434**	3,976
Loss on disposal of property, plant and equipment	**(3,341)**	–
Loss arising from liquidation of a subsidiary	**(1,141)**	–
Others	**67**	72
	(981)	4,048

Sales of electricity were all generated by the wind power plants and a distributed solar project of the Group. The Group has a single reportable segment which is renewable energy segment. As the Group does not have significant material operations outside the PRC, no geographic segment information is presented.

For the six months ended 30 June 2019, the Group's revenue for reportable segment from external customers of HK$96.4 million (six months ended 30 June 2018: HK$85.5 million) is only attributable to the China market.

For the six months ended 30 June 2019, the Group has three customers with revenue exceeding 10% of the Group's total revenue (six months ended 30 June 2018: two customers). Revenues from the customers amounted to HK$51.5 million, HK$26.9 million and HK$15.8 million (six months ended 30 June 2018: HK$58.1 million and HK$25.5 million) respectively.

6 OPERATING PROFIT

Operating profit is arrived at after charging the following items:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**(558)**	(574)
Amortisation of intangible assets	**(360)**	(379)
Depreciation of property, plant and equipment	**(43,130)**	(38,267)
Amortisation of prepaid land lease payments	**–**	(574)
Depreciation of right-of-use assets	**(540)**	–
Net exchange loss	**(525)**	(1,352)
Employee benefit expenses (including directors' emoluments)	**(8,907)**	(8,638)
Rental expenses relating to short-term leases	**(719)**	–
Operating lease rental	**–**	(834)
Corporate expenses	**(448)**	(613)
Legal and professional fees	**(795)**	(1,031)
Management service fee	**(553)**	(553)
Repair and maintenance expenses	**(1,762)**	(1,624)

7 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Finance costs:		
– interest expenses on bank borrowings	**(14,446)**	(12,015)
– interest expenses on amount due to a shareholder	**(4,958)**	(4,782)
	(19,404)	(16,797)
Less: amounts capitalised	**6,806**	941
	(12,598)	(15,856)
Finance income:		
– interest income on bank deposits	**1,356**	1,363
Finance costs – net	**(11,242)**	(14,493)

8 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30 June 2019 and 2018. Mainland China income tax includes corporate income tax which has been provided on the estimated assessable profits of subsidiaries operating in the Mainland China at a rate of 25% (six months ended 30 June 2018: 25%). For the six months period ended 30 June 2019, withholding tax was provided for distributed and undistributed profits of certain subsidiary and associates in the Mainland China at a rate of 5% or 10% (six months ended 30 June 2018: 5% or 10%).

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax	**(985)**	(2,042)
Withholding tax on dividends	**(6,839)**	(7,847)
Deferred income tax credit, net	**2,783**	2,316
Income tax expense	**(5,041)**	(7,573)

9 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend proposed, of HK0.4 cents (six months ended 30 June 2018: HK0.4 cents) per ordinary share	**10,025**	10,025

On 22 August 2019, the Board has resolved to declare an interim dividend of HK0.4 cents per ordinary share payable in cash for the six months ended 30 June 2019. As the proposed interim dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 30 June 2019.

On 23 August 2018, the Board has resolved to declare an interim dividend of HK0.4 cents per ordinary share payable in cash for the six months ended 30 June 2018. As the proposed interim dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 30 June 2018, total of HK$10.0 million was paid in September 2018.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the unaudited profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company *(HK$ thousand)*	**41,647**	55,690
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,398,689
Basic earnings per share *(HK cents per share)*	**1.66**	2.32

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2018, the warrants are assumed to have been converted into ordinary shares. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of warrants.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company *(HK$ thousand)*	**41,647**	55,690
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,398,689
Adjustment for:		
– Assumed conversion of warrants *(thousand)*	**–**	2,118
Weighted average number of ordinary shares for diluted earnings per share *(thousand)*	**2,506,157**	2,400,807
Diluted earnings per share *(HK cents per share)*	**1.66**	2.32

11 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	Note	As at **30 June 2019** ***HK$'000***	31 December 2018 *HK$'000*
Non-current			
Prepayments	*(b)*	**13,492**	16,654
Other receivables	*(c)*	**55,464**	43,095
		68,956	59,749
Current			
Trade receivables	*(a)*	**116,463**	61,247
Prepayments and other receivables	*(c)*	**205,654**	143,739
		322,117	204,986
		391,073	264,735

Notes:

(a) The ageing analysis of trade receivables by the Group's revenue recognition policy at 30 June 2019 and 31 December 2018, was as follows:

	As at **30 June 2019** ***HK$'000***	31 December 2018 *HK$'000*
Less than 30 days	**32,230**	25,711
More than 30 days and within 60 days	**10,596**	6,326
More than 60 days and within 90 days	**12,302**	6,371
More than 90 days	**61,335**	22,839
	116,463	61,247

The ageing analysis of trade receivables by invoice date at 30 June 2019 and 31 December 2018, was as follows: *(Note i)*

	As at	
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Less than 30 days	**61,638**	24,898
More than 30 days and within 60 days	**2,097**	6,656
More than 60 days and within 90 days	**2,071**	6,424
More than 90 days	**50,657**	23,269
	116,463	61,247

Note i:

The Group allows a credit period of 30 days to its trade customers. Based on the credit history of the customers, it is expected that the amounts will be received eventually. They are related to a number of independent customers for which there is no recent history of default. The Group does not hold any collateral in relation to these receivables.

(b) The balance includes prepayments of HK$13.5 million (31 December 2018: HK$16.7 million) for purchase of wind farm's equipment for the relevant construction work.

(c) Included in other receivables were input value-added taxation recoverable of HK$57.4 million (31 December 2018: HK$49.4 million) arising from purchase of property, plant and equipment and dividend receivables from associates of HK$175.9 million (31 December 2018: HK$125.5 million).

(d) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Trade payables	**344**	513
Payables for acquisition and construction of property, plant and equipment	**198,360**	48,355
Other payables and accruals	**8,583**	14,339
	207,287	63,207

The ageing analysis of trade payables by invoice date at 30 June 2019 and 31 December 2018, was as follows:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Less than 12 months	**272**	441
12 months and more	**72**	72
	344	513

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$96.4 million in turnover from its renewable energy business. For the interim period, although wind resources were less than last year, lower overall curtailment and new contributions from the Group's Henan Songxian 74 Mega-Watt ("MW") wind project ("Songxian Phase I Wind Farm") led to a 13% increase in revenue as compared to last year's HK$85.5 million. With continued effort in controlling operational costs, the gross profit for the period increased 16% to HK$44.4 million (2018: HK$38.3 million).

However, overall poor wind conditions in China during the first half of 2019 led to a decrease in net profit contribution from our associates to the Group. The net profit from the associates was HK$27.4 million as compared to last year's HK$49.7 million.

Because of the lower contribution from associates, the Group's net profit after tax attributable to the equity holders of the Group declined 25% to HK$41.6 million for the six months ended 30 June 2019 as compared to HK$55.7 million for the same period in 2018. This represents basic earnings per share of HK1.66 cents, compared to 2018 basic earnings per share of HK2.32 cents.

Liquidity and Financial Resources

The Group's total bank borrowings was HK$541.4 million as at 30 June 2019 as compared to HK$506.0 million as at 31 December 2018. The difference was mainly due to the net effect of the drawdown of a bank loan for the Songxian Phase I Wind Farm, repayment of principal for existing project loans and currency exchange differences.

The bank borrowings include project loans and a revolving corporate bank loan facility. Project loans were interest-bearing RMB bank loans to finance the Group's wind farm projects in the People's Republic of China ("China"), with interest rates based on the People's Bank of China rates. The revolving corporate bank loan facility was an interest-bearing HKD bank loan, with interest rate based on the Hong Kong Interbank Offered Rate. The maturity dates for the Group's outstanding bank borrowings were as follows: HK$117.4 million is repayable within one year, HK$240.8 million repayable within two to five years and HK$183.2 million repayable after five years.

As at 30 June 2019, the Group had restricted cash of HK$2.4 million. Unrestricted bank deposits and cash were HK$201.3 million as compared to HK$205.2 million as at 31 December 2018. The difference was mainly due to the net effect of dividend received from associates, repayment of project bank loans and payment of 2018 final dividend.

As the majority of the bank borrowings and all incomes are in RMB, no hedging is required. The Group did not use any financial instruments for financial hedging purposes during the period under review.

Details of Charges in Group Assets

The Group's subsidiaries have charged their assets including wind power equipment, related right-of-use assets and trade receivables, with a carrying value in the balance sheet of approximately RMB1,157.9 million (equivalent to HK$1,316.9 million) as security for the bank borrowings as at 30 June 2019. Such assets, with a carrying value of approximately RMB1,002.8 million (equivalent to HK$1,141.8 million), were charged as at 31 December 2018. The difference was due to the depreciation of assets, fluctuation of the RMB currency and a higher pledge on the assets for the Songxian Phase I Wind Farm.

Gearing Ratio

As at 30 June 2019, the Group's net gearing ratio, defined as the total borrowings plus the amount due to a shareholder, less bank deposits and cash, divided by total equity, was 30% as compared to 29% as at 31 December 2018.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2019 (Nil as at 31 December 2018).

BUSINESS REVIEW

During the first half of 2019, China's economy remained stable with power demand increasing 5%. China's total power consumption reached 3,398,000 Giga-Watt-hours ("GWh"). 9.1 Giga-Watt ("GW") and 11.4 GW of wind power and solar power capacity were installed respectively, with an aggregate total of 193 GW and 186 GW respectively. Total wind power output also increased by 11.5% compared to the first half of 2018 to 214,500 GWh. Total solar power output was 106,700 GWh, an increase of around 30% compared to the first half of 2018. A continuous upward trend in the overall growth in electricity demand and renewable energy output as a percentage of total energy output was observed in the first half of 2019. This was in line with the earlier announced policies and goals of the government and grid company to reduce the amount of curtailment and to increase the renewable energy consumption rate at the same time.

As of June 2019, with the inclusion of our new Songxian Phase I Wind Farm, the Group has eight wind farms and one distributed solar project under operation with a total gross capacity of 700 MW. Adhering to the general principle of making progress and optimization in a steady way, we have continually improved the operations of our existing wind farms, reducing costs and curtailment. However, overall poor wind conditions during the first half of 2019 has adversely affected our levels of power generation and utilization hours compared to the first half of 2018, dispatching a total of 706.0 GWh as compared to 766.1 GWh in 2018.

We continue to make progress on the development and construction of new projects. Songxian Phase I Wind Farm was partially completed and commenced operation in February 2019. Construction costs for the remaining part of the project are within budget. The rest of the project will be commissioned by stages before the end of 2019. Completion of the whole project will increase the Group's total gross power generating capacity to 738 MW.

Mudanjiang and Muling Wind Farms

Mudanjiang and Muling wind farms, located in Heilongjiang province, have a total of 59.5 MW of wind power capacity. The wind farms started commercial operation in the fourth quarter of 2007. The Group holds majority stakes of 86% and 86.7% respectively. Power dispatch at these two wind farms for the first six months of 2019 was approximately 47.8 GWh, which was equivalent to 804 utilization hours. Wind resources were better and curtailment was lower compared to the first half of 2018; therefore the performance was better compared to last year's six-month dispatch of 39.6 GWh (equivalent to 666 utilization hours).

Siziwang Qi Phase I and II Wind Farms

Siziwang Qi Phase I and II wind farms have a total of 99 MW of wind power capacity and are wholly-owned by the Group. They are located 16 kilometres north of Wulanhua under Siziwang Qi of Western Inner Mongolia. Commercial operation of Phase I and II started in January 2011 and January 2015 respectively. The wind farms are the first two phases of a strategic 1,000 MW wind farm base for the Group. During the interim period, Siziwang Qi Phase I and II wind farms dispatched power of approximately 106.6 GWh, which was equivalent to 1,076 utilization hours. Although wind resources in the first half of 2019 were less than 2018, curtailment was reduced significantly due to various implemented policies; therefore the performance was slightly better compared to last year's six-month dispatch of 106.0 GWh (equivalent to 1,071 utilization hours).

Danjinghe Wind Farm

The Group has a 40% effective equity interest in the 200 MW Danjinghe wind farm located in Hebei. The majority and controlling shareholder is the wind power division of China Energy Conservation and Environmental Protection Group ("CECEP"), which holds 60%. The entire wind farm commenced commercial operation in September 2010. During the first six months of 2019, the power dispatched was approximately 209.0 GWh, which was equivalent to 1,045 utilization hours. As this project was obtained through the national tendering process, the wind farm enjoyed minimal curtailment. Wind resources in the first half of 2019 were significantly less than 2018, therefore the performance was worse off compared to last year's power dispatch of 245.2 GWh (equivalent to 1,226 utilization hours).

Changma Wind Farm

Changma wind farm, located in Gansu province, is a joint venture with CECEP. The Group has a 40% effective interest in the project company. The 201 MW wind farm started commercial operation in November 2010. As this project was also obtained through the national tendering process, the wind farm enjoyed minimal curtailment. During the first six months of 2019, the power dispatched was approximately 213.0 GWh, which was equivalent to 1,060 utilization hours. Wind resources in the first half of 2019 were significantly less than 2018, therefore the performance was worse off compared to last year's power dispatch of 250.9 GWh (equivalent to 1,248 utilization hours).

Lunaobao Wind Farm

Lunaobao wind farm is a joint venture with CECEP and is adjacent to the Danjinghe wind farm. The Group has a 30% effective equity interest. The wind farm capacity is 100.5 MW and started commercial operation in February 2011. Unlike Danjinghe, Lunaobao project was not obtained through the national tendering process, hence it does not enjoy low curtailment. During the first six months of 2019, Lunaobao's wind resources were significantly less and curtailment had increased when compared to last year. Power dispatch was approximately 103.6 GWh, which was equivalent to 1,031 utilization hours, significantly lower compared to last year's power dispatch of 124.4 GWh (equivalent to 1,238 utilization hours).

Songxian Phase I Wind Farm

Songxian Phase I wind farm, located in Songxian of Luoyang city in Henan province, has a total of 74 MW wind power capacity and is wholly owned by the Group. As the first stage of the Phase I project, 36 MW wind power capacity commenced commercial operation in February 2019, and the remaining will be commissioned by stages before the end of 2019. During the first half of 2019, power dispatch was approximately 25.9 GWh, which was equivalent to 721 utilization hours.

Nanxun Distributed Solar Project

Nanxun distributed solar project is located in Nanxun district of Huzhou city in Zhejiang province, and is the Group's first wholly-owned distributed rooftop solar project. The 4 Mega-Watt-peak ("MWp") distributed solar project was installed over 60,000 square meters of rooftops on Nanxun International Building Materials City, a commercial complex owned by CRE's parent company, HKC (Holdings) Limited. Power generated is sold to Nanxun International Building Materials City and any excess power is sold to the local grid company. The project commenced commercial operation in March 2018. During the first six months of 2019, the power dispatched was approximately 2.0 GWh, which was equivalent to 490 utilization hours. The performance was better compared to last year's power dispatch of 1.6 GWh (equivalent to 400 utilization hours).

BUSINESS MODEL AND RISKS MANAGEMENT

CRE's main business is acting as an investor-operator in China's renewable energy sector, in which we secure, develop, construct and operate power stations in order to provide reliable electricity to customers. As one of the main external investors in China's renewable energy sector, the Group is well positioned to contribute to the government's plan for a low-carbon economy.

Our Group strategy "**Grow • Advance • Sustain**" guides our operations and development going forward. All investment opportunities are thoroughly evaluated by the Executive Committee and the Board based on a combination of project economic, environmental and social benefits. We plan to continue to develop renewable energy projects and to look for **growth** investment opportunities in new technologies. In CRE, every kilo-Watt-hour ("kWh") energy output counts. We therefore strive to innovate and **advance** in all aspects of our business and operations to continuously enhance our profitability with an ultimate goal to create **sustainable** value and to increase return for shareholders.

Risk management is the responsibility of everyone within the Group; risk is inherent in our business and the market in which it operates. Rather than being a standalone process, risk management is integrated into our daily business process, from project level day-to-day operation to corporate level strategy development and investment decisions.

Through a bottom up approach, we identify and review existing and emerging risks semi-annually. Identified risks are then monitored and discussed at the Group level. The risk management process is overseen by the Executive Committee and the Board as an element of our strong corporate governance. Within CRE, all risks factors are classified under 6 different categories, (i) Policy and Regulations, (ii) Legal and Compliance, (iii) Safety, Health and Environmental, (iv) Financial, (v) Operational and (vi) Reputational; and are evaluated through assessing their consequences and likelihood. With a continuous and proactive approach to risk management, the Group is committed to identifying material risks and then to managing these so that they can be understood, minimised, mitigated or avoided.

OUTLOOK

In May 2019, the NDRC and National Energy Administration ("NEA") set-up the Comprehensive Renewable Energy Consumption Security System, under which renewable energy consumption targets were allotted to each region, with the goal of reducing curtailment by 2020. To ensure that consumption targets can be achieved, each region is responsible for formulating its own implementation plan, including the assignment of quotas, detailed action plans, and methods to evaluate performance. In addition, the NEA continues to encourage new technologies and management strategies and to improve the transmission networks. Operational procedures have also been improved in order to increase the utilization rate of renewable energy.

However, the renewable energy industry continues to face challenges such as increased competition and delays in the settlement of tariff subsidies, resulting in high accounts receivables. These delays stem from a large deficit in the renewable energy fund which is run by the central government and used to provide the subsidies. To ensure sustainability, the government aims to reduce subsidies for future projects given lower investment costs are expected to reach grid parity soon. This means that tariffs will soon be set to be the same as those for coal-fired plants in the same province. In May 2019, the NDRC listed out the benchmark on-shore wind tariffs, with prices in 2019 to be cut about 12% or RMB0.05/kWh to RMB0.06/kWh lower than in 2018, depending on the region, and an additional RMB0.05/kWh lower in 2020. In addition, for projects approved before the end of 2018, no subsidy will be granted if the projects cannot be commissioned by the end of 2020. For projects approved in 2019 and 2020, no subsidy will be granted if the projects cannot be commissioned by the end of 2021. For projects approved from 2021 onwards, when renewable energy is expected to reach grid parity, subsidies will no longer be granted and tariff prices will be the same as those for coal-fired plants. Nevertheless, with lower expected investment costs, lower curtailment and improved operational efficiencies, wind farm utilization rates and investment returns are expected to remain attractive.

Facing the challenges and opportunities, the Group continues to proactively respond. We continue to adhere to our principle of investing only in top quality renewable energy projects, focusing on those projects with high potential return and in regions not subject to curtailment. For our existing wind farms, every kWh energy output counts, as outlined in our strategy. We have decided to participate in some of the pilot electricity market trading schemes. This is expected to reduce curtailment, help increasing power dispatch and increasing overall profitability of these projects.

On the development front, Songxian Phase II Wind Farm 40 MW has been successfully approved by the NDRC. Initial planning is underway. At the same time, we have been actively looking into acquiring and developing other wind and solar power projects in China, and possibly overseas.

CRE has full confidence in our growth prospects. The renewable energy business is one that rewards expertise, patience, commitment and innovation. While earnings during the interim period were disappointing given poor wind conditions, with our Songxian Phase I Wind Farm to be fully commissioned in 2019, the Group expects earnings to improve. The Group continues to focus on profitability instead of blind pursuit of expansion. We will continue to work diligently, develop our businesses efficiently and steadily, and will consider strategic alliances, with an aim to create sustainable, increasing returns for shareholders as we work towards a smarter and cleaner tomorrow.

Employees

As at 30 June 2019, the Group's operations in Hong Kong and Mainland China employed a total of 94 employees. Our core requirement is to ensure that we attract, retain and deploy employees with the capabilities needed to secure, develop, construct and operate our assets. In 2019, we have strengthened our resources and capabilities through a combination of external recruitment and internal transfers of staff. These have enabled us to enhance performance through common standards and processes in safety, project management and asset management. The Group has also appointed technical consultants on contract terms when deemed necessary for the development of new projects and for operation of existing projects. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance, and the prevailing marketing conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

As one of the earliest investors in China's renewable energy sector since 2006, the Group has been heavily involved in environmental protection and support for the low carbon development of China. CRE strives to continuously improve and evolve in the renewable energy sector to adapt to the changing expectations of our stakeholders while balancing the needs of our shareholders, environment and the communities we operate in.

The Group has over 700 MW of operating wind farms and a distributed solar project in Hebei, Heilongjiang, Gansu, Inner Mongolia, Henan and Zhejiang provinces. Most of our projects are located in remote northern regions. They greatly benefit the economic development of the local areas through investment, by reducing local pollution and carbon emissions, and by contributing to the local community through the hiring of local staff who are given fair market-based remuneration packages. In the first half of 2019, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 708.0 GWh, we have reduced approximately 230,000 tons of coal consumption and 548,000 tons of carbon emission. For our Songxian Phase I Wind Farm which is still under construction in 2019, we will closely monitor the environmental performance of the construction sites through regular measurements, site supervision, and on-site audits by both CRE internal staff and independent parties.

We place importance on creating positive relationships with stakeholders through understanding and addressing their expectations. As one of the main foreign investors in China's renewable energy industry, we continue to maintain close contacts with our stakeholders, including but not limited to the Government (e.g. the NDRC and NEA at both national and provincial level), local authorities (e.g. environmental and land bureau) and State Grid Corporation through various meetings to facilitate their understanding of our business, operations and development direction.

The Group will continue to support the goal to decrease carbon emissions by investing in various renewable energy projects. At the same time, we will explore other means to further contribute to the communities we operate in as the Group grows larger and more profitable.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.4 cents (2018: HK0.4 cents) per ordinary share for the six months ended 30 June 2019 to the shareholders of the Company. The interim dividend will be paid on Wednesday, 18 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 September 2019 to Friday, 6 September 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 4 September 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company with written terms of reference in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and reports to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019, which has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, except for the following:

Code Provision A.2.1

According to the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Under the current organisation structure of the Company, the functions of CEO are performed by the Chairman, Mr. OEI Kang, Eric, with support from other executive directors of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. The Board will review the structure from time to time to ensure it continues to meet the principle and will consider segregation of the roles of chairman and CEO if and when appropriate.

Code Provision A.4.1

All independent non-executive directors of the Company were appointed with no specific term, but are subject to the rotation requirement in the articles of association of the Company, accomplishing the same purpose as being appointed for a specific term pursuant to Code Provision A.4.1 of the CG Code.

Code provision A.6.7

All independent non-executive directors of the Company were encouraged to attend the general meeting to inter-face with shareholders of the Company but one of them was not in a position to attend the annual general meeting of the Company held on 20 May 2019 (as provided for in Code Provision A.6.7 of the CG Code) due to pre-arranged business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished inside information in relation to the securities of the Group, on no less exacting terms than the Model Code.

PUBLICATION OF INTERIM REPORT

The 2019 interim report will be published on the websites of the Company (www.cre987.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company in due course.

By Order of the Board
China Renewable Energy Investment Limited
OEI Kang, Eric
Chairman and Chief Executive Officer

Hong Kong, 22 August 2019

As at the date of this announcement, the Board comprises six directors, of which Mr. OEI Kang, Eric, Mr. LEUNG Wing Sum, Samuel and Mr. WONG Jake Leong, Sammy are executive directors; and Mr. YU Hon To, David, Mr. TIAN Yuchuan and Mr. ZHANG Songyi are independent non-executive directors.