CRE
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 2020

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 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*5*	**96,807**	96,389
Cost of sales		**(61,070)**	(51,991)
Gross profit		**35,737**	44,398
Other income	*5*	**3,819**	3,501
Other losses	*6*	**–**	(4,482)
Administrative expenses		**(14,465)**	(11,834)
Operating profit	*7*	**25,091**	31,583
Finance income	*8*	**1,822**	1,356
Finance costs	*8*	**(17,915)**	(12,598)
Finance costs – net	*8*	**(16,093)**	(11,242)
Share of results of associates		**33,556**	27,351

	Note	Unaudited Six months ended 30 June 2020 HK$'000	2019 HK$'000
Profit before income tax		**42,554**	47,692
Income tax expense	*9*	**(6,501)**	(5,041)
Profit for the period		**36,053**	42,651
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**(14,821)**	(1,477)
Currency translation differences of associates		**(15,406)**	(956)
Other comprehensive loss for the period, net of tax		**(30,227)**	(2,433)
Total comprehensive income for the period		**5,826**	40,218
Profit attributable to:			
Equity holders of the Company		**36,834**	41,647
Non-controlling interests		**(781)**	1,004
		36,053	42,651
Total comprehensive income attributable to:			
Equity holders of the Company		**6,585**	39,231
Non-controlling interests		**(759)**	987
		5,826	40,218
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted earnings per share	*11*	**1.47**	1.66

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,209,763**	1,019,189
Construction in progress		**438**	222,709
Right-of-use assets		**16,054**	9,713
Intangible assets		**3,577**	3,835
Prepayments and other receivables	*12*	**56,002**	59,059
Interests in associates		**816,490**	848,291
Total non-current assets		**2,102,324**	2,162,796
Current assets			
Inventories		**7,605**	6,622
Trade and other receivables	*12*	**377,814**	315,479
Restricted cash		**2,301**	2,342
Cash and cash equivalents		**352,166**	307,415
Total current assets		**739,886**	631,858
Total assets		**2,842,210**	2,794,654
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,701,865**	1,705,305
Equity attributable to equity holders of the Company		**1,726,927**	1,730,367
Non-controlling interests		**(1,564)**	(805)
Total equity		**1,725,363**	1,729,562

	Note	**Unaudited 30 June 2020** ***HK$'000***	Audited 31 December 2019 *HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**586,768**	522,095
Lease liabilities		**960**	231
Deferred income tax liabilities		**28,664**	30,397
Total non-current liabilities		**616,392**	552,723
Current liabilities			
Trade and other payables	*13*	**166,407**	187,278
Current portion of bank borrowings		**134,595**	126,407
Amount due to a shareholder		**197,338**	197,733
Lease liabilities		**1,026**	444
Current income tax liabilities		**1,089**	507
Total current liabilities		**500,455**	512,369
Total liabilities		**1,116,847**	1,065,092
Total equity and liabilities		**2,842,210**	2,794,654

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 20 August 2020.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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 2019.

(a) Amendments to standards adopted by the Group

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these amendments to standards does not have any significant impact on the Group's consolidated financial information.

(b) New standard and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 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 standard and amendments to standards, which have been issued but are not effective for the financial year beginning on 1 January 2020. The Group has already commenced an assessment on the impact of these new standard and amendments to standards, and expected that the adoption of those new standard 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 2019.

5 REVENUE AND OTHER INCOME

The amount of each significant category of revenue and other income recognised during the period is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**96,807**	96,389
Other income		
Value-added tax refund	**3,468**	3,434
Government subsidies	**267**	–
Others	**84**	67
	3,819	3,501

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 2020, the Group's revenue for reportable segment from external customers of HK$96.8 million (six months ended 30 June 2019: HK$96.4 million) is only attributable to the China market.

For the six months ended 30 June 2020, the Group has three customers with revenue exceeding 10% of the Group's total revenue (six months ended 30 June 2019: three customers). Revenues from the customers amounted to HK$47.6 million, HK$28.5 million and HK$18.4 million (six months ended 30 June 2019: HK$51.5 million, HK$15.8 million and HK$26.9 million) respectively.

6 OTHER LOSSES

The amount of each significant category of other losses recognised during the period is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**–**	(3,341)
Loss arising from liquidation of a subsidiary	**–**	(1,141)
	–	(4,482)

7 OPERATING PROFIT

Operating profit is arrived at after charging the following items:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**(396)**	(558)
Amortisation of intangible assets	**(348)**	(360)
Depreciation of property, plant and equipment	**(44,764)**	(43,130)
Depreciation of right-of-use assets	**(1,086)**	(540)
Net exchange loss	**(4,372)**	(525)
Employee benefit expenses (including directors' emoluments)	**(8,900)**	(8,907)
Rental expenses relating to short-term leases	**(130)**	(719)
Corporate expenses	**(445)**	(448)
Legal and professional fees	**(572)**	(795)
Management service fee	**(548)**	(553)
Repair and maintenance expenses	**(1,302)**	(1,762)

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Finance costs:		
– interest expenses on bank borrowings	**(18,419)**	(14,446)
– interest expenses on amount due to a shareholder	**(5,033)**	(4,958)
– interest expenses on lease liabilities	**(57)**	–
	(23,509)	(19,404)
Less: amounts capitalised *(Note)*	**5,594**	6,806
	(17,915)	(12,598)
Finance income:		
– interest income on bank deposits	**1,822**	1,356
Finance costs – net	**(16,093)**	(11,242)

Note:

During the six months period ended 30 June 2019, the capitalisation rate used to determine the amount of finance costs to be capitalised was the weighted average interest rate applicable to the Group's general borrowings, in this case 4.82%. During the six months period ended 30 June 2020, there was no capitalisation of finance costs arising from the Group's general borrowings.

9 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 2020 and 2019. 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 2019: 25%). Withholding tax was provided for distributed and undistributed profits of associates in the Mainland China at a rate of 10% (six months ended 30 June 2019: 10%).

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current income tax	**(2,717)**	(985)
Withholding tax on dividends	**(4,998)**	(6,839)
Deferred income tax credit, net	**1,214**	2,783
Income tax expense	**(6,501)**	(5,041)

10 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interim dividend proposed, of HK0.4 cents (six months ended 30 June 2019: HK0.4 cents) per ordinary share	**10,025**	10,025

On 20 August 2020, 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 2020. As the proposed interim dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 30 June 2020.

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, total of HK$10.0 million was paid in September 2019.

11 EARNINGS PER SHARE

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	
	2020	2019
Profit attributable to equity holders of the Company *(HK$ thousand)*	**36,834**	41,647
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,506,157
Earnings per share *(HK cents per share)*	**1.47**	1.66

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2020 and 2019.

12 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
		2020	2019
	Note	**HK$'000**	HK$'000
Non-current			
Prepayments	*(b)*	**3,560**	2,944
Other receivables	*(c)*	**52,442**	56,115
		56,002	59,059
Current			
Trade receivables	*(a)*	**165,206**	124,661
Prepayments and other receivables	*(c)*	**212,608**	190,818
		377,814	315,479
		433,816	374,538

Notes:

(a) The ageing analysis of trade receivables by the Group's revenue recognition policy at 30 June 2020 and 31 December 2019, was as follows:

	As at	
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**33,092**	35,641
More than 30 days and within 60 days	**8,365**	7,594
More than 60 days and within 90 days	**8,517**	5,853
More than 90 days	**115,232**	75,573
	165,206	124,661

The ageing analysis of trade receivables by invoice date at 30 June 2020 and 31 December 2019, was as follows: *(Note i)*

	As at	
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**143,458**	102,018
More than 30 days and within 60 days	**558**	335
More than 60 days and within 90 days	**–**	334
More than 90 days	**21,190**	21,974
	165,206	124,661

Note i:

The Group allows a credit period of 30 days to its trade customers. Receivables from sales of electricity are usually settled on a monthly basis by the state-owned grid companies. Included in trade receivables were tariff subsidy receivables of HK$149.6 million (31 December 2019: HK$107.5 million), representing the government subsidies on renewable energy projects to be received from the state-owned grid companies in accordance with the prevailing government policies. Based on the credit history of the customers, it is expected that the amounts will be received eventually and 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$3.6 million (31 December 2019: HK$2.9 million) for purchase of wind farm's equipment for the relevant construction work.

(c) Included in current and non-current other receivables were input value-added taxation recoverable of HK$52.9 million (31 December 2019: HK$54.8 million) arising from purchase of property, plant and equipment, and dividend receivables from associates of HK$189.9 million (31 December 2019: HK$164.5 million).

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

13 TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Trade payables	**270**	260
Payables for acquisition and construction of property, plant and equipment	**157,214**	173,108
Other payables and accruals	**8,923**	13,910
	166,407	187,278

The ageing analysis of trade payables by invoice date at 30 June 2020 and 31 December 2019, was as follows:

	As at	
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Less than 12 months	**257**	247
12 months and more	**13**	13
	270	260

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2020, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$96.8 million in turnover. Poor wind conditions in Heilongjiang province adversely affected the performance of our Mudanjiang and Muling wind farms. However, new contributions from the full operation of the Group's Henan Songxian 74 Mega-Watt ("MW") wind project ("Songxian Phase I Wind Farm") led to an overall slight increase in revenue during the interim period as compared to last year's HK$96.4 million. Gross profit for the period was HK$35.7 million (six months ended 30 June 2019: HK$44.4 million).

For the Group's associate company wind farms, wind conditions returned to normal during the first half of 2020. As a result, operational performance improved and net profit from the associates increased 23% to HK$33.6 million as compared to last year's HK$27.4 million.

The depreciation of Renminbi during the first half of 2020 resulted in a HK$4.4 million exchange loss. As a result, the Group's net profit after tax attributable to the equity holders of the Group for the six months ended 30 June 2020 declined 12% to HK$36.8 million or basic earnings of HK1.47 cents per share. For the same period in 2019, net profit after tax attributable to the equity holders of the Group was HK$41.6 million or basic earnings of HK1.66 cents per share.

Liquidity and Financial Resources

As at 30 June 2020, the Group's total bank borrowings was HK$721.4 million as compared to HK$648.5 million as at 31 December 2019. The difference was mainly due to the combined effect of the net movement in the corporate bank loan facilities and the partial repayment of principal for existing project loans.

The bank borrowings include project loans and corporate bank loan facilities. Project loans were interest-bearing RMB bank loans used 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 or Loan Prime Rate. The corporate bank loan facilities were interest-bearing HKD bank loans, with interest rates based on the Hong Kong Interbank Offered Rate. The maturity dates for the Group's outstanding bank borrowings were as follows: HK$134.6 million is repayable within one year, HK$368.2 million repayable within two to five years and HK$218.6 million repayable after five years.

As at 30 June 2020, the Group had restricted cash of HK$2.3 million. Unrestricted bank deposits and cash was HK$352.2 million as compared to HK$307.4 million as at 31 December 2019. The difference was mainly related to the combined effect of the net movement in the bank borrowings, payments for construction works, and payment of 2019 final dividend.

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 RMB1,181.6 million (equivalent to HK$1,294.5 million) as security for the bank borrowings as at 30 June 2020. Such assets, with a carrying value of approximately RMB1,155.1 million (equivalent to HK$1,288.4 million), were charged as at 31 December 2019.

Gearing Ratio

As at 30 June 2020, 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 33% as compared to 31% as at 31 December 2019.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2020 (Nil as at 31 December 2019).

BUSINESS REVIEW

As a result of the Coronavirus Disease 2019 ("COVID-19") epidemic during the first half of 2020, China's economy has reversed its strong growth and experienced a decline during the interim period. As a result, power demand decreased 1.3% to 3,354,700 Giga-Watt-hours ("GWh"). However, despite this negative growth, wind and solar power capacity continued to increase. An aggregate total of 217 Giga-Watt ("GW") wind power capacity and 216 GW solar power capacity were installed, increasing by 12.5% and 16% respectively as compared to 2019. Total wind power output was 237,800 GWh, an increase of around 11% as compared to 2019, accounting for 7% of total power generation across the country. Total solar power output was 127,800 GWh, an increase of around 20% as compared to 2019, accounting for 4% of total power generation across the country.

Construction of our Songxian Phase I Wind Farm was fully completed. Revenue contribution from the entire wind farm started in May 2020. As at 30 June 2020, with the inclusion of our new Songxian Phase I Wind Farm, the Group now has eight wind farms and one distributed solar project under operation with a total gross power generating capacity of 738 MW. Net power generating capacity has increased 10% to 427 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, despite the increased contribution at Songxian, because of poor wind conditions in Heilongjiang, total power despatch in the first half of 2020 increased only 2% to 717.9 GWh, as compared to 706.0 GWh in 2019.

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. The power dispatched for the first six months of 2020 was approximately 33.0 GWh, which was equivalent to 555 utilization hours. Wind resources were significantly less than last year. Therefore, the performance was worse off compared to last year's power dispatch of 47.8 GWh (equivalent to 804 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 98.4 GWh, which was equivalent to 993 utilization hours. Although wind resources in the first half of 2020 were better than 2019, curtailment increased because of lower power demand as a result of the COVID-19 pandemic. Hence, the performance was worse off compared to last year's power dispatch of 106.6 GWh (equivalent to 1,076 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. As this project was obtained through the national tendering process, the wind farm enjoyed minimal curtailment. During the first six months of 2020, the power dispatched was approximately 215.9 GWh, which was equivalent to 1,079 utilization hours. Wind resources in the first half of 2020 were better than 2019. Therefore, the performance was better compared to last year's power dispatch of 209.0 GWh (equivalent to 1,045 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 2020, the power dispatched was approximately 220.0 GWh, which was equivalent to 1,094 utilization hours. Wind resources in the first half of 2020 were better than 2019. Therefore, the performance was better compared to last year's power dispatch of 213.0 GWh (equivalent to 1,060 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 was not obtained through the national tendering process, hence it does not enjoy low curtailment. During the first six months of 2020, the power dispatched was approximately 100.4 GWh, which was equivalent to 999 utilization hours. Even though curtailment was reduced, wind resources in the first half of 2020 were slightly worse than 2019. Therefore, the performance was worse off compared to last year's power dispatch of 103.6 GWh (equivalent to 1,031 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. The first 36 MW wind power capacity commenced commercial operation in February 2019, and the whole project commenced full operation starting from May 2020. During the first half of 2020, the power dispatched was approximately 50.3 GWh, which was equivalent to 680 utilization hours. The performance was better compared to last year's power dispatch of 25.9 GWh (equivalent to 721 utilization hours) as construction of the entire project was completed and the wind farm's additional power generating capacity started generating revenues in May 2020.

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 2020, the power dispatched was approximately 2.3 GWh, which was equivalent to 568 utilization hours. The performance was better compared to last year's power dispatch of 2.0 GWh (equivalent to 490 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

The renewable energy business is one that rewards expertise, patience, commitment and innovation. With our Songxian Phase I Wind Farm commencing full operation and generating revenues starting from May 2020, the Group's net capacity has now increased 10% to 427 MW. As a result, CRE expects earnings to improve in the second half of the year. 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.

In May 2020, the National Development and Reform Commission ("NDRC") and National Energy Administration ("NEA") released the renewable energy consumption targets in 2020 for all provinces in China, with the aim to increase the utilization rates of renewable energy and non-hydro renewable energy to 28.2% and 10.8% respectively of total power generation across the country by the end of 2020. In relation to the Group's projects in Heilongjiang, Inner Mongolia, Gansu, Hebei and Henan, the non-hydro renewable energy consumption targets in 2020 are 20%, 16.5%, 16.5%, 12.5% and 12.5% respectively. These targets are higher than the national consumption target and are expected to have a positive influence on the Group's wind farms.

Moreover, in May 2020, the NDRC and NEA proposed the "Guidelines for the Development of Sustainable Renewable Energy Consumption System." Under this proposal, utilization rate of renewable energy will be determined through scientific methods. A comprehensive study will be conducted to further improve the electricity transmission network, to create market trading schemes, and to implement a green certificates trading mechanism. It is expected that more systematic trading of green certificates will start from 2021 onwards.

However, the renewable energy industry continues to face challenges such as 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. At the end of 2019, the fund had an over RMB300 billion deficit. In view of this, in January 2020, the NDRC, NEA and Ministry of Finance implemented the "Management Policy of Renewable Energy Tariff Subsidy Fund (Revised)", with the aim to alleviate the funding problem and to improve the cashflow of renewable energy companies.

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, to help increase power dispatch, and to increase 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.

Employees

As at 30 June 2020, the Group's operations in Hong Kong and Mainland China employed a total of 95 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 2020, 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 738 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 2020, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 720.2 GWh, we have reduced approximately 234,000 tons of coal consumption and 557,000 tons of carbon emission.

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 (2019: HK0.4 cents) per ordinary share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 4 September 2020. The interim dividend will be paid on Thursday, 17 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend is Friday, 4 September 2020. The register of members of the Company will be closed on Friday, 4 September 2020, 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 Thursday, 3 September 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company (the "Director(s)") 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 2020, 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 2020.

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 2020, 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. 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 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 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 26 May 2020 (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 confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

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 2020 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, 20 August 2020

As at the date of this announcement, the Board comprises seven Directors, of which Mr. OEI Kang, Eric, Mr. LEUNG Wing Sum, Samuel, Mr. WONG Jake Leong, Sammy and Mr. LEE Shiu Yee, Daniel, are Executive Directors; and Mr. YU Hon To, David, Mr. TIAN Yuchuan and Mr. ZHANG Songyi are Independent Non-executive Directors.