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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Board") of China Renewable Energy Investment Limited (the "Company" or "CRE") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	3	**206,122**	181,223
Cost of sales	5	**(128,994)**	(112,662)
Gross profit		**77,128**	68,561
Other income	3	**29,436**	4,588
Other losses	4	**(4,199)**	(4,400)
Administrative expenses	5	**(22,812)**	(26,750)
Operating profit		**79,553**	41,999
Finance income	6	**2,695**	2,625
Finance costs	6	**(40,200)**	(27,501)
Finance costs – net	6	**(37,505)**	(24,876)
Share of results of associates		**54,279**	48,871

	Note	2020 HK$'000	2019 HK$'000
Profit before income tax		**96,327**	65,994
Income tax expense	7	**(10,261)**	(8,145)
Profit for the year		**86,066**	57,849
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**60,844**	(18,394)
Currency translation differences of associates		**56,976**	(17,113)
Other comprehensive income/(loss) for the year, net of tax		**117,820**	(35,507)
Total comprehensive income for the year		**203,886**	22,342
Profit/(loss) attributable to:			
Equity holders of the Company		**86,152**	57,376
Non-controlling interests		**(86)**	473
		86,066	57,849
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**204,001**	21,850
Non-controlling interests		**(115)**	492
		203,886	22,342
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cents per share)			
Basic and diluted earnings per share	8	**3.44**	2.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,285,205**	1,019,189
Construction in progress		**–**	222,709
Right-of-use assets		**16,075**	9,713
Intangible assets		**3,499**	3,835
Prepayments and other receivables	*10*	**51,185**	59,059
Interests in associates		**909,595**	848,291
Total non-current assets		**2,265,559**	2,162,796
Current assets			
Inventories		**12,901**	6,622
Trade and other receivables	*10*	**432,972**	315,479
Restricted cash		**2,502**	2,342
Cash and cash equivalents		**190,405**	307,415
Total current assets		**638,780**	631,858
Total assets		**2,904,339**	2,794,654
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,889,257**	1,705,305
Equity attributable to equity holders of the Company		**1,914,319**	1,730,367
Non-controlling interests		**(920)**	(805)
Total equity		**1,913,399**	1,729,562

	Note	**2020**	2019
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**552,182**	522,095
Lease liabilities		**654**	231
Deferred income tax liabilities		**33,989**	30,397
Total non-current liabilities		**586,825**	552,723
Current liabilities			
Trade and other payables	*11*	**84,165**	187,278
Current portion of bank borrowings		**121,070**	126,407
Amount due to a shareholder		**196,874**	197,733
Lease liabilities		**849**	444
Current income tax liabilities		**1,157**	507
Total current liabilities		**404,115**	512,369
Total liabilities		**990,940**	1,065,092
Total equity and liabilities		**2,904,339**	2,794,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$ thousand or HK$'000), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 18 March 2021.

2 BASIS OF PREPARATION

The consolidated financial statements of CRE have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(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
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
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.

3 REVENUE AND OTHER INCOME

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**206,122**	181,223
Other income		
Value-added tax refund	**6,506**	4,522
Government subsidies	**536**	–
Net exchange gain	**17,616**	–
Others	**4,778**	66
	29,436	4,588

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 year ended 31 December 2020, the Group's revenue for reportable segment from external customers of HK$206.1 million (2019: HK$181.2 million) is only attributable to the China market.

For the year ended 31 December 2020, the Group has three customers with revenue exceeding 10% of the Group's total revenue (2019: three customers). Revenues from the customers amounted to HK$90.2 million, HK$70.8 million and HK$40.4 million (2019: HK$92.8 million, HK$32.7 million and HK$51.2 million) respectively.

4 OTHER LOSSES

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

	2020	2019
	HK$'000	*HK$'000*
Write-off of construction in progress	**(4,199)**	–
Loss on disposal of property, plant and equipment	**–**	(3,280)
Loss arising from liquidation of a subsidiary	**–**	(1,120)
	(4,199)	(4,400)

The amount of write-off of construction in progress represents costs previously incurred for the construction of certain wind power plants which the management has decided to terminate during the year.

5 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Auditor's remuneration		
– Audit services	**996**	1,525
– Non-audit services	**204**	410
Amortisation of intangible assets	**721**	706
Depreciation of property, plant and equipment	**95,444**	85,762
Depreciation of right-of-use assets	**2,293**	1,250
Net exchange loss	**–**	3,083
Employee benefit expenses (including directors' emoluments)	**20,076**	19,613
Rental expenses relating to short-term leases	**276**	1,264
Repair and maintenance expenses	**5,129**	3,374
Corporate expenses	**843**	813
Legal and professional fees	**583**	626
Management service fee	**1,096**	1,106
Other expenses	**24,145**	19,880
Total cost of sales and administrative expenses	**151,806**	139,412

6 FINANCE INCOME AND COSTS

	2020 HK$'000	2019 HK$'000
Finance costs:		
– interest expenses on bank borrowings	**(36,956)**	(29,503)
– interest expenses on amount due to a shareholder	**(8,817)**	(10,446)
– interest expenses on lease liabilities	**(102)**	(16)
	(45,875)	(39,965)
Less: amounts capitalised *(Note)*	**5,675**	12,464
	(40,200)	(27,501)
Finance income:		
– interest income on bank deposits	**2,695**	2,625
Finance costs – net	**(37,505)**	(24,876)

Note:

The capitalisation rate used to determine the amount of the finance costs to be capitalised was the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.82% (2019: 4.82%). Such finance costs were ceased to be capitalised after the construction in progress were transferred to property, plant and equipment upon completion in May 2020.

7 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the years ended 31 December 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% (2019: 25%). Withholding tax was provided for distributed and undistributed profits of associates in the Mainland China at a rate of 10% (2019: 10%).

	2020	2019
	HK$'000	*HK$'000*
Current income tax	**(4,223)**	(1,664)
Withholding tax on dividends	**(5,001)**	(6,842)
Deferred income tax (expense)/credit, net	**(1,037)**	361
Income tax expense	**(10,261)**	(8,145)

Note:

The share of income tax expense of associates of HK$17.0 million (2019: HK$13.9 million) is included in the Group's share of results of associates.

8 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to equity holders of the Company *(HK$ thousand)*	**86,152**	57,376
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,506,157
Earnings per share *(HK cents per share)*	**3.44**	2.29

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the years ended 31 December 2020 and 2019.

9 DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim dividend paid, of HK0.4 cents (2019: HK0.4 cents) per ordinary share	**10,025**	10,025
Final dividend proposed, of HK0.4 cents (2019: HK0.4 cents) per ordinary share	**10,025**	10,025

On 18 March 2021, the Board has resolved to declare a final dividend of HK0.4 cents per ordinary share payable in cash for the year ended 31 December 2020. As the proposed final dividend is declared after the reporting date, such dividend is not recognised as liability as at 31 December 2020.

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, total of HK$10.0 million was paid in September 2020.

For the year ended 31 December 2019, the Board has resolved to declare a final dividend of HK0.4 cents per ordinary share payable in cash, total of HK$10.0 million was paid in June 2020.

10 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

		2020	2019
	Note	***HK$'000***	*HK$'000*
Non-current			
Prepayments	*(b)*	–	2,944
Other receivables	*(c)*	**51,185**	56,115
		51,185	59,059
Current			
Trade receivables	*(a)*	**220,982**	124,661
Prepayments and other receivables	*(c)*	**211,990**	190,818
		432,972	315,479
		484,157	374,538

Notes:

(a) The ageing analysis of trade receivables based on the Group's revenue recognition policy at year end was as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**51,364**	35,641
More than 30 days and within 60 days	**9,153**	7,594
More than 60 days and within 90 days	**6,707**	5,853
More than 90 days	**153,758**	75,573
	220,982	124,661

The ageing analysis of trade receivables by invoice date at year end was as follows: *(Note i)*

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**213,402**	102,018
More than 30 days and within 60 days	**–**	335
More than 60 days and within 90 days	**–**	334
More than 90 days	**7,580**	21,974
	220,982	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$194.6 million (2019: HK$107.5 million), representing the government subsidies on renewable energy projects to be received from the stated-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) As at 31 December 2019, the balance includes prepayments of 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$51.4 million (2019: HK$54.8 million) arising from purchase of property, plant and equipment, and dividend receivables from associates of HK$191.7 million (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.

11 TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**305**	260
Payables for acquisition and construction of property, plant and equipment	**73,223**	173,108
Other payables and accruals	**10,637**	13,910
	84,165	187,278

The ageing analysis of trade payables by invoice date at year end was as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 12 months	**291**	247
12 months and more	**14**	13
	305	260

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2020, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$206.1 million in turnover. Overall poor wind resources in 2020 adversely affected the performance of our wind farms in China. However, new contributions from the fully operational Henan Songxian 74 Mega-Watt ("MW") wind project ("Songxian Wind Farm") cancelled out the negative impact and led to a 14% increase in revenue as compared to last year's HK$181.2 million. With continued effort in controlling operational costs, the gross profit for the period increased 12% to HK$77.1 million (2019: HK$68.6 million).

Wind farms under the Group's associate companies, affected by the relatively poor wind resources, despatched less power as compared to last year. However, through operational cost control, the associate companies contributed 11% higher net profit, approximately HK$54.3 million, to the Group as compared to last year's HK$48.9 million.

Appreciation in Renminbi during 2020 resulted in the Group recording net exchange gain of HK$17.6 million. As a result, the net profit after tax attributable to the equity holders of the Group for the year ended 31 December 2020 increased 50% to HK$86.2 million or earnings per share of HK3.44 cents. For the same period in 2019, net profit after tax attributable to the equity holders of the Group was HK$57.4 million or earnings per share of HK2.29 cents.

Liquidity and Financial Resources

As at 31 December 2020, the Group's total bank borrowings was HK$673.3 million as compared to HK$648.5 million in 2019. The difference was mainly due to the net movement in the corporate bank loan facilities and the 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$121.1 million is repayable within one year, HK$333.0 million repayable within two to five years and HK$219.2 million repayable after five years.

As at 31 December 2020, the Group had restricted cash of HK$2.5 million. Unrestricted bank deposits and cash was HK$190.4 million as compared to HK$307.4 million in 2019. The difference was mainly related to the net movement in the bank borrowings and payments for construction works.

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 of approximately RMB1,192.5 million (equivalent to HK$1,420.9 million) as security for the bank borrowings as at 31 December 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 31 December 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 35% as compared to 31% as at 31 December 2019.

Contingent Liabilities

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

BUSINESS REVIEW

Amid the Coronavirus Disease 2019 ("COVID-19") pandemic, total power consumption in China increased 3% as compared to 2019, reaching 7,511,000 Giga-Watt-hours ("GWh") in 2020. China's wind and solar power generation capacity increased 34% and 23% to an aggregate total of 282 Giga-Watt ("GW") and 253 GW respectively. Total wind power output was 466,500 GWh, an increase of around 15% compared to 2019, accounting for 6% of total power generation across the country. Total solar power output was 260,500 GWh, an increase of around 16% compared to 2019, accounting for 3% of total power generation across the country.

Construction of the entire Songxian Wind Farm was completed during the first half of the year. As a result, Songxian's contribution to revenues began to increase starting in May 2020. As at 31 December 2020, with the inclusion of our new Songxian 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.

The COVID-19 pandemic had a relatively minor impact to the Group compared to other industries. The lockdown on infected regions lengthened the maintenance and repair lead time slightly and therefore lowered some of the wind generators' availability. Poor wind conditions in the northern part of China reduced the power despatch of the Group's wind farms. However, with the full contribution from Songxian project, total power despatch of our wind farms in 2020 was 1,350.1 GWh, similar to 2019's 1,356.3 GWh.

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 in 2020 was approximately 68.7 GWh, which was equivalent to 1,155 utilization hours, worse than 2019's power dispatch of 87.4 GWh (equivalent to 1,470 utilization hours).

Siziwang Qi Phase I & II Wind Farms

Siziwang Qi Phase I & 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 were the first two phases of a strategic 1,000 MW wind farm base for the Group. In 2020, Siziwang Qi Phase I & II wind farms dispatched power of approximately 184.1 GWh, which was equivalent to 1,859 utilization hours. Wind resources in 2020 were less than last year and curtailment increased. In 2019, the wind farm's power dispatch was 196.9 GWh (equivalent to 1,989 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. The power dispatched in 2020 was approximately 381.8 GWh, which was equivalent to 1,909 utilization hours, lower than 2019's power dispatch of 390.1 GWh (equivalent to 1,951 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. The power dispatched in 2020 was approximately 401.7 GWh, which was equivalent to 1,999 utilization hours, lower than 2019's power dispatch of 437.4 GWh (equivalent to 2,176 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. The power dispatched in 2020 was approximately 190.6 GWh, which was equivalent to 1,897 utilization hours. Wind resources in 2020 were slightly better and curtailment reduced when compared to last year. In 2019, the wind farm's power dispatch was 190.0 GWh (equivalent to 1,890 utilization hours).

Songxian Wind Farm

Songxian 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 entire 74 MW started full operation from May 2020. The power dispatched in 2020 was approximately 123.2 GWh, which was equivalent to 1,665 utilization hours. Wind resources were similar to last year. However, with the additional new contribution from the remaining wind power generating capacity, the performance more than doubled 2019's power dispatch of 54.5 GWh (equivalent to 1,514 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. The power dispatched in 2020 was approximately 4.5 GWh, which was equivalent to 1,127 utilization hours. The performance was better than 2019's power dispatch of 4.2 GWh (equivalent to 1,046 utilization hours).

BUSINESS MODEL & RISK 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 look for **growth** investment opportunities. 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 Wind Farm commencing full operation and generating revenues starting from May 2020, the Group's net capacity has now increased 10% to 427 MW. The Group will adhere to its principle of focusing 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.

With the election of a new President in the United States ("U.S."), the world is now unified on promoting renewable energy. The U.S. announced it will re-join the Paris Agreement. On 12 December 2020, President Xi announced that China will voluntarily increase its contribution to the Paris Agreement and that by 2030, he expects non-fossil fuel energy to account for 25% of the country's energy consumption. On 29 December 2020, the State Grid announced its goal for carbon emissions to reach a peak by 2030 and for the country to be carbon neutral by 2060 ("30 • 60 Carbon Targets"). The State Grid will actively promote the use of renewable energy and strengthen cross regional renewable energy transmission. It is expected that by 2030, carbon emission will drop by 65% when compared to 2005 and the aggregate total of wind power capacity and solar power capacity will increase to 1,200 GW. These new targets are expected to have a positive impact on the Group's wind farms as well as on future business developments.

However, the renewable energy industry continues to face challenges such as the removal of tariff subsidies for new wind power projects and delays in the settlement of tariff subsidies, resulting in high accounts receivables. In view of these delays, in September 2020, the National Development and Reform Commission ("NDRC"), the National Energy Administration ("NEA") and the Ministry of Finance ("MoF") released a document titled, "Recommendations Relating to the Promotion of the Healthy Development of Non-Hydro Renewable Energy." This document specifies a reasonable amount of utilization hours for wind farms. Category one wind farms should have an operational period of 48,000 hours, category two of 44,000 hours, category three of 40,000 hours, and category four of 36,000 hours. The purpose is to limit the amount of tariff subsidy and to ensure reasonable returns for existing projects. Wind farms with an excess of power generation above the stated reasonable utilization hours will no longer receive tariff subsidies, and instead will be compensated through the market trade of green certificates. Therefore, at the beginning of this year, on 5 January 2021, the Ministry of Ecology and Environment also announced the "Management Policy for Carbon Emission Rights Transactions (Trial Implementation)". This will be effective starting from 1 February 2021 and it is hoped will set the blueprint for carbon emissions trading.

Moreover, in November 2020, the NEA proposed the "Policy for the Tariff Settlement Between Power Generation Companies and Grid Companies", which clarifies the requirements for State Grid companies concerning the settlement of basic tariffs and subsidies with renewable energy companies. At the same time, the MoF released the "Notice Concerning the Acceleration of Approval Procedures for Subsidized Renewable Energy Projects Checklist". This further clarifies the simplified procedures for the application and approval of tariff subsidies. By simplifying the procedures, the Chinese government expects that the settlement of tariff subsidies can be accelerated, thereby improving the cashflow position 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 only 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.

Employees

As at the end of December 2020, the Group's operations in Hong Kong and Mainland China employed a total of 97 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 2020, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 1,354.6 GWh, we have reduced approximately 440,000 tons of coal consumption and 1,048,000 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK0.4 cents (2019: HK0.4 cents) per ordinary share for the year ended 31 December 2020 (the "2020 Final Dividend") to shareholders of the Company ("Shareholders"). Subject to the approval of the Shareholders at the forthcoming 2021 annual general meeting and subject to further announcement(s) in respect to the book closure date, record date and payment date, the proposed 2020 Final Dividend is expected to be distributed to Shareholders on or before 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 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 of the Company, Mr. OEI Kang, Eric, with support from other executive directors of the Company (the "Director(s)"). 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 but one of the Independent Non-executive Directors 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 overseas commitment and 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 set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, the Company has obtained confirmation from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 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.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference which have been updated from time to time to align with the Code Provisions set out in the CG Code. The Audit Committee comprises three members namely Mr. YU Hon To, David, Mr. TIAN Yuchuan and Mr. ZHANG Songyi. The Audit Committee, chaired by an Independent Non-executive Director, is composed of all Independent Non-executive Directors. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cre987.com) and the Stock Exchange (www.hkexnews.hk). The 2020 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to the Shareholders in due course.

By order of the Board
CHINA RENEWABLE ENERGY INVESTMENT LIMITED
OEI Kang, Eric
Chairman and Chief Executive Officer

Hong Kong, 18 March 2021

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.