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 2011

HIGHLIGHTS

- Revenue was HK$89.9 million in 2011, a significant increase from HK$17.9 million in 2010.
- Profit attributable to equity holders HK$13.2 million in 2011, a significant reduction from 336.3 million due to the absence of significant one-off gain in 2011 whereas the Group was boosted in 2010 by the one-off gains, amounted to HK$386.55 million, occurred in business acquisition in 2010.
- Net assets value per share was HK$0.76 in 2011.
- The Group's unrestricted cash and cash equivalents as at 31 December 2011 was HK$338.8 million. Unrestricted cash per share as at 31 December 2011 was HK14.38 cents.

The board of directors (the "Board") of China Renewable Energy Investment Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011**	2010
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*3*	**89,897**	17,897
Cost of sales	*4*	**(78,935)**	(15,306)
Gross profit		**10,962**	2,591
Other income	*5*	**3,848**	–
Administrative expenses	*4*	**(65,588)**	(52,489)
Provision for impairment losses	*6*	**(42,912)**	–
Operating loss		**(93,690)**	(49,898)
Finance income	*7*	**2,393**	662
Finance costs	*7*	**(49,716)**	(10,852)
Finance costs – net	*7*	**(47,323)**	(10,190)
Excess of fair value of net assets acquired over cost of acquisition (including both arising from subsidiaries and associated companies)		**–**	386,553
Fair value gain on derivative liability		**69,320**	17,018
Share of profits less losses of associated companies		**67,376**	21,750
(Loss)/profit before income tax		**(4,317)**	365,233
Income tax credit/(expense)	*8*	**12,369**	(25,399)
Profit for the year from continuing operations		**8,052**	339,834
Discontinued operations			
Loss for the year from discontinued operations		**(3,486)**	(4,510)
Profit for the year		**4,566**	335,324
Other comprehensive income:			
Currency translation differences		**70,148**	53,396
Other comprehensive income for the year, net of tax		**70,148**	53,396
Total comprehensive income for the year		**74,714**	388,720

	Note	2011	2010
		HK$'000	*HK$'000*
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		**16,682**	340,821
– Discontinued operations		**(3,486)**	(4,510)
		13,196	336,311
Non-controlling interests		**(8,630)**	(987)
		4,566	335,324
Total comprehensive income/(expenses) attributable to:			
Equity holders of the Company			
– Continuing operations		**90,218**	393,109
– Discontinued operations		**(7,033)**	(4,149)
		83,185	388,960
Non-controlling interests		**(8,471)**	(240)
		74,714	388,720
Dividends	*10*	**–**	–
Profit/(loss) per share from continuing and discontinued operations for profit/(loss) attributable to equity holders of the Company (expressed in HK cents per share)			
Basic earnings/(loss) per share	*9(a)*		
From continuing operations		**1.42**	40.20
From discontinued operations		**(0.30)**	(0.53)
		1.12	39.67
Diluted earnings/(loss) per share	*9(b)*		
From continuing operations		**0.63**	23.40
From discontinued operations		**(0.13)**	(0.31)
		0.50	23.09

CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**984,333**	509,067
Construction in progress		**47,851**	501,515
Prepaid land lease payments		**18,057**	17,032
Intangible assets		**144,601**	191,895
Interests in associated companies		**1,098,713**	1,011,962
Total non-current assets		**2,293,555**	2,231,471
Current assets			
Inventory		**7,062**	6,091
Trade and other receivables	*11*	**113,076**	160,599
Restricted cash		**1,002**	957
Cash and cash equivalents		**338,751**	362,555
		459,891	530,202
Assets of disposal group classified as held for sale		**4,651**	–
Total current assets		**464,542**	530,202
Total assets		**2,758,097**	2,761,673
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**26,564**	25,422
Reserves		**1,765,718**	1,631,945
Equity attributable to equity holders of the Company		**1,792,282**	1,657,367
Non-controlling interests		**15,209**	23,680
Total equity		**1,807,491**	1,681,047
LIABILITIES			
Non-current liabilities			
Bank borrowings		**618,334**	660,560
Convertible note		**–**	78,287
Deferred income tax liabilities		**66,319**	76,894
Total non-current liabilities		**684,653**	815,741

	Note	2011	2010
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables	*12*	**105,596**	104,151
Amount due to a fellow subsidiary		**–**	20,125
Derivative liability		**9,370**	75,500
Current portion of bank borrowings		**70,349**	65,109
Convertible note		**80,636**	–
		265,951	264,885
Liabilities of disposal group classified as held for sale		**2**	–
Total current liabilities		**265,953**	264,885
Total liabilities		**950,606**	1,080,626
Total equity and liabilities		**2,758,097**	2,761,673
Net current assets		**198,589**	265,317
Total assets less current liabilities		**2,492,144**	2,496,788

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 alternative energy business and software development business. The Group has operations mainly in the People's Republic of China (the "PRC").

The shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The ultimate holding company is HKC (Holdings) Limited ("HKC"), a company incorporated in Bermuda and listed in Hong Kong.

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 have been approved for issue by the Board of Directors on 22 March 2012.

2 BASIS OF PREPARATION

The consolidated financial statements of China Renewable Energy Investment Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of derivative liability, which are carried at fair value.

Changes in accounting policy and disclosures

(a) New and amended standards and interpretation adopted by the Group

HKAS 24 (Revised)	Related party disclosures
HKFRSs	Third improvement project in 2010

The above new and amended standards and interpretation, which are mandatory for the first time for the financial year beginning 1 January 2011, do not have material impact to the Group for the year ended 31 December 2011.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKAS 32 (Amendment)	Classification of rights issues
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adoptions
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

(c) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangement	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosure – transfers of financial assets	1 July 2011
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1 January 2013
HKAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

The Group has not early adopted the new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1 January 2011. The Group has commenced an assessment of the related impact but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

3 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") has been identified as the directors of the Company (the "Directors"). The Directors review the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions by business segment. Subsequent to the discontinued operations in software development segment, the Group had one single operating segment, namely the alternative energy. Although the alternative energy segment consists of different location of power plants in PRC, the CODM considers that these underlying power plants are subject to similar risks and returns. Therefore, it has only relied on the reported revenue associated from these underlying power plants in making financial decisions and allocating resources.

The Group's revenue is primarily derived from the generation of electricity.

The Directors assess the performance of operating segments based on a measure of segment results and share of profits less losses of associated companies. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as gain on deregistration/disposal of subsidiaries, excess of fair value of net assets acquired over cost of acquisition and provision for impairment losses. Fair value gain on derivative liability and other corporate expenses are also not included in the segment results as they mainly represent the income and expenses arising from the holding companies. Other information provided to the Directors is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate assets which are centrally managed. This is part of the reconciliation to total consolidated balance sheet assets. Corporate assets mainly include cash and cash equivalents, other receivables and prepayments held by the head office.

The segment information provided to the Directors for the reportable segments for the years ended 31 December 2011 and 2010 are as follows:

	2011			2010		
	Continuing operations	**Discontinued operations**		Continuing operations	Discontinued operations	
	Alternative energy *HK$'000*	**Software development** *HK$'000*	**Total reportable segments** *HK$'000*	Alternative energy *HK$'000*	Software development *HK$'000*	Total reportable segments *HK$'000*
Revenue	**89,897**	**792**	**90,689**	17,897	6,213	24,110
Segment results	**(19,048)**	**(3,639)**	**(22,687)**	(7,719)	(1,065)	(8,784)
Provision for impairment losses	**(42,912)**	**–**	**(42,912)**	–	(4,735)	(4,735)
Gain on deregistration	**–**	**–**	**–**	–	145	145
Share of profits less losses of associated companies	**67,376**	**–**	**67,376**	21,750	–	21,750
Excess of fair value of net assets acquired over cost of acquisition (including both arising from subsidiaries and associated companies)	**–**	**–**	**–**	386,553	–	386,553
Finance income	**183**	**153**	**336**	49	142	191
Finance costs	**(47,367)**	**–**	**(47,367)**	(8,572)	–	(8,572)
(Loss)/profit before income tax	**(41,768)**	**(3,486)**	**(45,254)**	392,061	(5,513)	386,548
Income tax credit/(expense)	**11,981**	**–**	**11,981**	(25,399)	1,003	(24,396)
(Loss)/profit for the year	**(29,787)**	**(3,486)**	**(33,273)**	366,662	(4,510)	362,152
Depreciation	**57,647**	**–**	**57,647**	9,999	197	10,196
Amortisation	**12,294**	**–**	**12,294**	2,851	902	3,753
Provision for impairment losses						
– property, plant and equipment	**–**	**–**	**–**	–	269	269
– concession right	**42,912**	**–**	**42,912**	–	–	–
– computer software	**–**	**–**	**–**	–	129	129
– customer relationship and software technology know-how	**–**	**–**	**–**	–	4,337	4,337

The segment assets as at 31 December 2011 and 2010 are as follows:

	2011			2010		
	Continuing operations	**Discontinued operations**		Continuing operations	Discontinued operations	
	Alternative energy	**Software development**	**Total reportable segments**	Alternative energy	Software development	Total reportable segments
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total segment assets	**2,689,914**	**4,651**	**2,694,565**	2,437,057	14,814	2,451,871
Total segment assets include:						
– Interests in associated companies	**1,098,713**	**–**	**1,098,713**	1,011,962	–	1,011,962
– Additions to non-current assets	**40,031**	**–**	**40,031**	16,329	–	16,329

A reconciliation of (loss)/profit for the year of total reportable segments to profit for the year of the Group is provided as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit for the year of total reportable segments	**(33,273)**	362,152
Unallocated amounts:		
– Fair value gain on derivative liability	**69,320**	17,018
– Other corporate expenses, net	**(31,481)**	(43,846)
Profit for the year	**4,566**	335,324

Reportable segment assets are reconciled to total assets as follows:

	2011	2010
	HK$'000	*HK$'000*
Total segment assets	**2,694,565**	2,451,871
Corporate assets		
– cash and cash equivalents	**62,789**	309,341
– others	**743**	461
Total assets	**2,758,097**	2,761,673

The total non-current assets by geographical location are detailed below:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**211**	129
The PRC	**2,293,344**	2,231,342
Total non-current assets	**2,293,555**	2,231,471

For the year ended 31 December 2011, the Group's revenue for reportable segments from external customers of HK$89,897,000 (2010: 17,897,000) and HK$792,000 (2010: HK$6,213,000) are attributable to the China and Japan markets respectively.

For the year ended 31 December 2011, the Group has two customers with revenue exceeding 10% of the Group's total revenue. Revenues from these customers amounting to HK$89,897,000 are solely attributable to alternative energy business.

For the year ended 31 December 2010, the Group has two customers with revenue exceeding 10% of the Group's total revenue. Revenues from these customers amounting to HK$17,897,000 and HK$6,120,000 are attributable to alternative energy business and software development business respectively.

4 EXPENSES BY NATURE

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	**2,170**	2,078
Amortisation of prepaid land lease payments	**1,062**	290
Amortisation of intangible assets	**11,289**	2,612
Depreciation of property, plant and equipment	**57,647**	9,999
Net exchange losses	**6,030**	4,556
Employee benefit expenses (including directors' emoluments)	**25,366**	17,391
Operating lease rental	**2,966**	531
Research and development expenditure	**12,190**	–
Repair and maintenance expenses	**5,344**	4,113
Corporate expenses	**2,023**	2,091
Legal and professional fees		
– for the acquisition of alternative energy business	**–**	8,416
– others	**3,860**	1,969
	3,860	10,385
Management service fee	**2,190**	8,843
Other expenses	**12,386**	4,906
Total cost of sales and administrative expenses	**144,523**	67,795

5 OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Clean Development Mechanism income	**3,848**	–

6 PROVISION FOR IMPAIRMENT LOSSES

	2011	2010
	HK$'000	*HK$'000*
Provision for impairment losses on concession right	**42,912**	–

7 FINANCE INCOME AND COSTS

	2011	2010
	HK$'000	*HK$'000*
Finance costs:		
– notional interest expense on convertible note wholly repayable within 5 years	**(2,349)**	(2,280)
– interest expenses on bank borrowings not wholly repayable within 5 years	**(47,367)**	(15,291)
Less: amount capitalised in construction in progress *(note)*	**–**	6,719
Finance costs	**(49,716)**	(10,852)
Finance income:		
– interest income on bank deposits	**2,393**	662
Finance costs – net	**(47,323)**	(10,190)

Note:

The capitalisation rate applied to funds borrowed and used for the construction of wind farms was between 5.94% and 6.40% per annum in 2010.

8 INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2010: Nil). Taxation on PRC profits has been calculated on the estimated assessable profit for the year at 25%, which is the rate of taxation prevailing in the PRC.

	2011	2010
	HK$'000	*HK$'000*
Withholding tax on dividends	**(1,305)**	–
Deferred income tax credit/(expense)	**13,674**	(25,399)
Income tax credit/(expense)	**12,369**	(25,399)

Note:

The share of income tax expense of associated companies of HK$15,803,000 (2010: HK$6,293,000) is included in the Group's share of profits less losses of associated companies.

9 EARNINGS PER SHARE

(a) Basic

Basic 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.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company (HK$ thousand)	**16,682**	340,821
Loss from discontinued operations attributable to equity holders of the Company (HK$ thousand)	**(3,486)**	(4,510)
Profit attributable to equity holders of the Company (HK$ thousand)	**13,196**	336,311
Weighted average number of ordinary shares in issue (thousand)	**1,177,046**	847,729
Basic earnings per share (HK cents per share)		
From continuing operations	**1.42**	40.20
From discontinued operations	**(0.30)**	(0.53)
	1.12	39.67

(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 including the bonus warrants and convertible preference shares. The convertible preference shares are assumed to have been converted into ordinary shares. For the bonus warrants, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding bonus warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the bonus warrants.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company (HK$ thousand)	**16,682**	340,821
Interest expense on convertible note (HK$ thousand)	**–**	2,280
Profit from continuing operations used to determine diluted earnings per share	**16,682**	343,101
Loss from discontinued operations attributable to equity holders of the Company (HK$ thousand)	**(3,486)**	(4,510)
	13,196	338,591
Weighted average number of ordinary shares in issue (thousand)	**1,177,046**	847,729
Adjustment for:		
– Assumed conversion of convertible preference shares (thousand)	**1,434,701**	498,838
– Assumed conversion of convertible note (thousand)	**–**	82,127
– Incremental shares issued for no consideration: Warrants 748 and 795 (thousand)	**12,693**	37,648
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**2,624,440**	1,466,342
Diluted earnings/(loss) per share (HK cents per share)		
From continuing operations	**0.63**	23.40
From discontinued operations	**(0.13)**	(0.31)
	0.50	23.09

Diluted earnings/(loss) per share for the year ended 31 December 2011 did not assume the exercise of the share options, convertible note and the subscription rights for convertible preference shares outstanding during the year since the exercise would have an anti-dilutive effect.

Diluted earnings/(loss) per share for the year ended 31 December 2010 did not assume the exercise of the share options and the subscription rights for convertible preference shares outstanding during the year since the exercise would have an anti-dilutive effect.

10 DIVIDENDS

No dividend was proposed and paid for the year ended 31 December 2011 (2010: Nil).

11 TRADE AND OTHER RECEIVABLES

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Trade receivables	*(a)*	**69,321**	50,611
Other receivables	*(b)*	**43,755**	109,988
		113,076	160,599

Notes:

(a) At 31 December 2011 and 2010, the ageing analysis of trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 30 days	**50,901**	35,810
More than 30 days and within 60 days	**1,839**	1,176
More than 60 days and within 90 days	**681**	856
More than 90 days	**15,900**	12,769
	69,321	50,611

The Group allows a credit period of 30 days to its trade customers. Trade receivables that are less than 30 days past due are not considered impaired. As at 31 December 2011, trade receivables of HK$18.4 million (2010: HK$14.8 million) were past due but not impaired. These relate to the government subsidies on the electricity tariff which have not been allocated and distributed. Based on past experience and industry practice, these tariff premiums are generally paid in 6 to 12 months from the date of the sales recognition. As at 31 December 2011, there were HK$3.65 million (2010: Nil) trade receivables on alternative energy business being past due over 12 months. No impairment has been provided for these receivables as the balances are not in disputes and there is no indication that the amount would not be uncollectible.

(b) Other receivables mainly represent input value-added taxation recoverable amounted HK$35,347,000 (2010: HK$39,317,000) arising from purchase of property, plant and equipment. In 2010, other receivables also included an amount due from a joint venture partner of HK$57,146,000 and the balance was fully settled in 2011.

(c) All trade and other receivables do not contain impaired assets. 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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**827**	117
Payables for acquisition and construction of property, plant and machinery	**79,678**	77,502
Other payables and accruals	**25,091**	26,532
	105,596	104,151

At 31 December 2011 and 2010, the ageing analysis of trade payables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
0 to less than 12 months	**822**	103
12 months and more	**5**	14
	827	117

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Following the successful business acquisition from the parent company in August 2010, 2011 was the first full-year that China Renewable Energy Investment Limited (previously known as Hong Kong Energy (Holdings) Limited) ("CRE" or "the Company", and with its subsidiaries, collectively, the "Group") operated its alternative energy assets.

For the year ended 31 December 2011, the turnover on the Group's alternative energy assets amounted to HK$89.90 million, an increase of 402.2% from HK$17.9 million for the same period ended 31 December 2010. Gross profit was HK$10.96 million, an increase of 323.2% from HK$2.59 million in 2010. A full-year as compared to a four-month operation of the alternative energy business accounted for such an increase. The software business result was separately reported under the discontinued operations after the Group's decision on 16 February 2011 to close down the relevant operation.

Due to an unforeseen prolonged power dispatch curtailment which took place in one of our wind farms, the Group has assessed and provided for an impairment loss of HK$42.91 million. At the same time, a fair value gain of HK$69.32 million was recognised for the investment right granted to a global private investment firm TPG Growth (with its subsidiary STAR Butterfly Energy Ltd. ("STAR"), collectively, the "TPG") on 23 November 2010.

Whilst assets in both subsidiary and associated companies contributed to the profits, assets in the associated companies have made a larger contribution, amounted to HK$67.38 million, on the underlying performance predominantly due to the advantages of economy of scale.

Without the one-off gains related to the alternative energy business acquisition as in 2010, the Group's net profit after tax attributable to the equity holders of the Group for 2011 was HK$13.20 million (2010: a net profit after tax of HK$336.31 million). Basic earnings per share were HK1.12 cents as compared to last year basic earnings per share of HK39.67 cents.

Liquidity and Financial Resources

As at 31 December 2011, the Group's total bank borrowings was HK$688.68 million as compared to HK$725.67 million in 2010. The difference was mainly due to repayment of principal instalments.

The bank borrowings included interest-bearing Renminbi bank loans to the Group's wind farm projects in the People's Republic of China ("PRC", or "China"), with interest rates fixed at the People's Bank of China rates. The maturity dates for the Group's outstanding borrowings were spread over the next ten years. There were HK$70.35 million repayable within one year, HK$281.39 million repayable within two to five years and HK$336.94 million repayable after five years.

Convertible notes of principal amount RMB73.50 million (equivalent to HK$83.06 million) were issued on 30 December 2009 to HKC (Holdings) Limited ("HKC", and with its subsidiaries, collectively, the "HKC Group") for the acquisition of an effectively 10% equity interest of the Danjinghe wind farm project company. The notes have a three-year conversion and carry zero-interest coupon with a fixed conversion price of HK$1.0113 per share. The notional loan amount of the convertible notes was HK$80.64 million as at 31 December 2011.

The Group's unrestricted cash and cash equivalents were HK$338.75 million as at 31 December 2011 as compared to HK$362.56 million in 2010. Normal operating expenditures and construction preparation work payments accounted for such a decrease. For future projects, the Group will first rely on its internal sources and will actively seek bank financing to fund its future capital expenditure commitments.

The Group did not use 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, construction in progress, prepaid land lease payments and trade receivables, worth approximately RMB836.66 million (equivalent to HK$1,032.60 million) as security for the bank borrowings as at 31 December 2011. Same assets, worth approximately RMB838.06 million (equivalent to HK$992.10 million), were charged as at 31 December 2010. Appreciation of the Renminbi currency gave rise to the variance in assets value.

Gearing Ratio

As at 31 December 2011, the Group's gearing ratio, which was the total borrowings less cash and cash equivalents, excluding the cash and cash equivalents related to the discontinued software business but including restricted cash, divided by total equity, was 24% as compared to 26% as at 31 December 2010.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2011 (Nil as at 31 December 2010).

Business review

The year 2011 has been a year of political and economic volatility worldwide. A mixture of good opportunities and severe competition shaped the renewable energy arena. The Group has been making steady progress in executing its business plan over the year. After restructuring the business and introducing a strategic investor in 2010, the Group, since February 2011, has been streamlining its portfolio and divesting its non-core software business. Reflecting its transformation, the Group has properly refreshed the company identity by changing its name to "China Renewable Energy Investment Limited" in June 2011. Considerable efforts have been focused on developing new projects, building the project pipeline, and improving the operations of the existing assets.

New wind farm project developments are now underway in Siziwang Qi of West Inner Mongolia and Kulun Qi under Tongliao city of East Inner Mongolia. Despite new regulations introduced in mid 2011 restricting project approvals, provincial level project approval from the Inner Mongolia's Development and Reform Committee ("DRC", or on national level, "NDRC") for Siziwang Qi ("SZWQ") Phase Two project, which is the second phase of a strategic base for the Group capable of developing into a 1000 mega-watt ("MW") wind farm complex, was secured in December. Preparation was underway and the site-construction of this 49.5MW wind farm is expected to be commenced in spring 2012. Work has also been initiated for the SZWQ Phase Three 200MW wind farm project in this complex. On the Kulun Qi wind farm project, which can be developed into a 200MW wind farm, two years of wind testing was completed. Feasibility study report has been prepared and the work to secure various local approvals leading to the final approval from the Inner Mongolia DRC and NDRC is underway.

On developing the project pipeline, the Group has executed several memoranda of understandings ("MOUs") with the local government in Yunnan, Hebei and other provinces. This will enable the Group to evaluate the wind resources potential at these locations. Depending on the evaluation outcome, the potential project pipeline could be expanded by a further 570 MW.

The performance for the existing renewable energy assets, which comprise several wind farms with a gross total power generating capacity of 610.5 MW and a 25 MW waste-to-energy power plant, has been satisfactory with high operation safety index and high availability. However, power dispatch from these assets varies, subject to a range of external factors such as weather conditions and transmission grid technical issues. For 2011, wind resources in China were lowered than expected. Traded carbon emission reduction prices from the Clean Development Mechanism ("CDM"), part of the Kyoto Protocol have been at historic low this year and this has affected the CDM income of some of our assets. Enhancements on safety, reliability and efficiency were made throughout the year to ensure these assets contribute revenues to the Group.

Mudanjiang and Muling Wind Farms

Mudanjiang and Muling wind farms have a total of 59.5 MW of wind power capacity. Located in Heilongjiang province, the wind farms started commercial operation in the fourth quarter of 2007. The Group is the majority shareholder, holding 86% and 86.68% equity stakes, respectively. Unforeseen prolonged curtailment on power dispatch due to transmission grid related technical issues occurred in 2011 that led to a lower power dispatch around 57.01 million Kilowatt-hour ("KWh"). We have been in discussions with the relevant authorities, and believe that with improved transmission infrastructure, there will be significantly reduced curtailment over the near to medium term.

Siziwang Qi Phase I Wind Farm

Siziwang Qi Phase I wind farm has a total of 49.5 MW of wind power capacity and is wholly-owned by the Group. It is located 16 kilometres ("km") north of Wulanhua under Siziwang Qi of West Inner Mongolia. Commercial operation was started in January 2011. The wind farm is the first phase of a strategic 1,000 MW wind farm base for the Group. Siziwang Qi Phase I wind farm dispatched 90.40 million KWh in 2011 with curtailment lower than the average in the region.

Danjinghe Wind Farm

The Group has a 40% effective equity interest in the Danjinghe wind farm. The majority and controlling shareholder is the wind division subsidiary of China Energy Conservation and Environmental Protection Group (collectively, "CECEP"), who holds 60%. The 200 MW Danjinghe wind farm is located in Hebei province and consists of three phases. The wind farm started commercial operation in January and September 2010. Despite abnormally low wind in February and November, the power dispatched was around 392.78 million KWh in 2011.

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. The power dispatched in 2011 was disappointing at 334.32 million KWh despite good wind condition this year. Curtailment due to technical problems of a newly developed 750KV transmission line in the region continues despite the local grid company having put in significant efforts to restore the stability of the transmission line. This situation is affecting all wind farms in the locality and is expected to linger on until mid 2012 when other transmission infrastructure will be ready to provide reinforcement.

Lunaobao Wind Farm

Lunaobao wind farm is a joint venture with CECEP adjacent to the Danjinghe wind farm. The Group has a 30% effective equity interest. The wind farm capacity is 100.5 MW and has started commercial operation in February 2011. Unlike Danjinghe wind farm, the wind resources were not affected by abnormal weather condition in 2011. The power dispatched in 2011 was 236.77 million KWh, which was significantly better than the projections in the feasibility study.

Linyi Waste-to-energy Plant

Linyi waste-to-energy plant of 25MW power generating capacity is a joint venture with CECEP located in Shandong province. The Group owns a 40% effective equity interest. The plant went into commercial operation in September 2007. In 2011, approximately 337,000 tonnes of garbage was being handled and 116.02 million KWh of power was dispatched.

Outlook

Whilst the European sovereign debt crisis and a slow economic recovery in the US will dampen the progress for renewable energy deployment in many parts of the world, we are of the view that the global transition towards a lower Carbon economy is inevitable and irreversible. In particular, China will continue to lead such transition.

The "China Wind Energy Development Roadmap 2050", published by NDRC in 2011 provided a very encouraging outlook for the wind power growth projection. With just under 60GW installed capacity at end of 2011, the roadmap projected that grid-connected installations by 2020 will be at 200 giga-watt ("GW") and at 400GW and 1,000GW in 2030 and 2050 respectively.

Regarding carbon emission reduction, despite the traded CDM prices trading at historic low this year, the outcome of the December 2011 UN Climate Change Conference in Durban ("COP 17"), has shed some positive light for the future. The major outcome included the formal adoption of the Green Climate Fund as a new mechanism to facilitate public and private financing of low carbon projects; and the extension of the Kyoto Protocol, including the CDM, into a second commitment period (i.e. from 2013 to either 2017 or 2020). The long term carbon emission reduction trading prices were projected significantly higher than the current level, which is comforting.

Under this industry landscape in China, the Group will steadily execute our growth strategy in 2012, i.e. being a return-focused developer-investor-operator in the renewable space in China and will focus in the wind sector in this first horizon. Construction of the SZWQ Phase Two 49.5MW will commence on site during the first quarter. At the same time, work has been initiated to develop the SZWQ Phase Three 200MW on this site. With economies of scale, it is expected the unit generation cost of this expanded project will be substantially lower in the future. The Group plans to complete the approval process for the Kulun Qi project during 2012 and commence construction in 2013.

It is anticipated that grid connection and power dispatch curtailment will continue to be challenging to wind farm operators in 2012 although significant reinforcement and expansion of the transmission grid system would likely take place in the near to medium term. Whilst we continue to build up our strategic base in SZWQ, and paying particular attention to the interconnection and dispatch curtailment issues, we are also expanding our foot-prints in other provinces to diversify our portfolio and mitigate potential geographical risks. The south-western provinces and Hebei represent regions with comparatively less dispatch curtailment issues and also with potential good wind resources. Considerable efforts are being made to build up strategic bases in these regions similar to SZWQ in Inner Mongolia.

Liquidity has been a bottleneck for project financing as a whole in 2011 and it is expected that there might be a slight reprieve in 2012. The Group is exploring project financing options with various domestic and international banks to seek best-available financing options for our projects.

CRE is still a young expanding company. Quality staff and a quality management system are the lynchpin for ensuring CRE to stay as a high performing company. We will continue to refine our management system towards a meritocratic, single-point accountability culture, to high-grade our staff by securing high-potential renewable energy professionals to join our middle management and to maintain a market-oriented compensation package.

Whilst the Group focuses at the wind sector during this first horizon, we will monitor government policies carefully and will move into other renewable energy business in a strategic and cautious manner. Every new project however, must stand on its own with above hurdle-rate return on investment. The Group will also evaluate strategic alliances opportunities as a way to accelerate expansion of our platform and create shareholder value.

Employees

As at the end of December 2011, the Group's operations in Hong Kong and mainland China employed a total of 85 employees. The Group had also appointed technical consultants on contract terms for its alternative energy 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.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2011 (2010: Nil).

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 2011.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices set out in the Code on Corporate Governance Practices (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 2011, except for the Code Provisions A.2.1 and A.4.1.

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Under the current organization structure of the Company, the functions of CEO are performed by the Chairman, Mr. OEI Kang, Eric, with support from the Vice Chairman, the Managing Director and the other Executive Director. 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

Under the Code Provision A.4.1, non-executive directors should be appointed for specific term and subject to re-election. Currently, all the existing independent non-executive directors of the Company were appointed with no specific term, but they are subject to the rotation requirement in the Company's articles of association, accomplishing the same purpose as being appointed for a specific term.

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 2011.

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 price-sensitive 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, chaired by an Independent Non-executive Director, comprises four members namely Mr. ZHANG Songyi, Mr. TANG Siu Kui, Ernest, Mr. YU Hon To, David, who are Independent Non-executive Directors and Mr. WANG Sing, who is a Non-executive Director.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2011.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 December 2011 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 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 2011 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company in due course.

By order of the Board
China Renewable Energy Investment Limited
YUNG Pak Keung, Bruce
Executive Director and Managing Director

Hong Kong, 22 March 2012

As at the date of this announcement, the Board comprises eight directors, of which Mr. OEI Kang, Eric, Mr. CHANG Li Hsien, Leslie, Dr. YUNG Pak Keung, Bruce and Mr. LEUNG Wing Sum, Samuel are executive directors; Mr. WANG Sing is non-executive director (with Mr. TSANG Chi Kin as his alternate); and Mr. ZHANG Songyi, Mr. TANG Siu Kui, Ernest and Mr. YU Hon To, David are independent non-executive directors.