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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 2012

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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Continuing operations			
Revenue	*3*	**99,513**	89,897
Cost of sales	*4*	**(79,377)**	(78,935)
Gross profit		**20,136**	10,962
Other income	*5*	**1,968**	3,848
Administrative expenses	*4*	**(37,462)**	(65,588)
Provision for impairment losses	*6*	**(133,516)**	(42,912)
Operating loss		**(148,874)**	(93,690)
Finance income	*7*	**1,874**	2,393
Finance costs	*7*	**(51,174)**	(49,716)
Finance costs – net	*7*	**(49,300)**	(47,323)
Fair value gain on derivative liability		**7,140**	69,320
Share of profits less losses of associated companies		**80,667**	67,376
Loss before income tax		**(110,367)**	(4,317)
Income tax credit	*8*	**15,648**	12,369

	Note	2012 HK$'000	2011 HK$'000
(Loss)/profit for the year from continuing operations		**(94,719)**	8,052
Discontinued operations			
Profit/(loss) for the year from discontinued operations		**100**	(3,486)
(Loss)/profit for the year		**(94,619)**	4,566
Other comprehensive income:			
Currency translation differences		**7,734**	70,148
Other comprehensive income for the year, net of tax		**7,734**	70,148
Total comprehensive (loss)/income for the year		**(86,885)**	74,714
(Loss)/profit attributable to:			
Equity holders of the Company			
– Continuing operations		**(82,842)**	16,682
– Discontinued operations		**100**	(3,486)
		(82,742)	13,196
Non-controlling interests		**(11,877)**	(8,630)
		(94,619)	4,566
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company			
– Continuing operations		**(75,254)**	90,218
– Discontinued operations		**196**	(7,033)
		(75,058)	83,185
Non-controlling interests		**(11,827)**	(8,471)
		(86,885)	74,714
Dividends	*10*	**–**	–
(Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
Basic (loss)/earnings per share	*9(a)*		
From continuing operations		**(3.51)**	1.42
From discontinued operations		**–**	(0.30)
		(3.51)	1.12
Diluted (loss)/earnings per share	*9(b)*		
From continuing operations		**(3.51)**	0.63
From discontinued operations		**–**	(0.13)
		(3.51)	0.50

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**931,317**	984,333
Construction in progress		**69,341**	47,851
Prepaid land lease payments		**14,319**	18,057
Intangible assets		**6,398**	144,601
Interests in associated companies		**1,099,031**	1,098,713
Total non-current assets		**2,120,406**	2,293,555
Current assets			
Inventory		**6,389**	7,062
Trade and other receivables	*11*	**141,327**	113,076
Restricted cash		**1,014**	1,002
Cash and cash equivalents		**238,213**	338,751
		386,943	459,891
Assets of disposal group classified as held for sale		**12,381**	4,651
Total current assets		**399,324**	464,542
Total assets		**2,519,730**	2,758,097
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**26,564**	26,564
Reserves		**1,690,567**	1,765,718
Equity attributable to equity holders of the Company		**1,717,131**	1,792,282
Non-controlling interests		**3,382**	15,209
Total equity		**1,720,513**	1,807,491

	Note	2012	2011
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**552,247**	618,334
Deferred income tax liabilities		**41,546**	66,319
Total non-current liabilities		**593,793**	684,653
Current liabilities			
Trade and other payables	*12*	**38,851**	105,596
Derivative liability		**2,150**	9,370
Current portion of bank borrowings		**70,897**	70,349
Convertible note		**93,519**	80,636
		205,417	265,951
Liabilities of disposal group classified as held for sale		**7**	2
Total current liabilities		**205,424**	265,953
Total liabilities		**799,217**	950,606
Total equity and liabilities		**2,519,730**	2,758,097
Net current assets		**193,900**	198,589
Total assets less current liabilities		**2,314,306**	2,492,144

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. 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 21 March 2013.

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 a derivative liability, which is carried at fair value.

Changes in accounting policy and disclosures

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKAS 12 (Amendment)	Deferred tax – recovery of underlying assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The following standards, amendments to standards and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 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 arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosures of interests in other entities: transition guidance	1 January 2013
HKAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012
HKAS 19 (Revised 2011)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	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
Annual improvements project	Annual improvements to 2009 – 2011 cycle	1 January 2013

The Group has not early adopted the new standards, amendments to standards and interpretation, which have been issued but are not effective for the financial year beginning 1 January 2012. The Group has commenced an assessment of the related impact, except for HKFRS 10 which the Group assessed having no significant impact to subsidiaries' classification upon adoption, 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. The Group has one single operating segment, namely alternative energy. Although the alternative energy segment consists of different locations 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 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 consolidated financial statements.

Total segment assets exclude corporate assets which are centrally managed. 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 2012 and 2011 are as follows:

	2012			2011		
	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*
Revenue	**99,513**	**–**	**99,513**	89,897	792	90,689
Segment results	**4,410**	**(42)**	**4,368**	(19,048)	(3,639)	(22,687)
Provision for impairment losses	**(133,516)**	**–**	**(133,516)**	(42,912)	–	(42,912)
Share of profits less losses of associated companies	**80,667**	**–**	**80,667**	67,376	–	67,376
Finance income	**837**	**142**	**979**	183	153	336
Finance costs	**(48,520)**	**–**	**(48,520)**	(47,367)	–	(47,367)
(Loss)/profit before income tax	**(96,122)**	**100**	**(96,022)**	(41,768)	(3,486)	(45,254)
Income tax credit	**15,248**	**–**	**15,248**	11,981	–	11,981
(Loss)/profit for the year	**(80,874)**	**100**	**(80,774)**	(29,787)	(3,486)	(33,273)
Depreciation	**60,446**	**–**	**60,446**	57,647	–	57,647
Amortisation	**9,885**	**–**	**9,885**	12,294	–	12,294
Provision for impairment losses	**133,516**	**–**	**133,516**	42,912	–	42,912

The segment assets as at 31 December 2012 and 2011 are as follows:

	2012			2011		
	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	**2,464,016**	**12,381**	**2,476,397**	2,689,914	4,651	2,694,565
Total segment assets include:						
– Interests in associated companies	**1,099,031**	**–**	**1,099,031**	1,098,713	–	1,098,713
– Additions to non-current assets	**21,717**	**–**	**21,717**	40,031	–	40,031

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

	2012	2011
	HK$'000	*HK$'000*
Loss for the year of total reportable segments	**(80,774)**	(33,273)
Unallocated amounts:		
– Fair value gain on derivative liability	**7,140**	69,320
– Other corporate expenses, net	**(20,985)**	(31,481)
(Loss)/profit for the year	**(94,619)**	4,566

Reportable segment assets are reconciled to total assets as follows:

	2012	2011
	HK$'000	*HK$'000*
Total segment assets	**2,476,397**	2,694,565
Corporate assets		
– cash and cash equivalents	**42,396**	62,789
– others	**937**	743
Total assets	**2,519,730**	2,758,097

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**185**	211
The PRC	**2,120,221**	2,293,344
Total non-current assets	**2,120,406**	2,293,555

For the year ended 31 December 2012, the Group's revenue for reportable segments from external customers of HK$99,513,000 is only attributable to the China market.

For the year ended 31 December 2011, the Group's revenue for reportable segments from external customers of HK$89,897,000 and HK$792,000 were attributable to the China and Japan markets respectively.

For the year ended 31 December 2012, the Group has two customers with revenue exceeding 10% of the Group's total revenue. Revenues from these customers amounting to HK$99,513,000 (2011: HK$89,897,000) are solely attributable to alternative energy business.

4 EXPENSES BY NATURE

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**2,020**	2,170
Amortisation of prepaid land lease payments	**1,132**	1,062
Amortisation of intangible assets	**8,825**	11,289
Depreciation of property, plant and equipment	**60,457**	57,647
Net exchange losses	**641**	6,030
Employee benefit expenses (including directors' emoluments)	**19,333**	25,366
Operating lease rental	**2,331**	2,966
Research and development expenditure	**–**	12,190
Repair and maintenance expenses	**3,191**	5,344
Corporate expenses	**1,404**	2,023
Legal and professional fees	**2,907**	3,860
Management service fee	**1,414**	2,190
Other expenses	**13,184**	12,386
Total cost of sales and administrative expenses	**116,839**	144,523

5 OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Clean Development Mechanism income	**1,102**	3,848
Gain on disposal of property, plant and equipment	**807**	–
Others	**59**	–
	1,968	3,848

6 PROVISION FOR IMPAIRMENT LOSSES

	2012	2011
	HK$'000	*HK$'000*
Provision for impairment losses on		
– concession right	**130,783**	42,912
– prepaid land lease payments	**2,733**	–
	133,516	42,912

7 FINANCE INCOME AND COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance costs:		
– interest expense on convertible note wholly repayable within 5 years	**(2,654)**	(2,349)
– interest expenses on bank borrowings not wholly repayable within 5 years	**(48,520)**	(47,367)
Finance costs	**(51,174)**	(49,716)
Finance income:		
– interest income on bank deposits	**1,874**	2,393
Finance costs – net	**(49,300)**	(47,323)

8 INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2011: 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.

	2012	2011
	HK$'000	*HK$'000*
Withholding tax on dividends	**(9,720)**	(1,305)
Deferred income tax credit	**25,368**	13,674
Income tax credit	**15,648**	12,369

Note:

The share of income tax credit of associated companies of HK$16,381,000 (2011: income tax expense HK$15,803,000) is included in the Group's share of profits less losses of associated companies.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/profit from continuing operations attributable to equity holders of the Company (HK$ thousand)	**(82,842)**	16,682
Profit/(loss) from discontinued operations attributable to equity holders of the Company (HK$ thousand)	**100**	(3,486)
(Loss)/profit attributable to equity holders of the Company (HK$ thousand)	**(82,742)**	13,196
Weighted average number of ordinary shares in issue (thousand)	**2,356,372**	1,177,046
Basic (loss)/earnings per share (HK cents per share)		
From continuing operations	**(3.51)**	1.42
From discontinued operations	**–**	(0.30)
	(3.51)	1.12

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2011, 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.

	2012	2011
(Loss)/profit from continuing operations attributable to equity holders of the Company (HK$ thousand)	**(82,842)**	16,682
Profit/(loss) from discontinued operations attributable to equity holders of the Company (HK$ thousand)	**100**	(3,486)
	(82,742)	13,196
Weighted average number of ordinary shares in issue (thousand)	**2,356,372**	1,177,046
Adjustment for :		
– Assumed conversion of convertible preference shares (thousand)	**–**	1,434,701
– Incremental shares issued for no consideration: Warrants 748 and 795 (thousand)	**–**	12,693
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**2,356,372**	2,624,440
Diluted (loss)/earnings per share (HK cents per share)		
From continuing operations	**(3.51)**	0.63
From discontinued operations	**–**	(0.13)
	(3.51)	0.50

Diluted (loss)/earnings per share for the year ended 31 December 2012 did not assume the exercise of the share options, convertible notes, convertible preference shares and the subscription rights for convertible preference shares outstanding during the year since the exercise would have an anti-dilutive effect.

Diluted (loss)/earnings 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.

10 DIVIDENDS

No dividend was proposed and paid for the year ended 31 December 2012 (2011: Nil).

11 TRADE AND OTHER RECEIVABLES

	Note	**2012** *HK$'000*	2011 *HK$'000*
Trade receivables	*(a)*	**104,449**	69,321
Other receivables	*(b)*	**36,878**	43,755
		141,327	113,076

Notes:

(a) At 31 December 2012 and 2011, the ageing analysis of trade receivables is as follows:

	2012 *HK$'000*	2011 *HK$'000*
Less than 30 days	**82,749**	50,901
More than 30 days and within 60 days	**–**	1,839
More than 60 days and within 90 days	**–**	681
More than 90 days	**21,700**	15,900
	104,449	69,321

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 2012, trade receivables of HK$21.7 million (2011: HK$18.4 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 2012, there were HK$19.8 million (2011: HK$3.65 million) 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 dispute and there is no indication that the amount will not be collectible.

(b) Other receivables represent mainly input value-added taxation recoverable of HK$27,519,000 (2011: HK$35,347,000) arising from purchase of property, plant and equipment.

(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

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**199**	827
Payables for acquisition and construction of property, plant and equipment	**27,335**	79,678
Other payables and accruals	**11,317**	25,091
	38,851	105,596

At 31 December 2012 and 2011, the ageing analysis of trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 to less than 12 months	**199**	822
12 months and more	**–**	5
	199	827

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 December 2012, China Renewable Energy Investment Limited ("CRE" or "the Company", and with its subsidiaries, collectively, the "Group") recorded a turnover on its alternative energy assets of HK$99.5 million, an increase of 11% from HK$89.9 million for the same period in 2011. Gross profit was HK$20.1 million which was 83% higher than the gross profit of HK$11.0 million in 2011. This was a result of the Group's effective control of operating costs and slight increase in power despatch from reduction in curtailment.

Wind farm assets in our associated companies continued to contribute profits to the Group at HK$80.7 million. Profit contribution from these associate companies increased by 20% compared to the same period in 2011 mainly due to a one-off tax benefit HK$22.9 million granted to one of the associate companies.

With a lower trading price of CRE's shares compared to 2011, a fair value gain of HK$7.1 million was recognised on the investment right granted to the private investment firm TPG Growth (with its subsidiary STAR Butterfly Energy Limited ("STAR"), collectively, the "TPG") on 23 November 2010. However, a reversal result might occur in the following years if future trading price of CRE's shares rises.

On administrative expenses, the Group has put considerable effort in reducing spending, including cutting headcount, from HK$65.6 million in 2011 to HK$37.5 million in 2012. However, due to the continuous decline of the market unit price for Certified Emission Reduction ("CER") under the Clean Development Mechanism ("CDM"), which is the subsidy mechanism of the Kyoto Protocol in relation to the environmental protection regime from the United Nations ("UN"), the future CER income derived from our wind farm assets is uncertain. This affected all alternative energy players. Accordingly, an impairment loss of HK$133.5 million for our wind farm assets was provided. This accounting treatment is non-cash in nature and will not materially adverse affect the Group's normal operations and current cash position.

The Group reported a net loss after tax attributable to the equity holders of HK$82.7 million for 2012 (2011: a net profit after tax of HK$13.2 million). Basic loss per share were HK3.51 cents as compared to last year basic earnings per share of HK1.12 cents.

Liquidity and Financial Resources

As at 31 December 2012, the Group's total bank borrowings was HK$623.1 million as compared to HK$688.7 million in 2011. The difference was mainly due to repayment of principal instalments and currency exchange difference.

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$70.9 million repayable within one year, HK$283.5 million repayable within two to five years and HK$268.7 million repayable after five years.

Convertible notes of principal amount RMB73.5 million (equivalent to HK$83.1 million) issued in 2009 ("CN 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 was fully repaid on 30 December 2012. A new convertible notes of principal amount RMB75.0 million (equivalent to HK$93.2 million) ("CN 2012") was issued to HKC on 18 December 2012 to raise fund for financing future project development, providing working capital and repaying borrowings, including CN 2009. The notes are three years with early redemption by both issuer and holder. It bears interest on its outstanding principal amount at 6.4% per annum accrued every year but pays arrears on the maturity date or, in the event of early redemption any part in relation to the principal amount that has been converted prior to the maturity date, on the date of such redemption. The conversion price of CN 2012 is fixed at HK$0.68. The notional loan amount of CN 2012 was HK$93.5 million as at 31 December 2012.

The Group's unrestricted cash and cash equivalent were HK$238.2 million as at 31 December 2012 as compared to HK$338.8 million in 2011. Such decrease arose from normal operation spending and construction work payments. For future project development, the Group will actively seek bank financing and other source of investment funding to finance 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 RMB809.9 million (equivalent to HK$1,007.3 million) as security for the bank borrowings as at 31 December 2012. Same assets, worth approximately RMB836.7 million (equivalent to HK$1,032.6 million), were charged as at 31 December 2011. Appreciation of the Renminbi currency gave rise to the variance in assets value.

Gearing Ratio

As at 31 December 2012, 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 28% as compared to 24% as at 31 December 2011.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2012 (Nil as at 31 December 2011).

Business review

Year 2012 was a difficult one for the alternative energy business. The slow economic recovery of the United States of America ("US") and the problematic Euro zone dampened the prospects for alternative energy development and the CER trading. The market unit price for CER has dropped to another record low. Domestically in China, following consecutive years of high economic growth, the government has fine-tuned economic and fiscal policies to maintain moderate growth with manageable inflation. Slowing down transmission grid development, lengthening new project approval process and tightening project financing were the inevitable consequences. These changes have led to unexpected power despatch curtailment, delay in tariff subsidies settlement and difficulties in obtaining project finance for alternative energy projects. In response to these changes in the operation environment, the Group has slowed down its expansion plans for wind power projects.

The Group has successfully secured the final approval for the Siziwang Qi Phase Two project ("SZWQ II"), the second 49.5 mega-watt ("MW") project of a potential 1000 MW wind farm complex in West Inner Mongolia, from the National Development and Reform Committee ("NDRC" or, on provincial level, "DRC"). The project is now officially listed in China's twelfth Five-Year. For another pipeline project in Kulun Qi of Tongliao City, East Inner Mongolia, Phase One 49.5 MW out of the potential maximum 200 MW wind farm is still pending local DRC approval.

In 2012, the operational performance for most of the Group's existing alternative energy assets, comprising wind farms with a gross total power generating capacity of 610.5MW and a 25MW waste-to-energy plant, was slightly better than the previous year despite the poor wind resources in the first half of 2012. Considerable efforts have been made to enhance the safety and reliability of these assets. Effective controls over the spending, improvement on the curtailment of most wind assets and granting of a one-off special tax benefit in one of the associated wind farm helped increase the Group's revenue.

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 86.68% respectively. Despite wind resources that were lower than the previous year, power despatch was around 64.4 million Kilowatt-hour ("KWh") for 2012, which was better than last year. A slight improvement in the curtailment situation and more effective control of the spending accounted for the improvement. More improvement is expected in the next several years as the transmission infrastructure is enhanced.

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 Western Inner Mongolia. Commercial operation started 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 despatched 94.7 million KWh for 2012, slightly better than last year. This is due to our effective control of the curtailment, maintaining curtailment at a better than regional average level.

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 division subsidiary of China Energy Conservation and Environmental Protection Group (collectively "CECEP"), who holds 60%. The wind farm started commercial operation in January and September 2010. The power despatched was around 483.0 million KWh. The operating performance was slightly better than 2011. A one-off special tax benefit was obtained which boosted profits.

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. Despite curtailment caused by the technical problems of the regional transmission line being severe in the first half of 2012, the National Energy Administration of PRC issued instructions to help improve the situation in July. As a result, curtailment was reduced, and Changma despatched around 348.6 million KWh, which was slightly better than in 2011.

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 it started commercial operation in February 2011. The power despatched in 2012 was 198.5 million KWh, which was not as good as in 2011. Curtailment increased at the end of 2012 as new wind farms came into operation, creating bottlenecks in the transmission. The situation is expected to last for a while until new transmission infrastructure is put in place.

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 2012, approximately 417,000 tonnes of garbage was being handled and 108.1 million KWh of power was despatched.

Outlook

Although several developed countries, such as Canada and Japan, exited the agreement, other countries attending the UN Climate Change Conference COP18/CMP18 in Doha during November 2012 agreed to extend the effective period of the Kyoto Protocol, under which the CDM leading to the CER trade operates, for another 8 years, allowing more time to implementing new infrastructure to support and finance environmental protection schemes. This agreement is expected to benefit the CER market and the alternative energy operators over the long term.

In China, the newly elected PRC government has issued an implementation notice in January 2013 restating the importance of alternative energy under China's twelfth 5-year plan ("12th FYP") and clearly demonstrating the government's continued support for the industry. However, severe curtailment, lengthy approval process, difficulty in obtaining project finance and delays in subsidy tariff settlement will continue to adversely impact the industry.

Given the current operating environment, the Group will place considerable focus on managing the existing alternative energy assets instead of focusing on near term expansion. In line with our long term value preservation strategy, enhancements, such as technical modifications for regulating power despatch imposed by the government, will be implemented to improve the effectiveness and efficiency of the wind farm assets. Operation and safety procedures will be fine-tuned and benchmarked to the industry's best practice standards in order to minimise the operational risk and to reduce production costs further.

Over the long term, the Group will consider expansion in the wind sector and exploring the feasibility of investing into other forms of alternative energy to safeguard shareholder value. The China alternative energy policy and the transmission infrastructure development status will be closely monitored. The pace of investment will be adjusted accordingly after careful analysis of investment risks, returns and commercial viability. The project pipeline will be properly managed, keeping only high-quality projects. As always, the Group will actively search for strategic alliances to secure investment funding and expansion opportunities for our platform in order to generate greater value for our shareholders.

Employees

As at the end of December 2012, the Group's operations in Hong Kong and mainland China employed a total of 71 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 2012 (2011: 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 shares during the year ended 31 December 2012.

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 which was amended as the Corporate Governance Code (the "CG Code") effective on 1 April 2012, 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 2012, except for the following:–

Code Provision A.2.1

According 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 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

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

Code Provision A.6.7

All independent non-executive directors and non-executive directors of the Company were encouraged to attend the general meetings to inter-face with shareholders of the Company but some of them were not in a position to attend the general meetings (as provided for in Code Provision A.6.7) 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 2012.

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 2012.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 December 2012 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 2012 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
OEI Kang, Eric
Chairman and Chief Executive Officer

Hong Kong, 21 March 2013

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