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中国再生能源

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 987)

(website: www.cre987.com)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the "Board") of China Renewable Energy Investment Limited (the "Company" or "CRE") wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
	Note	**2022**	2021
		HK$'000	*HK$'000*
Revenue	*5*	**108,343**	133,714
Cost of sales		**(65,286)**	(69,132)
Gross profit		**43,057**	64,582
Other income	*5*	**4,522**	7,777
Other losses	*6*	**–**	(167)
Administrative expenses		**(27,136)**	(11,429)
Operating profit	*7*	**20,443**	60,763
Finance income	*8*	**666**	724
Finance costs	*8*	**(17,829)**	(19,894)
Finance costs – net	*8*	**(17,163)**	(19,170)
Share of results of associates		**34,059**	53,625

	Note	Unaudited Six months ended 30 June 2022 HK$'000	2021 HK$'000
Profit before income tax		**37,339**	95,218
Income tax expense	*9*	**(7,171)**	(9,485)
Profit for the period		**30,168**	85,733
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**(44,253)**	8,124
Currency translation differences of associates		**(42,740)**	7,130
Other comprehensive (loss)/income for the period, net of tax		**(86,993)**	15,254
Total comprehensive (loss)/income for the period		**(56,825)**	100,987
Profit/(loss) attributable to:			
Equity holders of the Company		**30,745**	85,305
Non-controlling interests		**(577)**	428
		30,168	85,733
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(56,272)**	100,561
Non-controlling interests		**(553)**	426
		(56,825)	100,987
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted earnings per share	*11*	**1.23**	3.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	**Unaudited 30 June 2022** *HK$'000*	Audited 31 December 2021 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,096,927**	1,199,562
Right-of-use assets		**11,880**	13,169
Intangible assets		**2,880**	3,581
Prepayments and other receivables	*12*	**32,946**	40,009
Interests in associates		**933,348**	942,029
Total non-current assets		**2,077,981**	2,198,350
Current assets			
Inventories		**11,089**	10,726
Trade and other receivables	*12*	**517,391**	506,209
Cash and cash equivalents		**160,933**	197,182
Total current assets		**689,413**	714,117
Total assets		**2,767,394**	2,912,467
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,956,339**	2,025,142
Equity attributable to equity holders of the Company		**1,981,401**	2,050,204
Non-controlling interests		**(3,028)**	(2,475)
Total equity		**1,978,373**	2,047,729

	Note	Unaudited 30 June 2022 *HK$'000*	Audited 31 December 2021 *HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**330,572**	419,607
Deferred income tax liabilities		**39,326**	36,897
Total non-current liabilities		**369,898**	456,504
Current liabilities			
Trade and other payables	*13*	**60,582**	71,273
Current portion of bank borrowings		**188,766**	168,373
Amount due to a shareholder		**166,531**	166,496
Current income tax liabilities		**3,244**	2,092
Total current liabilities		**419,123**	408,234
Total liabilities		**789,021**	864,738
Total equity and liabilities		**2,767,394**	2,912,467

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The intermediate holding company is HKC (Holdings) Limited, a company incorporated in Bermuda. The ultimate holding company is Claudio Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr. OEI Kang, Eric, who is also the chairman, chief executive officer and executive director of the Company.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$ thousand or HK$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the board of directors of the Company (the "Board") on 26 August 2022.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021.

(a) Amendments to standards adopted by the Group

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle

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 2022 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 January 2023 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts and the related amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 2022. The Group has already commenced an assessment on the impact of these new standard and amendments to standards, and expected that the adoption of those new standard and amendments to standards will not have any significant impact on the Group's consolidated financial information in the current or future reporting periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**108,343**	133,714
Other income		
Value-added tax refund	**4,284**	4,971
Government subsidies	**96**	–
Net exchange gain	**–**	2,116
Gain on disposal of property, plant and equipment	**106**	–
Others	**36**	690
	4,522	7,777

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.

Included in sales of electricity of HK$52.6 million (six months ended 30 June 2021: HK$55.7 million) represents tariff subsidies owed by the state-owned grid companies which are financed by national renewable energy fund to renewable energy projects in the PRC. Tariff subsidy is recognised as sales of electricity and receivables from state-owned grid companies in accordance with the relevant power purchase agreements.

For the six months ended 30 June 2022, the Group's revenue for reportable segment from external customers of HK$108.3 million (six months ended 30 June 2021: HK$133.7 million) is only attributable to the China market.

For the six months ended 30 June 2022, the Group has three customers with revenue exceeding 10% of the Group's total revenue (six months ended 30 June 2021: three customers). Revenues from the customers amounted to HK$55.2 million, HK$35.9 million and HK$14.6 million (six months ended 30 June 2021: HK$56.5 million, HK$53.2 million and HK$21.6 million) respectively.

6 OTHER LOSSES

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Loss arising from liquidation of a subsidiary	**–**	(167)

7 OPERATING PROFIT

Operating profit is arrived at after charging the following items:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration	**(330)**	(396)
Amortisation of intangible assets	**(555)**	(411)
Depreciation of property, plant and equipment	**(53,958)**	(53,440)
Depreciation of right-of-use assets	**(725)**	(1,260)
Net exchange loss	**(13,080)**	–
Employee benefit expenses (including directors' emoluments)	**(12,379)**	(10,783)
Rental expenses relating to short-term leases	**(866)**	(158)
Corporate expenses	**(452)**	(440)
Legal and professional fees	**(405)**	(535)
Management service fee	**(1,477)**	(548)
Repair and maintenance expenses	**(160)**	(2,260)

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Finance costs:		
– interest expenses on bank borrowings	**(14,797)**	(16,632)
– interest expenses on amount due to a shareholder	**(3,032)**	(3,230)
– interest expenses on lease liabilities	**–**	(32)
	(17,829)	(19,894)
Finance income:		
– interest income on bank deposits	**666**	724
Finance costs – net	**(17,163)**	(19,170)

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current income tax	**(4,365)**	(3,180)
Withholding tax on dividends	**(3)**	(6,189)
Deferred income tax expense, net	**(3,977)**	(116)
Refund of withholding tax on dividends paid in prior years	**1,174**	–
Income tax expense	**(7,171)**	(9,485)

10 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Interim dividend proposed, of HKNil cents (six months ended 30 June 2021: HK0.5 cents) per ordinary share	**–**	12,531

On 26 August 2022, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2022.

On 19 August 2021, the Board has resolved to declare an interim dividend of HK0.5 cents per ordinary share payable in cash for the six months ended 30 June 2021, total of HK$12.5 million was paid in September 2021.

11 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company *(HK$ thousand)*	**30,745**	85,305
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,506,157
Earnings per share *(HK cents per share)*	**1.23**	3.40

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2022 and 2021.

12 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
		2022	2021
	Note	***HK$'000***	*HK$'000*
Non-current			
Other receivables	*(b)*	**32,946**	40,009
Current			
Trade receivables	*(a)*	**356,779**	323,577
Prepayments and other receivables	*(b)*	**160,612**	182,632
		517,391	506,209
		550,337	546,218

Notes:

(a) The ageing analysis of trade receivables based on the Group's revenue recognition policy at 30 June 2022 and 31 December 2021, was as follows:

	As at	
	30 June	31 December
	2022	2021
	HK$'000	*HK$'000*
Less than 30 days	**37,715**	58,453
More than 30 days and within 60 days	**10,553**	8,346
More than 60 days and within 90 days	**11,136**	6,915
More than 90 days	**297,375**	249,863
	356,779	323,577

The ageing analysis of trade receivables by invoice date at 30 June 2022 and 31 December 2021, was as follows: *(Note i)*

	As at	
	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
Less than 30 days	**321,575**	286,770
More than 30 days and within 60 days	**–**	–
More than 60 days and within 90 days	**–**	–
More than 90 days	**35,204**	36,807
	356,779	323,577

Note i:

The Group allows a credit period of 30 days to its trade customers from invoice date. The Group does not hold any collateral in relation to these receivables. Receivables (other than the tariff subsidy receivables) from sales of electricity are usually settled on a monthly basis by the state-owned grid companies.

Included in the Group's trade receivables were tariff subsidy receivables of HK$339.0 million (31 December 2021: HK$295.7 million) which represented the government subsidies on renewable energy projects to be received from the stated-owned grid companies. The tariff subsidy receivables will be settled upon the Ministry of Finance ("MoF")'s allocation of the national renewable energy fund to the state-owned grid companies. The MoF does not set out a rigid timetable for the settlement of tariff subsidy receivables. In the opinion of the directors, given the collection of tariff subsidy receivables is well supported by the government policy, all tariff subsidy receivables were expected to be fully recoverable. As the collection of tariff subsidy receivables is expected in the normal operating cycle, they are classified as current assets.

Tariff subsidy receivables of HK$303.8 million (31 December 2021: HK$258.9 million) was unbilled and has been classified under 'less than 30 days' in the above ageing analysis, while the remaining of HK$35.2 million (31 December 2021: HK$36.8 million) has issued invoices.

(b) Included in current and non-current other receivables were input value-added taxation recoverable of HK$44.4 million (31 December 2021: HK$52.3 million) arising from purchase of property, plant and equipment, and dividend receivables from associates of HK$131.0 million (31 December 2021: HK$150.2 million).

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

13 TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2022	2021
	HK$'000	*HK$'000*
Trade payables	**409**	938
Payables for acquisition and construction of property, plant and equipment	**54,199**	60,417
Other payables and accruals	**5,974**	9,918
	60,582	71,273

The ageing analysis of trade payables by invoice date at 30 June 2022 and 31 December 2021, was as follows:

	As at	
	30 June	31 December
	2022	2021
	HK$'000	*HK$'000*
Less than 12 months	**395**	923
12 months and more	**14**	15
	409	938

14 DISPUTE WITH A CONSTRUCTOR

On 26 July 2021, the Group received a notice from China International Economic and Trade Arbitration Commission ("CIETAC") in respect of a dispute over the final construction payments made in 2019 with a constructor of Songxian wind farm (the "Constructor"). The Constructor is claiming the Group for RMB27.9 million (equivalent to HK$34.1 million) final construction payments, while the Group is claiming the Constructor for RMB48.2 million (equivalent to HK$59.0 million) additional costs incurred for the completion of the remaining construction works and the losses resulted from delay in commercial operation. The management considered the claim from the Constructor is overcharged as the Constructor did not complete its services. No verdict has been given nor estimation of possible outflow has been indicated up to the date of this announcement. No provision for the dispute, therefore, has been recognised as at 30 June 2022 as the management considered the possibility of any outflow is remote.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2022, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$108.3 million in turnover. Unexpected poor wind conditions in the first half of 2022 led to a 19% decrease in revenue during the interim period as compared to last year's HK$133.7 million. Gross profit for the period decreased 33% to HK$43.1 million (six months ended 30 June 2021: HK$64.6 million).

For the Group's associate company wind farms, wind conditions were also poor during the first half of 2022. As a result, net profit from the associates decreased 36% to HK$34.1 million as compared to last year's HK$53.6 million.

The Group was also adversely impacted by the depreciation of Renminbi during the first half of 2022, resulting in a net exchange loss of HK$13.1 million. As a result, net profit after tax attributable to the equity holders of the Group for the six months ended 30 June 2022 decreased 64% to HK$30.7 million or earnings per share of HK1.23 cents. For the same period in 2021, net profit after tax attributable to the equity holders of the Group was HK$85.3 million or earnings per share of HK3.40 cents.

Liquidity and Financial Resources

As at 30 June 2022, the Group's total bank borrowings was HK$519.3 million as compared to HK$588.0 million as at 31 December 2021. The difference was mainly due to the repayment of principal for existing project loans and corporate bank loan facilities.

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$188.8 million is repayable within one year, HK$132.9 million repayable within two to five years and HK$197.6 million repayable after five years.

As at 30 June 2022, bank deposits and cash of the Group was HK$160.9 million as compared to HK$197.2 million as at 31 December 2021. The difference was mainly related to the combined effect of dividend received from associates, repayment of principal for existing project loans and corporate bank loan facilities, and payment of 2021 final dividend.

The Group did not use any financial instruments for financial hedging purposes during the period under review.

Details of Charges in Group Assets

The Group's subsidiaries have charged their assets including wind power equipment, related right-of-use assets and trade receivables, with a carrying value of approximately RMB803.9 million (equivalent to HK$940.4 million) as security for the bank borrowings as at 30 June 2022. Such assets, with a carrying value of approximately RMB798.2 million (equivalent to HK$976.2 million), were charged as at 31 December 2021.

Gearing Ratio

As at 30 June 2022, 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 27%, the same as of 31 December 2021.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

BUSINESS REVIEW

China's economy slowed during the interim period as the government continued to follow a zero-Covid policy, resulting in a prolonged lockdown in Shanghai and other parts of China. Given these lockdowns, the economy grew much less than expected, with GDP raising only 0.4% compared to the same period last year. However, total power consumption in China still increased by 3% as compared to 2021, reaching 4,097,700 Giga-Watt-hours ("GWh"). Consistent with the country's goal to increase the usage of renewable energy, China's wind and solar power generation capacity increased even more strongly, rising 17% and 26% respectively to an aggregate total of 342 Giga-Watt ("GW") and 337 GW respectively.

During the first half of 2022, the Company continued to improve the operations of its existing wind farms. However, wind speeds throughout China were much lower than expected, particularly in January and February. Power dispatch was also adversely impacted by higher-than-expected curtailment at Lunaobao project. As a result, the Group's power dispatch dropped significantly. Total power despatch for the Company's wind farms in the first half of 2022 was 708.7 GWh or 965 utilization hours, a decrease of 19% compared to the 873.2 GWh or 1,190 utilization hours in the 2021 interim period.

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. During the first six months of 2022, wind resources were worse than last year. Mudanjiang and Muling wind farms dispatched power of approximately 36.0 GWh, which was equivalent to 604 utilization hours, lower than last year's power dispatch of 40.8 GWh (equivalent to 685 utilization hours).

Siziwang Qi Phase I and II Wind Farms

Siziwang Qi Phase I and II wind farms have a total of 99 MW of wind power capacity and are wholly-owned by the Group. They are located 16 kilometres north of Wulanhua under Siziwang Qi of Western Inner Mongolia. Commercial operation of Phase I and II started in January 2011 and January 2015 respectively. The wind farms are the first two phases of a strategic 1,000 MW wind farm base for the Group. During the first six months of 2022, wind resources were worse than last year, even though curtailment decreased. Siziwang Qi Phase I and II wind farms dispatched power of approximately 113.8 GWh, which was equivalent to 1,149 utilization hours, lower than last year's power dispatch of 124.1 GWh (equivalent to 1,253 utilization hours).

Danjinghe Wind Farm

The Group has a 40% effective equity interest in the 200 MW Danjinghe wind farm located in Hebei. The majority and controlling shareholder is the wind power division of China Energy Conservation and Environmental Protection Group ("CECEP"), which holds 60%. The entire wind farm commenced commercial operation in September 2010. As this project was obtained through the national tendering process, the wind farm enjoyed minimal curtailment. During the first six months of 2022, wind resources were worse than last year. Danjinghe project dispatched power of approximately 195.6 GWh, which was equivalent to 978 utilization hours, lower than last year's power dispatch of 261.2 GWh (equivalent to 1,306 utilization hours).

Changma Wind Farm

Changma wind farm, located in Gansu province, is a joint venture with CECEP. The Group has a 40% effective interest in the project company. The 201 MW wind farm started commercial operation in November 2010. As this project was also obtained through the national tendering process, the wind farm enjoyed minimal curtailment. During the first six months of 2022, wind resources were worse than last year. Changma project dispatched power of approximately 211.5 GWh, which was equivalent to 1,052 utilization hours, lower than last year's power dispatch of 256.1 GWh (equivalent to 1,274 utilization hours).

Lunaobao Wind Farm

Lunaobao wind farm is a joint venture with CECEP and is adjacent to the Danjinghe wind farm. The Group has a 30% effective equity interest. The wind farm capacity is 100.5 MW and started commercial operation in February 2011. Unlike Danjinghe, Lunaobao was not obtained through the national tendering process, hence it does not enjoy low curtailment. During the first six months of 2022, wind resources were worse than last year and curtailment increased. As a result, Lunaobao project dispatched power of approximately 90.8 GWh, which was equivalent to 904 utilization hours, lower than last year's power dispatch of 103.7 GWh (equivalent to 1,032 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. During the first half of 2022, wind resources were worse than last year. Songxian project dispatched power of approximately 61.0 GWh, which was equivalent to 825 utilization hours, lower than last year's power dispatch of 87.4 GWh (equivalent to 1,181 utilization hours).

Nanxun Distributed Solar Project

Nanxun distributed solar project is located in Nanxun district of Huzhou city in Zhejiang province, and is the Group's first wholly-owned distributed rooftop solar project. The 4 Mega-Watt-peak ("MWp") distributed solar project was installed over 60,000 square meters of rooftops on Nanxun International Building Materials City, a commercial complex owned by CRE's parent company, HKC (Holdings) Limited. Power generated is sold to Nanxun International Building Materials City and any excess power is sold to the local grid company. The project commenced commercial operation in March 2018. During the first six months of 2022, the power dispatched was approximately 2.3 GWh, which was equivalent to 567 utilization hours. The performance was similar to last year's power dispatch of 2.2 GWh (equivalent to 559 utilization hours).

BUSINESS MODEL AND RISKS MANAGEMENT

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

Our Group strategy "**Grow • Advance • Sustain**" guides our operations and development going forward. All investment opportunities are thoroughly evaluated by the Executive Committee and the Board based on a combination of project economic, environmental and social benefits. We plan to continue to develop renewable energy projects and 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

While wind conditions were disappointing during the interim period, it does not indicate that conditions will continue to be bad during the second half of the year. January and February 2022 wind speeds were unusually low, with power dispatch 22% lower than in the previous year. However, conditions mostly returned to normal from March to June 2022. We remain hopeful that conditions will return to normality during the second half of the year.

Demand for power and hence the impact on curtailment will depend on the health of China's economy. There were signs of improvement in June 2022 as many of the Covid related restrictions were lifted. However, China continues to pursue a zero-Covid policy, placing restrictions on the movement of people in order to contain Covid. Therefore, the outlook for the economy during the second half of the year remains uncertain.

However, the Group has recently seen some signs that the government is seeking to resolve some of the Group's outstanding tariff subsidy receivables. This is consistent with the Ministry of Finance ("MoF")'s stated goal to resolve the payment delay issue over tariff subsidies in 2022. Recently, the MoF announced that it would allocate an additional RMB2.7 billion this year for the settlement of tariff subsidies owed to renewable energy companies.

In May 2022, the MoF announced it will expand its range of financial tools and make greater use of fiscal and taxation policies to support renewable energy industry. This could include support for carbon trading and additional tax incentives to promote the use of renewable energy – all with the goal of helping China achieve its pledge to bring carbon emissions to peak before 2030 and to achieve carbon neutrality by 2060. According to the 14th five-year plan, which was released on 1 June 2022, China plans to have 1,200 GW of wind and solar power generation capacity, and 25% of energy consumption to be met by non-fossil fuels by 2030, a major increase compared to the 15.9% in 2020. The plan stipulates that at least half of the increase in demand for power should be met by renewable energy.

Employees

As at 30 June 2022, 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 2022, 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 Gansu, Hebei, Heilongjiang, Henan, Inner Mongolia and Zhejiang provinces. Most of our projects are located in remote northern regions. They greatly benefit the economic development of the local areas through investment, by reducing local pollution and carbon emissions, and by contributing to the local community through the hiring of local staff who are given fair market-based remuneration packages. In the first half of 2022, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 711.0 GWh, we have reduced approximately 231,000 tons of coal consumption and 550,000 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 National Development and Reform Commission and National Energy Administration at both national and provincial level), local authorities (e.g. environmental and land bureau) and State Grid Corporation through various meetings to facilitate their understanding of our business, operations and development direction.

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

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: HK0.5 cents).

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company (the "Director(s)") with written terms of reference in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and reports to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022, which has also been reviewed by the Company's auditor, Moore Stephens CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, except for the following:

Code Provision C.2.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

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

PUBLICATION OF INTERIM REPORT

The 2022 interim report will be published on the websites of the Company (www.cre987.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 26 August 2022

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. CHENG Yuk Wo, Mr. TIAN Yuchuan and Mr. ZHANG Songyi are Independent Non-executive Directors.