CRE 中国再生能源

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 987)

(website: www.cre987.com)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*5*	**97,820**	108,343
Cost of sales		**(65,997)**	(65,286)
Gross profit		**31,823**	43,057
Other income	*5*	**3,409**	4,522
Administrative expenses		**(19,771)**	(27,136)
Operating profit	*6*	**15,461**	20,443
Finance income	*7*	**1,841**	666
Finance costs	*7*	**(15,690)**	(17,829)
Finance costs – net	*7*	**(13,849)**	(17,163)

	Note	Unaudited Six months ended 30 June 2023 *HK$'000*	 2022 *HK$'000*
Share of results of associates		**42,246**	34,059
Profit before income tax		**43,858**	37,339
Income tax expense	*8*	**(8,819)**	(7,171)
Profit for the period		**35,039**	30,168
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**(45,155)**	(44,253)
Currency translation differences of associates		**(33,810)**	(42,740)
Other comprehensive loss for the period, net of tax		**(78,965)**	(86,993)
Total comprehensive loss for the period		**(43,926)**	(56,825)
Profit/(loss) attributable to:			
Equity holders of the Company		**35,853**	30,745
Non-controlling interests		**(814)**	(577)
		35,039	30,168
Total comprehensive loss attributable to:			
Equity holders of the Company		**(43,237)**	(56,272)
Non-controlling interests		**(689)**	(553)
		(43,926)	(56,825)
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted earnings per share	*10*	**1.43**	1.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**Unaudited 30 June 2023** *HK$'000*	Audited 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**927,164**	1,009,094
Construction in progress		**358**	49
Right-of-use assets		**12,099**	10,768
Intangible assets		**1,863**	2,319
Prepayments and other receivables	*11*	**21,170**	25,990
Interests in associates		**803,420**	854,442
Total non-current assets		**1,766,074**	1,902,662
Current assets			
Inventories		**10,271**	10,357
Trade and other receivables	*11*	**385,804**	473,566
Cash and cash equivalents		**212,544**	232,414
Total current assets		**608,619**	716,337
Total assets		**2,374,693**	2,618,999
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,837,629**	1,893,397
Equity attributable to equity holders of the Company		**1,862,691**	1,918,459
Non-controlling interests		**(4,406)**	(3,717)
Total equity		**1,858,285**	1,914,742

	Note	Unaudited 30 June 2023 HK$'000	Audited 31 December 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**262,069**	296,257
Deferred income tax liabilities		**37,419**	32,301
Total non-current liabilities		**299,488**	328,558
Current liabilities			
Trade and other payables	*12*	**52,666**	61,507
Dividend payables		**12,531**	–
Current portion of bank borrowings		**42,646**	144,612
Amount due to a shareholder		**106,876**	167,931
Current income tax liabilities		**2,201**	1,649
Total current liabilities		**216,920**	375,699
Total liabilities		**516,408**	704,257
Total equity and liabilities		**2,374,693**	2,618,999

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 30 August 2023.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time the interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

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 2022.

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	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**97,820**	108,343
Other income		
Value-added tax refund	**3,387**	4,284
Government subsidies	**–**	96
Gain on disposal of property, plant and equipment	**20**	106
Others	**2**	36
	3,409	4,522

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$51.0 million (six months ended 30 June 2022: HK$52.6 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 2023, the Group's revenue for reportable segment from external customers of HK$97.8 million (six months ended 30 June 2022: HK$108.3 million) is only attributable to the China market.

For the six months ended 30 June 2023, the Group has three customers with revenue exceeding 10% of the Group's total revenue (six months ended 30 June 2022: three customers). Revenues from the customers amounted to HK$43.9 million, HK$39.7 million and HK$11.8 million (six months ended 30 June 2022: HK$55.2 million, HK$35.9 million and HK$14.6 million) respectively.

6 OPERATING PROFIT

Operating profit is arrived at after charging the following items:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration	**(330)**	(330)
Amortisation of intangible assets	**(362)**	(555)
Depreciation of property, plant and equipment	**(52,859)**	(53,958)
Depreciation of right-of-use assets	**(692)**	(725)
Net exchange loss	**(4,590)**	(13,080)
Employee benefit expenses (including directors' emoluments)	**(12,572)**	(12,379)
Rental expenses relating to short-term leases	**(979)**	(866)
Corporate expenses	**(461)**	(452)
Legal and professional fees	**(1,438)**	(405)
Management service fee	**(1,241)**	(1,477)
Repair and maintenance expenses	**(2,238)**	(160)

7 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Finance costs:		
– interest expenses on bank borrowings	**(11,431)**	(14,797)
– interest expenses on amount due to a shareholder	**(4,259)**	(3,032)
	(15,690)	(17,829)
Finance income:		
– interest income on bank deposits	**1,841**	666
Finance costs – net	**(13,849)**	(17,163)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current income tax	**(3,150)**	(4,365)
Withholding tax on dividends	**(5,949)**	(3)
Deferred income tax expense, net	**(6,816)**	(3,977)
Refund of withholding tax on dividends paid in prior years	**7,096**	1,174
Income tax expense	**(8,819)**	(7,171)

9 DIVIDENDS

The 2022 final dividend of HK$0.5 cents per ordinary shares, amounting HK$12,531,000 was paid on 6 July 2023 to the shareholders of the Company.

On 30 August 2023, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

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

10 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	
	2023	2022
Profit attributable to equity holders of the Company *(HK$ thousand)*	**35,853**	30,745
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,506,157
Earnings per share *(HK cents per share)*	**1.43**	1.23

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 2023 and 2022.

11 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
		2023	2022
	Note	***HK$'000***	*HK$'000*
Non-current			
Other receivables	*(b)*	**21,170**	25,990
Current			
Trade receivables	*(a)*	**294,364**	300,590
Prepayments and other receivables	*(b)*	**91,440**	172,976
		385,804	473,566
		406,974	499,556

Notes:

(a) The ageing analysis of trade receivables based on the Group's revenue recognition policy at 30 June 2023 and 31 December 2022, was as follows:

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**25,440**	34,703
More than 30 days and within 60 days	**11,794**	8,181
More than 60 days and within 90 days	**8,922**	5,476
More than 90 days	**248,208**	252,230
	294,364	300,590

The ageing analysis of trade receivables by invoice date at 30 June 2023 and 31 December 2022, was as follows: *(Note i)*

	As at	
	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Less than 30 days	**283,671**	287,331
More than 30 days and within 60 days	**–**	–
More than 60 days and within 90 days	**–**	–
More than 90 days	**10,693**	13,259
	294,364	300,590

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$284.7 million (31 December 2022: HK$284.8 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$274.0 million (31 December 2022: HK$271.5 million) was unbilled and has been classified under 'less than 30 days' in the above ageing analysis, while the remaining of HK$10.7 million (31 December 2022: HK$13.3 million) has issued invoices.

(b) Included in current and non-current other receivables were input value-added taxation recoverable of HK$31.9 million (31 December 2022: HK$37.2 million) arising from purchase of property, plant and equipment, and dividend receivables from associates of HK$69.9 million (31 December 2022: HK$148.0 million).

(c) 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

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
Trade payables	**462**	463
Payables for acquisition and construction of property, plant and equipment	**47,802**	52,940
Other payables and accruals	**4,402**	8,104
	52,666	61,507

The ageing analysis of trade payables by invoice date at 30 June 2023 and 31 December 2022, was as follows:

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
Less than 12 months	**449**	450
12 months and more	**13**	13
	462	463

13 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.

On 10 June 2023, the Group received the final results from CIETAC for the above case. The Group has settled amounting RMB12.9 million (equivalent to HK$14.6 million) for the final construction payments. The Group also paid the arbitration fee amounting RMB719,000 (equivalent to HK$814,000) and legal fee amounting RMB200,000 (equivalent to HK$227,000). The final construction payments was considered as addition to the property, plant and equipment during the period ended 30 June 2023. Based on legal advice, the management considered this dispute is final and conclusive; and no further losses or claims will be incurred further. Accordingly, no further provision has been made.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2023, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$97.8 million in turnover. Wind conditions returned to normal but an increase in curtailment in the first half of 2023 led to a 10% decrease in revenue during the interim period as compared to last year's HK$108.3 million. Gross profit for the period decreased 26% to HK$31.8 million (six months ended 30 June 2022: HK$43.1 million).

For the Group's associate company wind farms, wind conditions returned to normal during the first half of 2023. As a result, net profit from the associates increased 24% to HK$42.2 million as compared to last year's HK$34.1 million.

The Group was impacted by the depreciation of Renminbi during the first half of 2023, resulting in a net exchange loss of HK$4.6 million. However, with the improved profit contribution from the associates, the net profit after tax attributable to the equity holders of the Group for the six months ended 30 June 2023 increased 17% to HK$35.9 million or earnings per share of HK1.43 cents. For the same period in 2022, net profit after tax attributable to the equity holders of the Group was HK$30.7 million or earnings per share of HK1.23 cents.

Liquidity and Financial Resources

As at 30 June 2023, the Group's total bank borrowings was HK$304.7 million as compared to HK$440.9 million as at 31 December 2022. 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$42.6 million is repayable within one year, HK$145.9 million repayable within two to five years and HK$116.2 million repayable after five years.

As at 30 June 2023, bank deposits and cash of the Group was HK$212.5 million as compared to HK$232.4 million as at 31 December 2022. 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 2022 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 RMB747.5 million (equivalent to HK$806.0 million) as security for the bank borrowings as at 30 June 2023. Such assets, with a carrying value of approximately RMB749.2 million (equivalent to HK$845.1 million), were charged as at 31 December 2022.

Gearing Ratio

As at 30 June 2023, 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 11% as compared to 20% as at 31 December 2022.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

BUSINESS REVIEW

China's economy has improved with the relaxation of the zero-Covid policy in the second half of 2022. China's GDP increased 5.5 percent year-on-year in the first half of 2023. However, growth slowed in the second quarter with GDP rising only 0.8% compared to the first quarter as demand has been lower than expected. With the relaxation of the zero-Covid policy, total power consumption in China increased by 5% as compared to 2022, reaching 4,307,600 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, with wind rising 13.7% to an aggregate total of 389 Giga-Watt ("GW"). Total wind power output was 462,800 GWh, an increase of around 20% compared to 2022, accounting for 10.7% of total power generation across the country. Total solar power output was 266,300 GWh, an increase of around 30% compared to 2022, accounting for 6.2% of total power generation across the country.

Wind conditions returned to normal during the interim period, with the average wind speeds for all the Company's wind farms increasing to an average of 6.35 m/s compared to 6.02 m/s in the same period in 2022. Wind speeds were particularly strong in April and May. However, power dispatch was adversely impacted by higher-than-expected curtailment at Lunaobao and Siziwang Qi. Overall, the Group's power dispatch improved. Total power despatch for the Company's wind farms in the first half of 2023 was 779.4 GWh or 1,062 utilization hours, an increase of 10% compared to the 708.7 GWh or 965 utilization hours in the 2022 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 2023, wind resources were worse than last year's interim period and curtailment was higher. Mudanjiang and Muling wind farms dispatched power of approximately 28.5 GWh, which was equivalent to 479 utilization hours, lower than last year's power dispatch of 36.0 GWh (equivalent to 604 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 2023, wind resources were slightly better than last year, but the curtailment substantially increased. Siziwang Qi Phase I and II wind farms dispatched power of approximately 112.7 GWh, which was equivalent to 1,138 utilization hours, lower than last year's power dispatch of 113.8 GWh (equivalent to 1,149 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 2023, wind resources were significantly better than last year. Danjinghe project dispatched power of approximately 234.2 GWh, which was equivalent to 1,171 utilization hours, higher than last year's power dispatch of 195.6 GWh (equivalent to 978 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 2023, wind resources were better than last year. Changma project dispatched power of approximately 234.5 GWh, which was equivalent to 1,167 utilization hours, higher than last year's power dispatch of 211.5 GWh (equivalent to 1,052 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 2023, wind resources were slightly better than last year. As a result, Lunaobao project dispatched power of approximately 94.4 GWh, which was equivalent to 939 utilization hours, higher than last year's power dispatch of 90.8 GWh (equivalent to 904 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 2023, wind resources were significantly better than last year. Songxian project dispatched power of approximately 75.0 GWh, which was equivalent to 1,014 utilization hours, higher than last year's power dispatch of 61.0 GWh (equivalent to 825 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 2023, the power dispatched was approximately 2.3 GWh, which was equivalent to 575 utilization hours. The performance was similar to last year's power dispatch of 2.3 GWh (equivalent to 567 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

Compared to 2022, the first half of 2023 benefited from the reversion to normal wind conditions, with power dispatch 10% higher than in the same period last year. Early indications for the second half of the year are that wind conditions continue to be normal with lower curtailment.

Prospects for the wind power industry remains promising given the need to reduce carbon emissions. Global temperatures reached record highs in June and July and China was not spared. As a result, there is increasing worldwide recognition that the world must increase the use renewable energy. As a result, China is continuing to increase its use of wind power, with total installed capacity of wind power continuing to rise rapidly. Combined onshore and offshore capacity is double the 2017 level and is more than the next seven countries combined. Growth is expected to continue rising rapidly as Xi Jinping has pledged to achieve peak carbon emissions before 2030 and carbon neutrality by 2060.

China plans to have 1,200 gigawatts (GW) of wind and solar power by 2030. The country's goal is for 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. Based on the latest statistics, we believe China is already well ahead of its goal. One potential area of concern is whether the increasing wind capacity will be matched by transmission capacity. In previous years, a lag in the transmission capacity has resulted in curtailment and CRE has seen an increase in curtailment in the first half of 2023.

For this year, despite a slowing economy during June, record high temperatures in China is resulting in higher power demand given the demand for air conditioning. According to officials, the number of "hot days" recorded over the past six months is the highest in history. Since June, electricity loads in many regions of China have set new records. In June, according to the National Energy Administration, China's total electricity consumption increased 3.9% year on year to 775.1 billion kilowatt-hours. As a result, The China Energy Investment Corporation, one of China's largest SOE power companies reported that its electricity production has reached a record high. The China Electricity Council predicts that China's power consumption will rise 6 percent in 2023.

Looking forwards, there is potential concern over a slowing economy. However, recent moves by the government to boost the economy such as cuts in interest rates is expected to result in increased demand for power in the second half of this year, and especially for wind and solar power. In addition, the government is now trying to revive the property sector with measures such as making mortgages easier to obtain and lowering mortgage rates. The government is also proposing to increase consumer access to credit to boost purchases of household goods and electric vehicles.

Employees

As at 30 June 2023, the Group's operations in Hong Kong and Mainland China employed a total of 95 employees. Our core requirement is to ensure that we attract, retain and deploy employees with the capabilities needed to secure, develop, construct and operate our assets. In 2023, 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 2023, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 781.7 GWh, we have reduced approximately 254,000 tons of coal consumption and 604,000 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 2023 (2022: Nil).

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 2023, 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 2023.

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 2023, 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 2023.

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 2023 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, 30 August 2023

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.