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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 2023

The board of directors (the "Board") of China Renewable Energy Investment Limited (the "Company" or "CRE") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	3	**181,337**	197,184
Cost of sales	5	**(129,192)**	(132,519)
Gross profit		**52,145**	64,665
Other income	3	**6,012**	6,558
Other losses	4	**(30,620)**	–
Administrative expenses	5	**(37,405)**	(54,196)
Operating (loss)/profit		**(9,868)**	17,027
Finance income	6	**3,916**	1,791
Finance costs	6	**(28,081)**	(36,173)
Finance costs - net	6	**(24,165)**	(34,382)

	Note	2023 HK$'000	2022 HK$'000
Share of results of associates		**57,100**	54,497
Profit before income tax		**23,067**	37,142
Income tax expense	*7*	**(4,277)**	(7,323)
Profit for the year		**18,790**	29,819
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences of the Company and its subsidiaries		**(29,162)**	(75,732)
Currency translation differences of associates		**(17,858)**	(74,543)
Other comprehensive loss for the year, net of tax		**(47,020)**	(150,275)
Total comprehensive loss for the year		**(28,230)**	(120,456)
Profit/(loss) attributable to:			
Equity holders of the Company		**23,281**	31,111
Non-controlling interests		**(4,491)**	(1,292)
		18,790	29,819
Total comprehensive loss attributable to:			
Equity holders of the Company		**(23,802)**	(119,214)
Non-controlling interests		**(4,428)**	(1,242)
		(28,230)	(120,456)
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cents per share)			
Basic and diluted earnings per share	*8*	**0.93**	1.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 *HK$'000*	2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**873,421**	1,009,094
Construction in progress		**364**	49
Right-of-use assets		**13,451**	10,768
Intangible assets		**1,372**	2,319
Prepayments and other receivables	*10*	**17,259**	25,990
Interests in associates		**824,173**	854,442
Total non-current assets		**1,730,040**	1,902,662
Current assets			
Inventories		**11,541**	10,357
Trade and other receivables	*10*	**345,343**	473,566
Cash and cash equivalents		**164,290**	232,414
Total current assets		**521,174**	716,337
Total assets		**2,251,214**	2,618,999
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**25,062**	25,062
Reserves		**1,857,064**	1,893,397
Equity attributable to equity holders of the Company		**1,882,126**	1,918,459
Non-controlling interests		**(8,145)**	(3,717)
Total equity		**1,873,981**	1,914,742

	Note	2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**244,461**	296,257
Deferred income tax liabilities		**32,669**	32,301
Total non-current liabilities		**277,130**	328,558
Current liabilities			
Trade and other payables	*11*	**55,045**	61,507
Current portion of bank borrowings		**43,339**	144,612
Amount due to a shareholder		–	167,931
Current income tax liabilities		**1,719**	1,649
Total current liabilities		**100,103**	375,699
Total liabilities		**377,233**	704,257
Total equity and liabilities		**2,251,214**	2,618,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$ thousand or HK$'000), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 27 March 2024.

2 BASIS OF PREPARATION

The consolidated financial statements of CRE have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention.

(a) Amendments to standards adopted by the Group

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance.

(b) New standard and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2023 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
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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 2023. The Group has already commenced an assessment on the impact of these new standard and amendments to standards, and expected that the adoption of those new standard and amendments to standards will not have any significant impact on the Group’s consolidated financial information in the current or future reporting periods.

3 REVENUE AND OTHER INCOME

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Sales of electricity	**181,337**	197,184
Other income		
Value-added tax refund	**5,999**	6,123
Gain on disposal of property, plant and equipment, net	**–**	103
Others	**13**	332
	6,012	6,558

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$91.6 million (2022: HK$95.1 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 year ended 31 December 2023, the Group's revenue for reportable segment from external customers of HK$181.3 million (2022: HK$197.2 million) is only attributable to the China market.

For the year ended 31 December 2023, the Group has three customers with revenue exceeding 10% of the Group's total revenue (2022: three customers). Revenues from the customers amounted to HK$79.1 million, HK$72.1 million and HK$25.2 million (2022: HK$81.2 million, HK$80.9 million and HK$29.8 million) respectively.

4 OTHER LOSSES

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

	2023	2022
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	**(19,793)**	–
Impairment loss on right-of-use assets	**(519)**	–
Impairment loss on intangible assets	**(255)**	–
Impairment loss on interest in an associate	**(10,053)**	–
	(30,620)	–

For the year ended 31 December 2023, the Group has performed impairment assessments on the cash-generating unit ("CGU") in Mudanjiang and Muling wind farms with impairment indicators. Based on the impairment assessment of Mudanjiang and Muling wind farms, impairment losses of HK$19.8 million, HK$0.5 million and HK$0.3 million have been recognised against the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets respectively.

For the year ended 31 December 2023, the Group has performed impairment assessment on investment in an associate in Lunaobao wind farm with impairment indicators. Based on the impairment assessment of Lunaobao wind farm, impairment losses of HK$10.1 million have been recognised against the carrying amount of investment in an associate.

5 EXPENSES BY NATURE

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**(670)**	(680)
– Non-audit services	**(120)**	(120)
Amortisation of intangible assets	**(685)**	(1,033)
Depreciation of property, plant and equipment	**(101,174)**	(104,000)
Depreciation of right-of-use assets	**(1,398)**	(1,398)
Net exchange loss	**(5,011)**	(24,759)
Employee benefit expenses (including directors' emoluments)	**(27,871)**	(26,867)
Rental expenses relating to short-term leases	**(1,957)**	(1,743)
Repair and maintenance expenses	**(5,964)**	(4,471)
Corporate expenses	**(807)**	(831)
Legal and professional fees	**(2,676)**	(446)
Management service fee	**(2,483)**	(2,955)
Other expenses	**(15,781)**	(17,412)
Total cost of sales and administrative expenses	**(166,597)**	(186,715)

6 FINANCE INCOME AND COSTS

	2023	2022
	HK$'000	*HK$'000*
Finance costs:		
– interest expenses on bank borrowings	**(20,022)**	(28,194)
– interest expenses on amount due to a shareholder	**(8,059)**	(7,979)
	(28,081)	(36,173)
Finance income:		
– interest income on bank deposits	**3,916**	1,791
Finance costs – net	**(24,165)**	(34,382)

7 INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current income tax	**(5,843)**	(6,944)
Withholding tax on dividends	**(5,036)**	(7,276)
Deferred income tax (expense)/credit, net	**(1,303)**	1,616
Refund of withholding tax on dividends paid in prior years	**7,905**	5,281
Income tax expense	**(4,277)**	(7,323)

Note:

The share of income tax expense of associates of HK$15.4 million (2022: HK$16.4 million) is included in the Group's share of results of associates.

8 EARNINGS PER SHARE

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

	2023	2022
Profit attributable to equity holders of the Company *(HK$ thousand)*	**23,281**	31,111
Weighted average number of ordinary shares in issue *(thousand)*	**2,506,157**	2,506,157
Earnings per share *(HK cents per share)*	**0.93**	1.24

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the years ended 31 December 2023 and 2022.

9 DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Final dividend proposed, of HK0.5 cents (2022: HK0.5 cents) per ordinary share	**12,531**	12,531

On 27 March 2024, the Board has resolved to declare a final dividend of HK0.5 cents per ordinary share payable in cash for the year ended 31 December 2023. As the proposed final dividend is declared after the reporting date, such dividend is not recognised as liability as at 31 December 2023.

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

For the year ended 31 December 2022, the Board has resolved to declare a final dividend of HK0.5 cents per ordinary share payable in cash, total of HK$12.5 million was paid in July 2023.

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

10 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	Note	**2023**	2022
		HK$'000	*HK$'000*
Non-current			
Other receivables	*(b)*	**17,259**	25,990
Current			
Trade receivables	*(a)*	**289,572**	300,590
Prepayments and other receivables	*(b)*	**55,771**	172,976
		345,343	473,566
		362,602	499,556

Notes:

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

	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**28,830**	34,703
More than 30 days and within 60 days	**7,778**	8,181
More than 60 days and within 90 days	**5,366**	5,476
More than 90 days	**247,598**	252,230
	289,572	300,590

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

	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**279,740**	287,331
More than 30 days and within 60 days	**–**	–
More than 60 days and within 90 days	**–**	–
More than 90 days	**9,832**	13,259
	289,572	300,590

Note:

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$281.3 million (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$271.5 million (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$9.8 million (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$28.3 million (2022: HK$37.2 million) arising from purchase of property, plant and equipment, and dividend receivables from associates of HK$36.6 million (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.

11 TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**506**	463
Payables for acquisition and construction of property, plant and equipment	**46,733**	52,940
Other payables and accruals	**7,806**	8,104
	55,045	61,507

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

	2023	2022
	HK$'000	*HK$'000*
Less than 12 months	**493**	450
12 months and more	**13**	13
	506	463

12 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 year ended 31 December 2023, China Renewable Energy Investment Limited ("CRE" or the "Company", and with its subsidiaries, collectively, the "Group") recorded HK$181.3 million in turnover. Wind conditions returned to normal but an increase in curtailment in 2023 led to a 8% decrease in revenue as compared to last year's HK$197.2 million. Gross profit for the period also decreased 19% to HK$52.1 million (2022: HK$64.7 million).

For the Group's associate company wind farms, wind resources were better during 2023. As a result, net profit from the associates increased 5% to HK$57.1 million as compared to last year's HK$54.5 million.

The Group was impacted by the depreciation of Renminbi during 2023, resulting in a net exchange loss of HK$5.0 million. However, the net exchange loss was much lower than the HK$24.8 million loss in 2022. With the improved profit contribution from the associates combined with the lower net exchange loss, the net profit after tax before impairment increased 93% to HK$57.4 million. Cashflow was particularly strong. Cashflow from operating and investing activities, which includes the dividends from the Groups' associate windfarms, increased by HK$79.9 million to HK$289.5 million.

However, including the impairment of HK$30.6 million for the Mudanjiang wind farm and the Lunaobao wind farm, the net profit after tax attributable to the equity holders of the Group for the year ended 31 December 2023 decreased 25% to HK$23.3 million or earnings per share of HK0.93 cents. For the same period in 2022, net profit after tax attributable to the equity holders of the Group was HK$31.1 million or earnings per share of HK1.24 cents.

Liquidity and Financial Resources

As at 31 December 2023, the Group's total bank borrowings was HK$287.8 million as compared to HK$440.9 million in 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$43.3 million is repayable within one year, HK$143.5 million repayable within two to five years and HK$101.0 million repayable after five years.

As at 31 December 2023, bank deposits and cash of the Group was HK$164.3 million as compared to HK$232.4 million in 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 RMB720.4 million (equivalent to HK$789.4 million) as security for the bank borrowings as at 31 December 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 31 December 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 7% as compared to 20% as at 31 December 2022.

Contingent Liabilities

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

BUSINESS REVIEW

China's economy improved as it rebounded from nearly three years of stringent "zero Covid" pandemic control measures. GDP rose 5.2%. With an improved economy, total power consumption in China increased 6.7% as compared to 2022, reaching 9,224,000 Giga-Watt-hours ("GWh") in 2023. Reflecting the government's goal to increase renewable energy, China's wind and solar power generation capacity increased even more strongly, rising 27.5% and 38.7% respectively to an aggregate total of 464 Giga-Watt ("GW") and 589 GW respectively. Total wind power output was 1,050,000 GWh, an increase of around 38.5% compared to 2022, accounting for 9% of total power generation across the country. Total solar power output was 610,000 GWh, an increase of around 41.2% compared to 2022, accounting for 3% of total power generation across the country.

As at 31 December 2023, the Group now has eight wind farms and one distributed solar project under operation. Total gross power generating capacity is 738 MW and net power generating capacity is 427MW.

The wind conditions in the areas that the company operates in Gansu, Hebei, Henan and Inner Mongolia provinces improved in 2023. However, curtailment increased as high-speed transmission lines were not able to accommodate the increase in the number of newly built windfarms. Curtailment was particularly large at Lunaobao. Total power dispatch of the company's wind farms in 2023 reached 1,423.8 GWh or 1,940 utilization hours, an increase of 5% compared to 1,360.9 GWh or 1,854 utilization hours in 2022.

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 2023, wind resources were slightly lower than last year and curtailment was higher. Mudanjiang and Muling wind farms dispatched power of approximately 53.4 GWh, which was equivalent to 897 utilization hours, lower than last year's power dispatch of 67.5 GWh (equivalent to 1,134 utilization hours).

Siziwang Qi Phase I & II Wind Farms

Siziwang Qi Phase I & II wind farms have a total of 99 MW of wind power capacity and are wholly-owned by the Group. They are located 16 kilometres north of Wulanhua under Siziwang Qi of Western Inner Mongolia. Commercial operation of Phase I and II started in January 2011 and January 2015 respectively. The wind farms are the first two phases of a strategic 1,000 MW wind farm base for the Group. During 2023, wind resources were better than last year, but the curtailment also increased. Siziwang Qi Phase I and II wind farms dispatched power of approximately 210.3 GWh, which was equivalent to 2,124 utilization hours, higher than last year's power dispatch of 188.7 GWh (equivalent to 1,906 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 2023, wind resources were better than last year. Danjinghe project dispatched power of approximately 403.7 GWh, which was equivalent to 2,018 utilization hours, higher than last year's power dispatch of 371.3 GWh (equivalent to 1,856 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 2023, wind resources were better than last year. Changma project dispatched power of approximately 466.7 GWh, which was equivalent to 2,322 utilization hours, higher than last year's power dispatch of 412.3 GWh (equivalent to 2,051 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 2023, wind resources were stable, but curtailment was worse than last year. As a result, Lunaobao dispatched power of approximately 154.0 GWh, which was equivalent to 1,532 utilization hours, lower than last year's power dispatch of 183.5 GWh (equivalent to 1,826 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 2023, wind resources were slightly better than last year, but the curtailment substantially increased. Songxian dispatched power of approximately 135.8 GWh, which was equivalent to 1,836 utilization hours, slightly lower than last year's power dispatch of 137.6 GWh (equivalent to 1,860 utilization hours).

Nanxun Distributed Solar Project

Nanxun distributed solar project is located in Nanxun district of Huzhou city in Zhejiang province, and is the Group's first wholly-owned distributed rooftop solar project. The 4 Mega-Watt-peak ("MWp") distributed solar project was installed over 60,000 square meters of rooftops on Nanxun International Building Materials City, a commercial complex owned by CRE's parent company, HKC (Holdings) Limited. Power generated is sold to Nanxun International Building Materials City and any excess power is sold to the local grid company. The project commenced commercial operation in March 2018. The power dispatched in 2023 was approximately 4.6 GWh, which was equivalent to 1,154 utilization hours. The performance was slightly lower than last year's power dispatch of 4.7 GWh (equivalent to 1,167 utilization hours).

BUSINESS MODEL & RISK MANAGEMENT

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

Our Group strategy "**Grow • Advance • Sustain**" guides our operations and development going forward. All investment opportunities are thoroughly evaluated by the Executive Committee and the Board based on a combination of project economic, environmental and social benefits. We plan to continue to develop renewable energy projects and look for **growth** investment opportunities. In CRE, every kilo-Watt-hour ("kWh") energy output counts. We therefore strive to innovate and **advance** in all aspects of our business and operations to continuously enhance our profitability with an ultimate goal to create **sustainable** value and to increase return for shareholders.

Risk management is the responsibility of everyone within the Group; risk is inherent in our business and the market in which it operates. Rather than being a standalone process, risk management is integrated into our daily business process, from project level day-to-day operation to corporate level strategy development and investment decisions.

Through a bottom-up approach, we identify and review existing and emerging risks semi-annually. Identified risks are then monitored and discussed at the Group level. The risk management process is overseen by the Executive Committee and the Board as an element of our strong corporate governance. Within CRE, all risks factors are classified under 6 different categories, (i) Policy and Regulations, (ii) Legal and Compliance, (iii) Safety, Health and Environmental, (iv) Financial, (v) Operational and (vi) Reputational; and are evaluated through assessing their consequences and likelihood. With a continuous and proactive approach to risk management, the Group is committed to identifying material risks and then to managing these so that they can be understood, minimised, mitigated or avoided.

OUTLOOK

With the lifting of China's zero-Covid policy, the economy has begun to recover, with GDP rising 5.2%. With the resumption of economic activity, electricity demand rose even more, rising 6.7%. However, at the end of last year, the government became increasingly worried as a number of problems appeared: a property crisis; lower exports given some companies were moving their operations outside of China in response to geopolitical concerns; high local government debt; and a depressed stock market which dampened consumer sentiment.

Because of the slowdown, the government has responded by encouraging banks to lend to property developers to assist them in completing the construction of presold properties; loosening home buying curbs; cutting the five-year loan prime rate, a key rate for mortgages; promoting various measures to support the stock market such as creating a national team to purchase securities; providing monetary stimulus; cutting bank reserve requirements; and targeting more resources towards high growth, "high quality" industries, such as clean energy, electric vehicles, artificial intelligence, semiconductors, advanced manufacturing, etc..

Given these new policies, the government is expecting GDP to grow at least 5% in 2024. According to the China Electricity Council, demand for electricity is expected to rise an additional 6.0%. Wind and solar are one the high growth industries that the government is promoting. Originally, China's goal was to have 1,200 GW of combined wind and solar capacity by 2030. That target will be easily met. Capacity may reach 1,300 GW by the end of this year — six years early. Of the 1,300 GW, 530GW will be from wind and 780 GW will be from solar. By the end of 2024, the expected total capacity for wind and solar higher than that for coal and could account for 40% of the country total installed capacity, higher than the 37% estimated for coal fired-power.

However, with the increase in the number of wind farms, and the fact that there is still a reliance by the grid on coal fired plants given renewable power is more unstable, there was an increase in curtailment in 2023. We have also been cautious because the government has adopted the trial trading scheme, which effectively results in lower tariffs for the electricity sold under this arrangement. Therefore, although the cost of turbines has dropped substantially, the lower tariffs from the trading scheme and higher curtailment rates have reduced overall returns. As a result, the Group has been more cautious on expanding than SOE's that are less focused on returns. The Group will continue to monitor the market and the curtailment situation. We do anticipate that over the next several years, the curtailment rate will be reduced as new high speed transmission lines are built.

We are actively looking at upgrading our older wind farms. The National Energy Agency is encouraging upgrades and issued a policy in June 2023 called the Administrative Measures for Wind Farm Upgrade and Retirement. This policy encourages wind farms older than 15 years with a capacity of less than 1.5MW/unit to be upgraded. The on-grid tariff for upgraded wind farms will be the same as before the upgrading for a certain amount of designated hours as stated in the current trial trading scheme. Moreover, given the unit construction cost for wind farms has declined about 29% from 2017 to 2023, upgrading old windfarms becomes attractive.

With a net gearing ratio of only 7%, the Group has one of the strongest balance sheets in the industry. Whereas other SOE developers have weaker balance sheets and face the stress of weaker cash flows given curtailment, lower tariffs, and high accounts receivables, CRE's cash flow is strong and the Group is well positioned to take advantage of opportunities.

Employees

As at the end of December 2023, the Group's operations in Hong Kong and Mainland China employed a total of 94 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 2023, CRE's operating assets complied with all local environmental related regulatory requirements. With a total electricity generation of 1,428.4 GWh, we have reduced approximately 463,000 tons of coal consumption and 1,106,000 tons of carbon emission.

We place importance on creating positive relationships with stakeholders through understanding and addressing their expectations. As one of the main foreign investors in China's renewable energy industry, we continue to maintain close contacts with our stakeholders, including but not limited to the Government (e.g. the NDRC and NEA at both national and provincial level), local authorities (e.g. environmental and land bureau) and State Grid Corporation through various meetings to facilitate their understanding of our business, operations and development direction.

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

RECORD DATE FOR 2024 AGM

The record date for determining the entitlement of shareholders of the Company ("Shareholders") to attend and vote at the forthcoming annual general meeting of the Company which will be held on Friday, 31 May 2024 ("2024 AGM") is Monday, 27 May 2024 after close of business. In order to be eligible to attend and vote at the 2024 AGM, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong ("Computershare"), no later than 4:30 p.m. on Monday, 27 May 2024.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK0.5 cents (2022: HK0.5 cents) per ordinary share for the year ended 31 December 2023 to Shareholders whose names appear on the register of members of the Company on Thursday, 13 June 2024. Subject to the approval of Shareholders at the 2024 AGM, the final dividend will be paid on Friday, 21 June 2024.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend is Thursday, 13 June 2024. The Company's register of members will be closed from Wednesday, 12 June 2024 to Thursday, 13 June 2024 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare for registration no later than 4:30 p.m. on Tuesday, 11 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 C1 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 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 of the Company, Mr. OEI Kang, Eric, with support from other executive directors of the Company (the "Director(s)"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. The Board will review the structure from time to time to ensure it continues to meet the principle and will consider segregation of the roles of Chairman and CEO if and when appropriate.

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 C3 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 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.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference which have been updated from time to time to align with the Code Provisions set out in the CG Code. The Audit Committee comprises three members namely Mr. CHENG Yuk Wo, Mr. TIAN Yuchuan and Mr. ZHANG Songyi. The Audit Committee, chaired by an Independent Non-executive Director, is composed of all Independent Non-executive Directors. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF MOORE CPA LIMITED (FORMERLY KNOWN AS MOORE STEPHENS CPA LIMITED) ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Moore CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cre987.com) and the Stock Exchange (www.hkexnews.hk). The 2023 annual report containing all the information required by the Listing Rules will be published on the above websites and will be dispatched to Shareholders (upon requested) in due course.

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises six directors, of which Mr. OEI Kang, Eric, 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.