CHINA ENVIRONMENTAL TECHNOLOGY AND BIOENERGY HOLDINGS LIMITED

中科生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1237)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016

— Revenue for the Year decreased by 30.9% to RMB442.3 million (2015: RMB640.0 million).

— Loss for the Year RMB22.3 million (2015: profit for the year RMB43.8 million).

— Loss per Share is RMB0.0087 (2015: Earnings per Share is RMB0.0283).

— The Board does not recommend the payment of a final dividend in respect of the Year (2015: Nil).

The Board announces the consolidated results of the Group for the year ended 31 December 2016 (the "Year"), together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	**442,328**	639,999
Cost of sales		**(394,506)**	(517,542)
Gross profit		**47,822**	122,457
Other revenue	4(a)	**29,308**	32,908
Other net loss	4(b)	**(21,877)**	(7,030)
Selling and distribution expenses		**(20,219)**	(22,671)
Administrative expenses		**(46,546)**	(55,554)
(Loss)/profit from operations		**(11,512)**	70,110
Finance costs	5(a)	**(9,037)**	(16,627)
Share of (losses)/profits of associates		**(129)**	20
(Loss)/profit before taxation	5	**(20,678)**	53,503
Income tax expense	6(a)	**(1,617)**	(9,701)
(Loss)/profit for the year		**(22,295)**	43,802
(Loss)/earnings per share			
Basic and diluted (RMB)	7	**(0.0087)**	0.0283

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi)

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(22,295)**	43,802
Other comprehensive income for the year, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**15,502**	3,806
Total comprehensive income for the year	**(6,793)**	47,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016
(Expressed in Renminbi)

	Note	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment		**548,043**	466,501
Lease prepayments		**98,096**	100,032
Non-current prepayments for acquisitions of property, plant and equipment		**64,167**	70,952
Interests in associates		**23,355**	13,970
Goodwill		**–**	4,300
Other financial assets		**2,495**	2,495
Deferred tax assets		**4,596**	5,269
		740,752	663,519
Current assets			
Inventories	*8*	**319,500**	336,409
Current portion of lease prepayments		**1,966**	1,966
Trade and other receivables	*9*	**239,886**	290,525
Pledged deposits		**147,192**	135,347
Cash and cash equivalents		**173,986**	196,901
		882,530	961,148
Current liabilities			
Trade and other payables	*10*	**33,329**	28,178
Bank loans		**340,072**	322,459
Debentures		**17,890**	–
Current portion of deferred income		**1,163**	1,163
Current taxation		**26,324**	25,744
		418,778	377,544
Net current assets		**463,752**	583,604
Total assets less current liabilities		**1,204,504**	1,247,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016
(CONTINUED)
(Expressed in Renminbi)

	Note	**2016** **RMB'000**	2015 *RMB'000*
Non-current liabilities			
Bank loans		**56,290**	74,460
Debentures		**–**	16,756
Non-current portion of deferred income		**17,201**	18,364
Deferred tax liabilities		**2,296**	2,033
		75,787	111,613
NET ASSETS		**1,128,717**	1,135,510
Equity			
Share capital		**20,987**	20,987
Reserves		**1,107,730**	1,114,523
TOTAL EQUITY		**1,128,717**	1,135,510

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 October 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company was listed on the Stock Exchange on 6 July 2012.

2 BASIS OF PREPARATION AND PRESENTATION

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs"), Interpretations issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable provisions of the Listing Rules.

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

IFRSs (Amendments)	*Annual Improvements 2012–2014 Cycle*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of outdoor wooden products, engaging in projects of outdoor wooden products including the provision of design and installation services, retail sales of outdoor wooden products through self-operated retail shops and manufacturing and sales of renewable energy products.

Revenue represents

(i) the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax; and

(ii) contract revenue derived from projects of outdoor wooden products including the provision of design and installation services.

The amount of each significant category of revenue recognised in revenue is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of outdoor wooden products	**421,761**	605,982
Retail sales of wooden products	**7,930**	11,044
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	**132**	200
Sales of renewable energy products	**12,505**	22,773
	442,328	639,999

Information about major customers

For the year ended 31 December 2016, revenues from two customers of the Group's sales of outdoor wooden products amounted to RMB67,828,000 and RMB54,749,000 respectively, which each represent 10% or more of the Group's revenues.

No individual external customers accounted for 10% or more of the Group's revenue for the year ended 31 December 2015.

Geographic information of revenue

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered or the services were provided.

	2016	2015
	RMB'000	*RMB'000*
The PRC (place of domicile)	**88,019**	298,207
North America	**273,842**	289,756
Europe	**44,017**	30,367
Asia Pacific (exclusive of the PRC)	**16,160**	21,669
Australia	**20,290**	–
	354,309	341,792
	442,328	639,999

(b) Segment reporting

In a manner consistent with how the Group manages its business and the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of renewable energy products. No operating segments have been aggregated to form the above reportable segments.

- Manufacturing and sales of wooden products: manufacturing and sales of outdoor wooden products to both domestic and overseas customers, and trading of timber.
- Retail business: retail sales of outdoor wooden products through self-operated retail shops.
- Projects of outdoor wooden products: engaged in projects of outdoor wooden products including the provision of design and installation services to domestic customers.
- Manufacturing and sales of renewable energy products: manufacturing and sales of biomass pellet fuel to both domestic and overseas customers.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Reportable segment revenue represents the revenue derived from the Group's external customers by Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of renewable energy products, respectively.

The measure used for reportable segment profit/(loss) is "profit/(loss) after taxation (excluding the after tax effect of government subsidies)" of Manufacturing and sales of wooden products, Retail business, Projects of outdoor wooden products and Manufacturing and sales of renewable energy products, respectively.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

	2016				
	Manufacturing and sales of wooden products *RMB'000*	**Retail business** *RMB'000*	**Projects of outdoor wooden products** *RMB'000*	**Manufacturing and sales of renewable energy products** *RMB'000*	**Total** *RMB'000*
Revenue derived from the Group's external customers	**421,761**	**7,930**	**132**	**12,505**	**442,328**
Inter-segment revenue	**17,453**	**–**	**–**	**–**	**17,453**
Reportable segment revenue	**439,214**	**7,930**	**132**	**12,505**	**459,781**
Reportable segment (loss)/profit ((loss)/profit after taxation (excluding the after tax effect of government subsidies))	**(31,866)**	**(2,459)**	**(162)**	**1,249**	**(33,238)**
Depreciation and amortisation	**(23,369)**	**(1,239)**	**(11)**	**(477)**	**(25,096)**
Impairment of goodwill	**(4,300)**	**–**	**–**	**–**	**(4,300)**
Changes in fair value of derivative financial instruments — unrealised	**1,869**	**–**	**–**	**–**	**1,869**
Written-off of inventories	**(8,656)**	**–**	**–**	**–**	**(8,656)**

	2015				
	Manufacturing and sales of wooden products *RMB'000*	Retail business *RMB'000*	Projects of outdoor wooden products *RMB'000*	Manufacturing and sales of renewable energy products *RMB'000*	Total *RMB'000*
Revenue derived from the Group's external customers	605,982	11,044	200	22,773	639,999
Inter-segment revenue	23,426	–	–	–	23,426
Reportable segment revenue	629,408	11,044	200	22,773	663,425
Reportable segment profit/(loss) (profit/(loss) after taxation (excluding the after tax effect of government subsidies))	25,720	(2,069)	(173)	8,183	31,661
Depreciation and amortisation	(20,123)	(1,241)	(15)	(351)	(21,730)
Changes in fair value of derivative financial instruments — unrealised	(2,047)	–	–	–	(2,047)

(ii) Reconciliations of reportable segment revenue and reportable segment (loss)/profit

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**459,781**	663,425
Elimination of inter-segment revenue	**(17,453)**	(23,426)
Consolidated revenue	**442,328**	639,999
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers	**(33,238)**	31,661
Government subsidies (net of tax)	**19,458**	22,421
Unallocated head office and corporate expenses	**(8,515)**	(10,280)
Consolidated (loss)/profit after taxation	**(22,295)**	43,802

(iii) Geographical information

No geographical segment information is presented as all the Group's revenue is derived from operations in the PRC and most of the Group's non-current assets are all located in the PRC.

4 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2016	2015
	RMB'000	*RMB'000*
Interest income on bank deposits	**5,687**	6,036
Government subsidies	**23,029**	26,515
Others	**592**	357
	29,308	32,908

The Group received unconditional government subsidies of RMB21,866,000 (2015: RMB25,352,000) for the year ended 31 December 2016. These government subsidies were granted to Zhangping Kimura and Unicreed (China) Electronics Company Limited. There were no unfulfilled conditions or contingencies attaching to these government grants.

The Group recognised government subsidies as deferred income which compensates the Group for the cost of its land use right and the cost of infrastructure development. RMB1,163,000 government subsidies (deferred income) (2015: RMB1,163,000) were recognised as other revenue for the year ended 31 December 2016, which is on a systematic basis over the useful life of the relevant assets.

(b) Other net loss

	2016	2015
	RMB'000	*RMB'000*
Net foreign exchange loss	**(8,127)**	(5,778)
Changes in fair value of derivative financial instruments — unrealised	**1,869**	(2,047)
Impairment of goodwill	**(4,300)**	–
Written-off of inventories	**(8,656)**	–
Others	**(2,663)**	795
	(21,877)	(7,030)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2016	2015
	RMB'000	*RMB'000*
Interest expense on bank loans and debentures	**17,582**	23,780
Less: Interest expense capitalised into construction in progress*	**(8,545)**	(7,153)
	9,037	16,627

* The borrowing costs have been capitalised at a rate of 3.80% (2015: 4.71%) per annum for the year ended 31 December 2016.

(b) Staff costs

	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**35,866**	37,723
Contributions to defined contribution retirement schemes	**2,895**	4,244
	38,761	41,967

Pursuant to the relevant labour rules and regulations in the PRC, the Group's entities in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended 31 December 2016 and 2015. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(c) Other items

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories#	**394,506**	517,542
Depreciation of property, plant and equipment	**23,160**	20,126
Amortisation of lease prepayments	**1,936**	1,604
Operating lease charges for properties	**680**	1,872
Research and development costs	**16,384**	22,332
Auditors' remuneration	**1,114**	1,290

\# Cost of inventories includes RMB40,180,000 (2015: RMB45,396,000) for the year ended 31 December 2016 relating to staff costs, depreciation and research and development costs, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax — PRC corporate income tax		
Provision for the year	**684**	9,573
Over-provision in respect of prior years	**(3)**	–
Deferred tax		
Origination and reversal of temporary differences	**936**	128
	1,617	9,701

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(20,678)**	53,503
National tax on (loss)/profit before taxation calculated at the rates applicable in the tax jurisdictions concerned *(note(i))*	**(1,348)**	16,196
Effect of PRC tax concession *(note (ii))*	**(1,083)**	(5,390)
Effect of income reduction *(note (iv))*	**(313)**	–
Effect of deductible temporary differences not recognised	**(151)**	–
Effect of non-deductible expenses	**6,563**	1,011
Effect of research and development expense bonus deduction *(note(iii))*	**(2,048)**	(2,116)
Over provision in prior years	**(3)**	–
Actual tax expense	**1,617**	9,701

Notes:

i. The Group's PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25% unless otherwise specified.

   Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions respectively.

   No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2016 and 2015.

ii. Zhangping Kimura applied and was approved for the High and New Technology Entities ("HNTE") qualification under the PRC Corporate Income Tax Law and its relevant regulations during 2013, and therefore is entitled to the preferential income tax rate of 15% for a period of three years from 2013 to 2015 and 2016 to 2018.

iii. According to the PRC Corporate Income Tax Law and its relevant regulations, qualified research and development expenses are subject to income tax deductions at 150% on the amount actually incurred.

iv. Income reduction as stated in Article 33 of the Enterprise Income Tax Law shall refer to the treatment that where an enterprise uses the resources stipulated in the Catalogue for Comprehensive Utilization of Resources Qualified for Enterprise Income Tax Preferential Treatment as its major raw materials to produce products that are not restricted or prohibited by the State and satisfy the relevant State and industrial criteria and only 90% of the income derived shall be calculated in its total income.

v. According to the PRC Corporate Income Tax Law and its relevant regulations, dividends receivable by non-PRC resident corporate investors from PRC resident enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

   Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only recognized to the extent that such profits are expected to be distributed through dividend payment by the Group's PRC subsidiaries in the foreseeable future. As at 31 December 2016, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries to overseas holding company amounted to RMB342,353,000 (2015: RMB328,616,000) and deferred tax liabilities of RMB34,235,000 (2015: RMB32,862,000) have not been recognised.

7 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2016 is based on the loss attributable to equity shareholders of the Company of RMB22,295,000 (2015: profit of RMB43,802,000) and weighted average of 2,573,835,000 shares (2015: 1,545,594,000 shares) in issue during the year ended 31 December 2016, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2016	2015
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**2,573,835**	1,545,594

There were no potential dilutive ordinary shares during the years ended 31 December 2016 and 2015 and, therefore, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

8 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**167,927**	181,157
Work in progress	**43,691**	52,935
Finished goods	**107,882**	102,317
	319,500	336,409

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016	2015
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**394,506**	517,542

9 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables	**128,400**	183,678
Trade receivable from associates	**3,510**	10,270
Amount due from a related company	**–**	1,007
Total trade receivables	**131,910**	194,955
Prepayment for raw materials	**86,497**	80,162
Derivative financial instruments	**9,561**	3,064
Gross amount due from customers for contract work *(note (i))*	**708**	708
Other receivables	**11,210**	11,636
	239,886	290,525

Note:

(i) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2016 was RMBNil (2015: RMB1,108,000). This balance includes retention receivables at 31 December 2016 of RMB708,000 (2015: RMB420,000), of which RMB708,000 (2015: RMB420,000) was expected to be recovered after more than one year.

All of the trade and other receivables, apart from those balances specified in (i) above, are expected to be recovered or recognised as expense within one year. As at 31 December 2016, trade receivables with carrying value of RMBNil (2015: RMB2,812,000) were pledged to banks for certain banking facilities granted to the Group.

(a) Ageing analysis

As at 31 December 2016, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowances of doubtful debts, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**36,499**	69,438
1 to 2 months	**23,305**	31,024
2 to 3 months	**13,181**	14,539
Over 3 months	**58,925**	79,954
	131,910	194,955

Trade and bills receivables are normally due within 90 days to 180 days from the date of billing.

(b) Trade debtors that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
Current	**77,526**	137,203
Less than 1 month past due	**2,059**	28,174
1 to 3 months past due	**896**	29,308
More than 3 months but less than 12 months past due	**41,024**	90
More than 12 months past due	**10,405**	180
Amounts past due	**54,384**	57,752
	131,910	194,955

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**6,892**	8,749
Receipt in advance	**3,138**	483
Receipt in advance from an associate	**230**	–
Derivative financial instruments	**7,692**	5,112
Amount due to a director	**17**	16
Amount due to a related company	**283**	–
Other payables and accruals *(note i)*	**15,077**	13,818
	33,329	28,178

Note:

(i) Balance mainly represents salaries, wages, bonus and other accrued benefits, and payables for the purchase of property, plant and equipment.

All of the above balances are expected to be settled within one year or repayable on demand.

(a) A maturity analysis of the trade payables is as follows:

As at 31 December 2016, the maturity analysis of the trade payables balance is as follows:

	2016	2015
	RMB'000	*RMB'000*
Due within 1 month or on demand	**4,410**	8,164
Due after 1 month but within 3 months	**2,482**	585
	6,892	8,749

11 DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
In respect of previous year:		
No final dividend proposed after the end of the reporting period (2015: Nil)	**–**	–

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Segment review

During the Year, the performance of our business segments are as follows:

	Segment revenue derived from external customers		Change	% to total segment revenue derived from external customers		Reportable segment (loss)/profit *(Note 1)*	
	2016	2015		**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	*%*	***%***	*%*	***RMB'000***	*RMB'000*
Manufacturing and sales of wooden products	**421,761**	605,982	-30.4%	**95.4%**	94.7%	**(31,866)**	25,720
Retail business	**7,930**	11,044	-28.2%	**1.8%**	1.7%	**(2,459)**	(2,069)
Projects of outdoor wooden products	**132**	200	-34.0%	**0.0%**	0.0%	**(162)**	(173)
Manufacturing and sales of renewable energy products	**12,505**	22,773	-45.1%	**2.8%**	3.6%	**1,249**	8,183
	442,328	639,999		**100.0%**	100.0%	**(33,238)**	31,661

Note 1: Reported segment (loss)/profit has excluded the after tax effect of government subsidies.

During the Year, the Group continued to consolidate its core business into the following segments: manufacturing and sales of wooden products, retail business and projects relating to outdoor wooden products. The Group's relatively new business in the manufacturing and sales of renewable energy products has successfully continued operation for the third year since its commencement in 2014. The revenue derived from each of the four businesses segments during the Year were RMB421,761,000, RMB7,930,000, RMB132,000 and RMB12,505,000 (2015: RMB605,982,000, RMB11,044,000, RMB200,000 and RMB22,773,000), representing 95.4%, 1.8%, 0.0% and 2.8% of the total revenue derived (2015: 94.7%, 1.7%, 0.0% and 3.6%) respectively.

Manufacturing and sales of wooden products remains the Group's largest business. However, the revenue derived from such business decreased by 30.4% which was attributable to the slowdown in the emerging economies and increased competition in the domestic and overseas timber house and structure markets. Also, a drop in selling price of the products met by an increase in processing and production cost to improve product competitiveness caused by stiff competition led to a significant decrease in the gross profit margin. This turns from profit to a loss of RMB31.9 million in 2016 (2015: RMB25.7 million profit). However, in light of the recent recovery of the economies of US and Europe, the Group will monitor the performance of each market and hope to stabilize the overall revenue of the Company.

The Group's self-owned brand is engaged in the retail of leisure household products. Since its establishment in 2010, its sales network has grown to include major cities in more than 10 provinces in the PRC with over 50 self-operated stores and distribution outlets. The Group aims to improve the operation by improving its cost controls.

As mentioned above, the Group has continued its renewable energy business for a third successful year. This aspect of the business involves the recycling of residue, such as leftover sawdust from the production of our wooden products, into biomass pellet fuel. The biomass pellet fuel and its production process, are fully compliant with the national development directions on new energies in the PRC.

The Group's renewable energy business recorded a decrease in revenue of 45.1% to RMB12.5 million and a decrease in profit of 84.7% to RMB1.2 million (2015: revenue of RMB22.8 million and profit of RMB8.2 million) during the Year. Despite the drop in revenue and profit, the Group will continue to develop in the renewable energy business.

Market review

During the Year, the distribution of revenue from our global markets are as follows:

	Revenue		**% to total revenue**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	**%**	%
The PRC	**88,019**	298,207	**20%**	47%
North America	**273,842**	289,756	**62%**	45%
Europe	**44,017**	30,367	**10%**	5%
Asia Pacific (Exclusive of the PRC)	**16,160**	21,669	**4%**	3%
Australia	**20,290**	–	**4%**	0%
	442,328	639,999	**100%**	100%

The Group has strategically positioned itself "to align with the trend of Chinese tourism and leisure market and to capitalize on the recovery of the US and European property markets". The Group's aim is to take advantage of opportunities within the market and to develop the Group's business at a faster pace whilst complying with all relevant laws, rules and regulations.

During the Year, revenue from the PRC market decreased sharply by 70.5% to RMB88.0 million (2015: RMB298.2 million), representing 20% (2015: 47%) of the total revenue. This was mainly attributable to the economic slowdown in the PRC. In 2016, the growth of the PRC's investments in fixed assets further decelerated. The Group expects that the sluggish economy in the PRC will persist, in 2017. In order to maintain its competitiveness in the PRC market, the Group will continue to strengthen its products portfolio.

According to the US Department of Commerce, the new housing increased by approximately 6% to 14 million units in the 2016. Due to the economic stability in the US and the decline in the PRC market, the North America became the largest market of the Group. Although the revenue from the North America market slightly declined by 5.5% to RMB273.8 million (2015: RMB289.8 million), the revenue contributes 62% (2015: 45%) to the Group's total revenue. The Group expects that, with the further recovery of the US economy, the Group will be able to capture further opportunities and business so as to help stabilize the Group's total revenue.

During the Year, the Group's revenue from the Europe market increased by 45% to RMB44.0 million (2015: RMB30.4 million). Germany became the largest market of the Group in Europe. According to the data from the Federal Statistics Office of Germany, the construction of a total of 375,400 dwellings was permitted in Germany in 2016, which is about 22% increase compare to the same period in 2015. The Group expects to capture further opportunities and business as a result of the acceleration in construction of new housing this year.

During the Year, the Group successfully developed new business in sales of timber houses and their related parts and structures and trading of timber in new geographical areas such as Australia and Korea. This could help the Company to develop a more diversified customer base. The Group will continue to seek for new business opportunity.

Financial Review

Revenue and gross profit margin by product category

	Revenue			**% to total revenue**		**Gross margin**	
	2016	2015	**Change**	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	%	**%**	%	**%**	%
Timber houses and their related parts and structures	**243,406**	440,005	-44.7%	**55.0%**	68.7%	**10.3%**	17.4%
Leisure household products							
Outdoor and indoor furnitures	**28,442**	50,960	-44.2%	**6.4%**	8.0%	**13.0%**	29.8%
Recreational products	**18,045**	22,726	-20.6%	**4.1%**	3.6%	**7.1%**	26.7%
Landscape garden products	**67,285**	31,267	115.2%	**15.2%**	4.9%	**18.3%**	13.3%
Pet-home designs	**12,640**	7,176	76.1%	**2.9%**	1.1%	**18.5%**	32.5%
Trading of timber	**60,005**	65,092	-7.8%	**13.6%**	10.1%	**1.3%**	9.8%
Renewable energy products	**12,505**	22,773	-45.1%	**2.8%**	3.6%	**19.2%**	52.2%
Total	**442,328**	639,999	-30.9%	**100.0%**	100.0%	**10.8%**	19.1%

Sales of timber houses and their related parts and structures remained the largest income stream of the Group by product category in 2016. Revenue from such category decreased by 44.7% to RMB243.4 million, representing 55.0% (2015: 68.7%) of total sales for the Year, mainly due to the decline of domestic sales.

During the Year, there was an overall decrease in trade within the timber market which provides an explanation to the decrease in revenue recorded by the Group. Despite the uncertain and slowly recovering global economy, the Group intends to balance the growth with stability in the foreseeable future.

Other revenue

During the Year, our other revenue decrease to RMB29.3 million (2015: RMB32.9 million) mainly due to the decrease in government subsidies amounting to RMB23.0 million (2015: RMB26.5 million).

Other net loss

The Group recorded other net loss of RMB21.9 million for the Year (2015: RMB7.0 million). The losses were primarily due to the exchange loss, impairment of goodwill and written-off of inventories.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Year were RMB20.2 million (2015: RMB22.7 million). This slight decrease was mainly due to the decrease in revenue.

Administrative expenses

Our administrative expenses incurred during the Year decreased to RMB46.5 million (2015: RMB55.6 million), which was a result of stringent in cost control.

Finance costs

Our finance costs decreased to RMB9.0 million during the Year (2015: RMB16.6 million), and this was attributable to the active management to the fund.

Income tax expenses

Our income tax decreased significantly to RMB1.6 million (2015: RMB9.7 million), primarily due to decrease in profit before taxation of subsidiaries recorded during the Year.

(Loss)/profit for the Year

As a result of the foregoing factors, loss for the Year is RMB22.3 million (2015: profit of RMB43.8 million). Loss for the Year excluding the after tax effect of government subsidies is RMB41.8 million (2015: profit of RMB21.4 million).

Dividend

The Board does not recommend a final dividend for the Year (2015: Nil).

Liquidity and capital resources

The Group principally meets its working capital and other liquidity requirements through operating cash flows and proceeds from bank borrowings. The Group anticipates that it can sufficiently meet funding needs for working capital and capital expenditure. As at 31 December 2016, the Group had current assets of RMB882.5 million (31 December 2015: RMB961.1 million), of which bank deposits and cash (including pledged deposits) were RMB321.2 million (31 December 2015: RMB332.2 million). To better manage our funds, the Group's cash is generally deposited with banks and denominated mostly in RMB and USD. As at 31 December 2016, total available banking facilities of the Group amounted to RMB532.0 million (31 December 2015: RMB652.9 million), banking facilities utilized as at 31 December 2016 were RMB396.4 million (31 December 2015: RMB396.9 million) and these were denominated in RMB, EURO and USD. All of the Group's banking facilities were subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions.

As at 31 December 2016, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 25.5% and 8.2% respectively (31 December 2015: 25.5% and 7.2% respectively), current ratio and quick ratio were 2.1:1 and 1.3:1 respectively (31 December 2015: 2.5:1 and 1.7:1 respectively).

Pledge of assets

At 31 December 2016, the Group pledged its plant and machinery, lease prepayments and buildings held for own use and accounts receivable with net book value of RMB229.4 million (31 December 2015: RMB213.1 million) and deposits with banks of RMB147.2 million (31 December 2015: RMB135.3 million) mainly for the purpose of securing bank loans and financial derivative contracts issued by banks to the Group.

Capital expenditure

During the Year, the Group's total expenditure in respect of property, plant and equipment and non-current prepayments for acquisitions of property, plant and equipment amounted to RMB89.2 million (2015: RMB174.5 million).

Significant investment, material acquisitions and disposals of subsidiaries, future plans for material investments or acquisition of capital assets

During the Year, there were no significant investments, material acquisitions or disposals of subsidiaries by the Company. The Group currently has no plan to make any substantial investments in or acquisitions of capital assets, but will continue to seek out potential investment or acquisition opportunities according to the Group's development needs.

Foreign currency risks

The Group's sales are mainly denominated in USD and RMB while our cost of sales and operating expenses are mainly denominated in RMB. Therefore, the Group's profit margin would be affected if RMB appreciates against USD as the Group may not be able to reflect the appreciation in selling prices to overseas customers that were determined in USD. In response to this, the Group manages fluctuations in the exchange rate of RMB against USD by entering into foreign currency forward contracts mainly denominated in USD and RMB with banks when sales contracts were entered with overseas customers. As at 31 December 2016, the Group has net outstanding USD denominated forward foreign currency contracts of USD37.9 million (31 December 2015: USD51.9 million). All the contracts are to be settled within one year.

With the increasing level of our overseas purchases, the Group also manages foreign exchange risk by matching the cash inflow from our export sales denominated in USD with the cash outflow from our import of timber denominated in USD.

Use of net proceeds from the global offering, placing and subscription

The Shares were listed on the Main Board of the Stock Exchange on 6 July 2012. Net proceeds from the global offering were approximately HK$144.3 million (after deducting the underwriting commission and relevant expenses).

On 26 June 2014, the Company issued 200,000,000 new ordinary shares of HK$0.01 each at HK$0.80 per share by way of placing (the "June 2014 Placement"). On 7 October 2014, the Company issued 165,000,000 new ordinary shares of HK$0.01 each at HK$0.93 per share by way of placing (the "October 2014 Placement"). On 5 August 2015, the Company issued 272,600,000 new ordinary shares of HK$0.01 each at HK$0.55 per share by way of placing (the "August 2015 Subscription"). On 21 December 2015, the Company issued 857,945,000 new ordinary shares of HK$0.01 each at HK$0.20 per share by way of Open Offer (the "December 2015 Open Offer"). The net proceeds from the issue of new shares under the June 2014 Placement, October 2014 Placement, August 2015 Subscription, December 2015 Open Offer after deducting related transaction costs, were HK$155.0 million, HK$148.0 million, HK$149.7 million, HK$170.0 million respectively.

As at 31 December 2016, all the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. A breakdown of the use of net proceeds is set forth in the table below:

	The financing of the acquisition of automated production machinery and equipment *HK$' million*	Establishing new production facilities *HK$' million*	Establishing own-brand self-operated store network *HK$' million*	Merger and acquisition of small to medium sized companies, other timber processing plants, and/or other resources *HK$' million*	Own-brand promotion and other marketing events *HK$' million*	Increasing and enhancing our research and development activities *HK$' million*	General working capital *HK$' million*	Total *HK$' million*
From global offering								
Amount of net proceeds	N/A	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Percentage to total net proceeds	N/A	29.0%	27.6%	19.3%	7.7%	6.8%	9.6%	100.0%
Utilised amount as at 31 December 2016	N/A	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Unutilised amount as at 31 December 2016	N/A	–	–	–	–	–	–	–
From June 2014 Placement								
Amount of net proceeds	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Percentage to total net proceeds	N/A	80.6%	N/A	N/A	N/A	N/A	19.4%	100.0%
Utilised amount as at 31 December 2016	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Unutilised amount as at 31 December 2016	N/A	–	N/A	N/A	N/A	N/A	–	–
From October 2014 Placement								
Amount of net proceeds	N/A	73.0	N/A	50.0	N/A	N/A	25.0	148.0
Percentage to total net proceeds	N/A	49.3%	N/A	33.8%	N/A	N/A	16.9%	100.0%
Utilised amount as at 31 December 2016	N/A	73.0	N/A	27.3	N/A	N/A	25.0	125.3
Unutilised amount as at 31 December 2016	N/A	–	N/A	22.7	N/A	N/A	–	22.7
From August 2015 Subscription								
Amount of net proceeds	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Percentage to total net proceeds	N/A	50.0%	N/A	N/A	N/A	N/A	50.0%	100%
Utilised amount as at 31 December 2016	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Unutilised amount as at 31 December 2016	N/A	–	N/A	N/A	N/A	N/A	–	–
From December 2015 Open Offer								
Amount of net proceeds	119.0	N/A	N/A	N/A	N/A	17.0	34.0	170.0
Percentage to total net proceeds	70.0%	N/A	N/A	N/A	N/A	10.0%	20.0%	100%
Utilised amount as at 31 December 2016	78.2	N/A	N/A	N/A	N/A	17.0	34.0	129.2
Unutilised amount as at 31 December 2016	40.8	N/A	N/A	N/A	N/A	–	–	40.8

Human resources

As at 31 December 2016, we employed a total of 547 (2015: 690) full time employees, mainly in the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. The Group's total expenses on the remuneration of employees for the Year were RMB38.8 million (2015: RMB42.0 million), representing 8.8% (2015: 6.6%) of the revenue of the Group. The Group has been consistently increasing production process automation, strengthening the training of staff with an emphasis on high-technique processing with a mission on the continuous development and enhancing of competitiveness. The Group offered highly competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees.

The Group's emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 15 June 2012 and up to 31 December 2016, no options have been granted.

Events after the reporting period

On 24 January 2017, the Company entered into the subscription agreement with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 514,500,000 subscription shares at the subscription price of HK$0.13 per subscription share. Completion took place on 10 February 2017 in accordance with the terms and conditions of the subscription agreement.

Pursuant to the subscription agreement, on 10 February 2017, 514,500,000 subscription shares, representing approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares as at 10 February 2017, were allotted and issued to the subscriber at the subscription price of HK$0.13 per subscription share.

Save as disclosed above, the Group has no material events happened after the reporting period.

Prospects

The pace of interest rates rise remained slow in 2016, however, the market generally expects that the interest rise relatively faster in 2017 than that in 2016 and 2015, this may imply that the US economy is more stable than previous years, however, higher interest rates and higher inflation typically cool demand in the housing sector. The China's economy seems to have a sign of stable, hoping that demand will gradually recover in China and greater demand for the Group's products in the Asia-Pacific region, the Group will endeavor to capture all opportunities presented by the emerging markets.

During the Year, the Group successfully developed new business in sales of timber houses and their related parts and structures and trading of timber in new geographical areas such as Australia and Korea. This could help the Company to develop a more diversified customer base. The Group will continue to seek for new business opportunity.

Meanwhile, standing on the well establishment of the Group's self-owned "Merry Garden" brand and the impeccable strategy for the Group in development renewable energy products, the Group looks forward to making further breakthroughs and expanding our market shares internationally.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE CODE

During the Year, the Company was in full compliance with the code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.1 and C.1.2.

The code provision A.1.1

Pursuant to code provision A.1.1 of the Corporate Governance Code, the Board meetings should be held at least four times a year at approximately quarterly intervals. The Board only held two regular meetings during the Year to approve the interim and annual results in 2016 whilst other matters of the Board were dealt with by written resolutions or ad hoc Board meeting.

The code provision C.1.2

Pursuant to code provision C.1.2, the management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Company has deviated from C.1.2 in that while the management has updated most of the Directors on a monthly basis about the business operation and performance of the Company, not all the Directors received such updates as the monthly updates were conducted on-site at the Group's factory in China. Members of the Board who did not attend such on-site meetings did not receive the updates. However, the management would provide detailed updates to all the Directors on a half-yearly and yearly basis. In the event there are any significant updates to be provided, the management will update all the Directors as early as practicable for discussion and resolution. The Company also has in place a system for every Director to make enquiries with the senior management about the business operation of the Group and to give suggestions or feedback in the event such Director is not able to attend the monthly on-site updates session.

MODEL CODE

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the Year.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the Year have been reviewed by the audit committee of the Company.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the Year have been compared by the Company's auditors, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 23 May 2017 to 26 May 2017 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 22 May 2017.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the Annual General Meeting, will be despatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Stock Exchange's websites. The Company's annual report for the Year in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Stock Exchange's websites in due course.

DEFINITIONS

"Annual General Meeting"	an annual general meeting of the Company to be held on 26 May 2017 or any adjournment thereof
"Board"	the board of Directors
"Company"	China Environmental Technology and Bioenergy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Corporate Governance Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	the shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	The United States of America
“US$”	United States dollars, the lawful currency of the US
“Year”	the year ended 31 December 2016
“Zhangping Kimura”	Fujian Zhangping Kimura Forestry Products Co., Ltd. (福建省漳平木村林產有限公司), an indirectly wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board of
China Environmental Technology and Bioenergy Holdings Limited
Xie Qingmei
Chairman

Hong Kong, 24 March 2017

As at the date of this announcement, the executive Directors are Ms. Xie Qingmei and Mr. Wu Zheyan, the non-executive Director is Mr. Wu Dongping, and the independent non-executive Directors are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.