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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 2017

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2017

— Revenue for the Year increased by 4.5% to RMB462.2 million (2016: RMB442.3 million).

— Loss for the Year is RMB40.6 million (2016: RMB22.3 million).

— Loss per Share is RMB0.0134 (2016: RMB0.0087).

— The Board does not recommend the payment of a final dividend in respect of the Year (2016: Nil).

The Board announces the consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**462,191**	442,328
Cost of sales		**(430,018)**	(394,506)
Gross profit		**32,173**	47,822
Other revenue	*4(a)*	**15,777**	29,308
Other net loss	*4(b)*	**(14,884)**	(21,877)
Selling and distribution expenses		**(17,600)**	(20,219)
Administrative expenses		**(47,249)**	(46,546)
Loss from operations		**(31,783)**	(11,512)
Finance costs	*5(a)*	**(6,216)**	(9,037)
Share of losses of associates		**(204)**	(129)
Loss before taxation	*5*	**(38,203)**	(20,678)
Income tax expense	*6(a)*	**(2,353)**	(1,617)
Loss for the year		**(40,556)**	(22,295)
		RMB	*RMB*
Loss per share			
Basic and diluted	*7*	**(0.0134)**	(0.0087)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Renminbi)

	2017	2016
	RMB'000	*RMB'000*
Loss for the year	**(40,556)**	(22,295)
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	**(16,649)**	15,502
Total comprehensive income for the year	**(57,205)**	(6,793)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment		**631,169**	548,043
Lease prepayments		**73,650**	98,096
Non-current prepayments for acquisitions of property, plant and equipment		**34,603**	64,167
Interests in associates		**24,434**	23,355
Other financial assets		**2,495**	2,495
Deferred tax assets		**5,984**	4,596
		772,335	740,752
Current assets			
Inventories	*8*	**331,118**	319,500
Current portion of lease prepayments		**1,664**	1,966
Trade and other receivables	*9*	**196,604**	239,886
Pledged deposits		**78,261**	147,192
Cash and cash equivalents		**113,501**	173,986
		721,148	882,530
Current liabilities			
Trade and other payables	*10*	**64,153**	33,329
Bank loans		**233,187**	340,072
Debentures		**–**	17,890
Current portion of deferred income		**1,163**	1,163
Current taxation		**25,966**	26,324
		324,469	418,778
Net current assets		**396,679**	463,752
Total assets less current liabilities		**1,169,014**	1,204,504

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
(CONTINUED)
(Expressed in Renminbi)

	Note	**2017**	2016
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans		**–**	56,290
Debentures		**16,790**	–
Non-current portion of deferred income		**16,038**	17,201
Deferred tax liabilities		**5,596**	2,296
		38,424	75,787
NET ASSETS		**1,130,590**	1,128,717
Equity			
Share capital		**25,544**	20,987
Reserves		**1,105,046**	1,107,730
TOTAL EQUITY		**1,130,590**	1,128,717

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 2017 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.

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

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:

	2017	2016
	RMB'000	*RMB'000*
Sales of outdoor wooden products	**436,841**	421,761
Retail sales of wooden products	**5,280**	7,930
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	**–**	132
Sales of renewable energy products	**20,070**	12,505
	462,191	442,328

Information about major customers

For the year ended 31 December 2017, revenues from a customer of the Group's sales of outdoor wooden products amounted to RMB70,325,000, which represent 10% or more of the Group's revenues.

Two customers accounted for 10% or more of the Group's revenue for the year ended 31 December 2016.

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.

	2017	2016
	RMB'000	*RMB'000*
The PRC (place of domicile)	**107,332**	88,019
North America	**236,279**	273,842
Europe	**18,303**	44,017
Asia Pacific (exclusive of the PRC)	**16,945**	16,160
Australia	**83,332**	20,290
	354,859	354,309
	462,191	442,328

(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 (loss)/profit is "(loss)/profit 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 2017 and 2016 is set out below:

			2017		
	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	**436,841**	**5,280**	**–**	**20,070**	**462,191**
Inter-segment revenue	**17,629**	**–**	**–**	**3,105**	**20,734**
Reportable segment revenue	**454,470**	**5,280**	**–**	**23,175**	**482,925**
Reportable segment (loss)/profit ((loss)/profit after taxation (excluding the after tax effect of government subsidies))	**(44,515)**	**(1,946)**	**–**	**3,541**	**(42,920)**
Depreciation and amortisation	**(23,736)**	**(1,234)**	**–**	**(507)**	**(25,477)**
Changes in fair value of derivative financial instruments — unrealised	**(12,307)**	**–**	**–**	**–**	**(12,307)**
Impairment of property plant and equipment	**(2,323)**	**–**	**–**	**–**	**(2,323)**
Written-off of inventories	**(2,354)**	**–**	**–**	**–**	**(2,354)**

			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)

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**482,925**	459,781
Elimination of inter-segment revenue	**(20,734)**	(17,453)
Consolidated revenue	**462,191**	442,328
Loss		
Reportable segment loss derived from the Group's external customers	**(42,920)**	(33,238)
Government subsidies (net of tax)	**9,589**	19,458
Unallocated head office and corporate expenses	**(7,225)**	(8,515)
Consolidated loss after taxation	**(40,556)**	(22,295)

(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

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**3,405**	5,687
Government subsidies	**11,418**	23,029
Dividend income	**354**	283
Rental income	**204**	–
Others	**396**	309
	15,777	29,308

The Group received unconditional government subsidies of RMB10,255,000 (2016: RMB21,866,000) for the year ended 31 December 2017. These government subsidies were granted to Zhangping Kimura. 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) (2016: RMB1,163,000) were recognised as other revenue for the year ended 31 December 2017, which is on a systematic basis over the useful life of the relevant assets.

(b) Other net loss

	2017	2016
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	**8,966**	(8,127)
Change in fair value of derivative financial instruments — realised	**(3,448)**	(1,479)
Changes in fair value of derivative financial instruments — unrealised	**(12,307)**	1,869
Disposal of land use right	**580**	–
Disposal of property, plant and equipment	**105**	–
Impairment of goodwill	**–**	(4,300)
Impairment of property, plant and equipment	**(2,323)**	–
Impairment of trade and other receivables	**(3,493)**	–
Written-off of inventories	**(2,354)**	(8,656)
Others	**(610)**	(1,184)
	(14,884)	(21,877)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest expense on bank loans and debentures	**14,501**	17,582
Less: Interest expense capitalised into construction in progress*	**(8,285)**	(8,545)
	6,216	9,037

* The borrowing costs have been capitalised at a rate of 3.01% (2016: 3.80%) per annum for the year ended 31 December 2017.

(b) Staff costs

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**30,862**	35,866
Contributions to defined contribution retirement schemes	**1,745**	2,895
	32,607	38,761

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 2017 and 2016. 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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories#	**430,018**	394,506
Depreciation of property, plant and equipment	**23,756**	23,160
Amortisation of lease prepayments	**1,732**	1,936
Operating lease charges for properties	**593**	680
Research and development costs	**21,049**	16,384
Auditors' remuneration	**1,089**	1,114

Cost of inventories includes RMB37,090,000 (2016: RMB40,180,000) for the year ended 31 December 2017 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 6(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:

	2017	2016
	RMB'000	*RMB'000*
Current tax — PRC corporate income tax		
Provision for the year	**441**	684
Over-provision in respect of prior years	**–**	(3)
Deferred tax		
Origination and reversal of temporary differences	**1,912**	936
	2,353	1,617

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

	2017	2016
	RMB'000	*RMB'000*
Loss before taxation	**(38,203)**	(20,678)
National tax on (loss)/profit before taxation calculated at the rates applicable in the tax jurisdictions concerned *(note (i))*	**(10,290)**	(1,348)
Effect of PRC tax concession *(note (ii))*	**–**	(1,083)
Effect on non-taxable income	**(3,030)**	–
Effect of income reduction *(note (iv))*	**(580)**	(313)
Effect of deductible temporary differences not recognised	**7,281**	(151)
Effect of non-deductible expenses	**5,069**	6,563
Effect of research and development expense bonus deduction *(note (iii))*	**(2,631)**	(2,048)
Tax loss not recognised	**6,534**	–
Over provision in prior years	**–**	(3)
Actual tax expense	**2,353**	1,617

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 2017 and 2016.

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 2016, and therefore is entitled to the preferential income tax rate of 15% for a period of three years from 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 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries to overseas holding company amounted to RMB317,501,000 (2016: RMB342,353,000) and deferred tax liabilities of RMB31,750,000 (2016: RM34,235,000) have not been recognised.

7 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2017 is based on the loss attributable to equity shareholders of the Company of RMB40,556,000 (2016: RMB22,295,000) and weighted average of 3,030,542,000 shares (2016: 2,573,835,000 shares) in issue during the year ended 31 December 2017, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,030,542**	2,573,835

There were no potential dilutive ordinary shares during the years ended 31 December 2017 and 2016 and, therefore, diluted loss per share are the same as the basic loss per share.

8 INVENTORIES

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

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**174,856**	167,927
Work in progress	**29,298**	43,691
Finished goods	**126,964**	107,882
	331,118	319,500

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

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**430,018**	394,506

9 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**110,650**	128,400
Trade receivable from associates	**1,478**	3,510
Total trade receivables	**112,128**	131,910
Prepayment for raw materials	**63,927**	86,497
Derivative financial instruments	**–**	9,561
Gross amount due from customers for contract work *(note (i))*	**–**	708
Amount due from a related company	**67**	–
Amount due from associates	**3,968**	–
Other receivables	**16,514**	11,210
	196,604	239,886

Note:

(i) This balance includes retention receivables at 31 December 2017 of RMB708,000 (2016: RMB708,000), of which RMB708,000 was impaired for the year ended 31 December 2017.

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.

(a) Ageing analysis

As at 31 December 2017, 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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**38,776**	36,499
1 to 2 months	**25,738**	23,305
2 to 3 months	**11,560**	13,181
Over 3 months	**36,054**	58,925
	112,128	131,910

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:

	2017	2016
	RMB'000	*RMB'000*
Current	**90,005**	77,526
Less than 1 month past due	**6,223**	2,059
1 to 3 months past due	**1,542**	896
More than 3 months but less than 12 months past due	**9,587**	41,024
More than 12 months past due	**4,771**	10,405
Amounts past due	**22,123**	54,384
	112,128	131,910

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.

The below table reconciled the impairment loss of trade and other receivables for the year:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment loss recognised	**3,493**	–
At 31 December	**3,493**	–

10 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**3,769**	6,892
Receipt in advance	**10,094**	3,138
Amounts due to associates	**22,416**	230
Derivative financial instruments	**12,307**	7,692
Amount due to a director	**12**	17
Amount due to a related company	**283**	283
Other payables and accruals *(note i)*	**15,272**	15,077
	64,153	33,329

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 2017, the maturity analysis of the trade payables balance is as follows:

	2017	2016
	RMB'000	*RMB'000*
Due within 1 month or on demand	**3,169**	4,410
Due after 1 month but within 3 months	**600**	2,482
	3,769	6,892

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)*	
	2017	2016		**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	*%*	***%***	*%*	***RMB'000***	*RMB'000*
Manufacturing and sales of wooden products	**436,841**	421,761	3.6%	**94.5%**	95.4%	**(44,515)**	(31,866)
Retail business	**5,280**	7,930	-33.4%	**1.2%**	1.8%	**(1,946)**	(2,459)
Projects of outdoor wooden products	**–**	132	-100%	**0.0%**	0.0%	**–**	(162)
Manufacturing and sales of renewable energy products	**20,070**	12,505	60.5%	**4.3%**	2.8%	**3,541**	1,249
	462,191	442,328		**100.0%**	100.0%	**(42,920)**	(33,238)

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 fourth year since its commencement in 2014. The revenue derived from each of the four business segments during the Year were RMB436,841,000, RMB5,280,000, RMB Nil and RMB20,070,000 (2016: RMB421,761,000, RMB7,930,000, RMB132,000 and RMB12,505,000), representing 94.5%, 1.2%, 0.0% and 4.3% of the total revenue derived (2016: 95.4%, 1.8%, 0.0% and 2.8%) respectively.

Manufacturing and sales of wooden products remains the Group's largest business segment, contributing 94.5% of the Group's revenue. The revenue derived from such business increased by 3.6%. The overall increase in revenue in this segment is due to the growth in timber houses and their related parts and structures in the PRC market and pet-home designs product, but offset by the decrease in revenue in trading of timber and outdoor and indoor furnitures.

Due to the effect of exchange rate fluctuation and continuing stiff competition erodes the gross profit margin, leading to the overall increase in loss recorded from the manufacturing and sales of wooden products segment by RMB12.6 million. The Group has shown a sign of improvement as demonstrated by slightly increased in revenue by 3.6% in 2017.

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 8 provinces in the PRC with over 50 self-operated stores and distribution points. 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 fourth 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 an increase in revenue of 60.5% to RMB20.1 million and an increase in profit of 183.5% to RMB3.5 million (2016: revenue of RMB12.5 million and profit of RMB1.2 million) during the Year. As the operation becomes more stable, it is expected that this business will generate more profit for the Group in the future.

Market review

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

	Revenue			**% to total revenue**	
	2017	2016	Change	**2017**	2016
	RMB'000	*RMB'000*	%	**%**	%
The PRC	**107,332**	88,019	21.9%	**23%**	20%
North America	**236,279**	273,842	-13.7%	**51%**	62%
Europe	**18,303**	44,017	-58.4%	**4%**	10%
Asia Pacific (Exclusive of the PRC)	**16,945**	16,160	4.9%	**4%**	4%
Australia	**83,332**	20,290	310.7%	**18%**	4%
	462,191	442,328	4.5%	**100%**	100%

The Group's aim is to take advantage of the opportunities within the market to develop the Group's business at a fast pace whilst complying with all relevant laws, rules and regulations.

Since 2016, the North American market has become the largest market of the Group, contributing 51% (2016: 62%) of the total revenue of the Group. The revenue from the North American market further declined by 13.7% to RMB236.3 million (2016: RMB273.8 million). The US Federal Reserve increased interest rates by a quarter-point, the third time in 2017, setting the target range between 1.25% and 1.5% in December 2017. It is expected to further hike interest rates in 2018. In addition, the US Federal Reserve also started to shrink the balance sheet. These measures may reduce the investment in fixed assets in the US in 2018, therefore the Group will continue to closely monitor and operate the market through enhancing our products' competitiveness.

The GDP of the PRC has recorded a growth rate of 6.9% in the year 2017, representing a rise of 0.2% compared with that of 2016. It is the first year that the PRC's growth rate exceeds the preceding year since 2010. Despite the slowdown in the growth of the PRC fixed asset investment during the Year, the Group's revenue from the PRC market increased by 21.9% to RMB107.3 million (2016: RMB88.0 million), representing 23% (2016: 20%) of the total revenue. This is contributed by the stronger sales in following two segments, timber houses and their related parts and structures and pet-home designs products. The Group envisages that the PRC market will become better along with the economy.

Germany is the largest market in Europe to our Group. Although the GDP of Germany is unceasingly growing, the growth rate for permits granted for dwelling construction has recorded a slowdown comparing to a robust increment last year. The revenue from the European market decreased by 58% to RMB18.3 million (2016: RMB44.0 million). The Company noticed that the customers have been cautious for placing orders, partly due to the great fluctuations in the exchange rate of EUR. The Group will continue to seek opportunity to increase the revenue of the European market.

The Australian market has become the third-largest market during the Year, contributing 18% (2016: 4%) of the Group's total revenue. The Group recorded a strong growth by 310.7% to RMB83.3 million (2016: RMB20.3 million) due to the successful launch of timber houses and their related parts and structure and landscape garden products in the region. The Group expects that it could continue to grow in the year 2018.

Financial Review

Revenue and gross profit margin by product category

	Revenue			**% to total revenue**		**Gross margin**	
	2017	2016	Change	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	*%*	***%***	*%*	***%***	*%*
Timber houses and their related parts and structures	**302,761**	243,406	24.4%	**65.4%**	55.0%	**4.0%**	10.3%
Leisure household products							
Outdoor and indoor furnitures	**17,467**	28,442	-38.6%	**3.8%**	6.4%	**11.0%**	13.0%
Recreational products	**9,123**	18,045	-49.4%	**2.0%**	4.1%	**20.5%**	7.1%
Landscape garden products	**64,556**	67,285	-4.1%	**14.0%**	15.2%	**11.7%**	18.3%
Pet-home designs	**19,686**	12,640	55.7%	**4.3%**	2.9%	**6.1%**	18.5%
Trading of timber	**28,528**	60,005	-52.5%	**6.2%**	13.6%	**5.9%**	1.3%
Renewable energy products	**20,070**	12,505	60.5%	**4.3%**	2.8%	**29.1%**	19.2%
Total	**462,191**	442,328	4.5%	**100.0%**	100.0%	**7.0%**	10.8%

Sales of timber houses and their related parts and structures remained the largest income stream of the Group by product category in 2017. Revenue from such category increased by 24.4% to RMB302.8 million (2016: RMB243.4 million), representing 65.4% (2016: 55.0%) of total sales for the Year, mainly due to the rebound of domestic sales and the strong growth in the Australian market.

Among the leisure household products, the revenue of landscape garden products slightly decreased by 4.1% to RMB64.6 million (2016: RMB67.3 million) and continue as the product category generating the second highest income stream for the Group, representing 14.0% (2016: 15.2%) of the total revenue for the Year. The decrease was mainly due to the decline of the North American market offsetting the strong growth in the Australian market.

The revenue of pet-home designs products has been growing since 2015 from around RMB7 million to RMB19.7 million, the growth was mainly contributed by the sales from the North America and PRC market.

During the Year, the recovery of the PRC market and the growth of the Australian market provided strong basis for the Group to grow in terms of revenue. 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 decreased to RMB15.8 million (2016: RMB29.3 million) mainly due to the decrease in policy subsidies of government amounting to RMB11.4 million (2016: RMB23.0 million).

Other net loss

The Group recorded other net loss of RMB14.9 million for the Year (2016: RMB21.9 million). The loss decrease were primarily due to the exchange gain and gain on disposal land use right and equipment. However the fair value loss of derivative financial instruments result in a net loss.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Year were RMB17.6 million (2016: RMB20.2 million) which was a result of stringent in cost control.

Administrative expenses

Our administrative expenses incurred during the Year increased to RMB47.2 million (2016: RMB46.5 million), which was a result of an increase in research and development cost.

Finance costs

Our finance costs decreased to RMB6.2 million during the Year (2016: RMB9.0 million), and this was attributable to the active management to the fund.

Income tax expense

Our income tax increased to RMB2.4 million (2016: RMB1.6 million), primarily due to the deferred taxation expenses recorded during the Year.

Loss for the Year

As a result of the foregoing factors, loss for the Year is RMB40.6 million (2016: RMB22.3 million). Loss for the Year excluding the after tax effect of government subsidies is RMB50.1 million (2016: RMB41.8 million).

Dividend

The Board does not recommended a final dividend for the Year (2016: 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 2017, the Group had current assets of RMB721.1 million (31 December 2016: RMB882.5 million), of which bank deposits and cash (including pledged deposits) were RMB191.8 million (31 December 2016: RMB321.2 million). To better manage our funds, the Group's cash is generally deposited with banks and denominated mostly in RMB, USD and CHF. As at 31 December 2017, total available banking facilities of the Group amounted to RMB396.1 million (31 December 2016: RMB532.0 million), banking facilities utilized as at 31 December 2017 were RMB233.2 million (31 December 2016: RMB396.4 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 2017, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 16.7% and 5.1% respectively (31 December 2016: 25.5% and 7.2% respectively), current ratio and quick ratio were 2.2:1 and 1.2:1 respectively (31 December 2016: 2.1:1 and 1.3:1 respectively).

Pledge of assets

As at 31 December 2017, the Group pledged its plant and machinery, lease prepayments and buildings held for own use and construction in progress with net book value of RMB243.0 million (31 December 2016: RMB229.4 million) and deposits with banks of RMB78.3 million (31 December 2016: RMB147.2 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 RMB95.7 million (2016: RMB89.2 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.

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.

As at 31 December 2017, the Group had net outstanding USD denominated forward foreign currency contracts of USD31.5 million (31 December 2016: USD37.9 million). All the contracts are to be settled within one year.

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

The shares of the Company 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"). On 10 February 2017, the Company issued 514,500,000 new ordinary shares of HK$0.01 each at HK$0.13 per share by way of subscription (the "February 2017 Subscription"). The net proceeds from the issue of new shares under the June 2014 Placement, October 2014 Placement, August 2015 Subscription, December 2015 Open Offer, February 2017 Subscription after deducting related transaction costs, were HK$155.0 million, HK$148.0 million, HK$149.7 million, HK$170.0 million, HK$66.7 million respectively.

As at 31 December 2017, 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 2017	N/A	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Unutilised amount as at 31 December 2017	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 2017	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Unutilised amount as at 31 December 2017	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 2017	N/A	73.0	N/A	27.3	N/A	N/A	25.0	125.3
Unutilised amount as at 31 December 2017	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 2017	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Unutilised amount as at 31 December 2017	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 2017	95.1	N/A	N/A	N/A	N/A	17.0	34.0	146.1
Unutilised amount as at 31 December 2017	23.9	N/A	N/A	N/A	N/A	–	–	23.9
From February 2017 Subscription								
Amount of net proceeds	N/A	N/A	N/A	N/A	N/A	27.0	39.7	66.7
Percentage to total net proceeds	N/A	N/A	N/A	N/A	N/A	40.5%	59.5%	100%
Utilised amount as at 31 December 2017	N/A	N/A	N/A	N/A	N/A	24.8	39.7	64.5
Unutilised amount as at 31 December 2017	N/A	N/A	N/A	N/A	N/A	2.2	–	2.2

Human resources

As at 31 December 2017, we employed a total of 510 (2016: 547) 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 RMB32.6 million (2016: RMB38.8 million), representing 7.1% (2016: 8.8%) 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 and directors according to the assessment of individual performance. Since the adoption of the share option scheme on 15 June 2012 and up to 31 December 2017, no options have been granted.

Events after the reporting period

The Group has no material events after the reporting period.

Prospect

In 2017, the US Federal Reserve raised interest rates thrice and started normalizing the balance sheet. This added great uncertainty to the year 2018. Although the economic data of Germany continued to growth, dwelling construction has recorded a slowdown comparing to a robust increment last year. And the fluctuation in the exchange rate of EURO make the customers become more cautious in placing orders.

As for China, recent economic data beat expectations and the Group's revenue for the Year from China seems to be stabilized. We envisage that the demand of China and Asia-Pacific region will gradually recover, contributing more revenue to the Group.

During the Year, the Group successfully launched landscape garden products timber houses and their related parts and structures in the Australia and we expect the revenue from the Australian market could become one of our major sales regions in the coming years. This could help developing a more diverse revenue source and customer base for the Group. The Group will continue seeking new business opportunities.

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

The development during the Year, especially in Australia, has provided a solid foundation for the Group's further growth in the coming years.

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 2017 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 (2016: 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 21 May 2018 to 25 May 2018 (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 18 May 2018.

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 25 May 2018 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
"EUR"	Euro, the lawful currency of the European Union
"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
"USD"	United States dollars, the lawful currency of the US

"Year"	the year ended 31 December 2017
"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, 26 March 2018

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.