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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 2022

The Board announces the audited consolidated annual results of the China Environmental Technology and Bioenergy Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 (“Year 2022” or the “Reporting Year”), together with the comparative figures for the corresponding period in 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Continuing operations			
Revenue	4	465,037	608,074
Cost of sales		<u>(411,164)</u>	<u>(486,390)</u>
Gross profit		53,873	121,684
Other income	5	15,826	15,783
Other gains, net	6	1,980	8,435
Selling and distribution expenses		(35,533)	(46,860)
Administrative expenses		(48,028)	(62,155)
Reversal of expected credit loss on trade receivables		5,752	2,529
Finance costs	7	<u>(1,013)</u>	<u>(1,245)</u>
(Loss)/profit before tax	8	(7,143)	38,171
Income tax credit	9	<u>359</u>	<u>10,153</u>
(Loss)/profit for the year from continuing operations		<u>(6,784)</u>	<u>48,324</u>
Discontinued operation			
Loss for the year from a discontinued operation		<u>-</u>	<u>(612)</u>
Loss for the year from a discontinued operation		<u>-</u>	<u>(612)</u>
(Loss)/profit for the year		<u>(6,784)</u>	<u>47,712</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statement of foreign operations		12,148	2,521
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Equity investment designated at fair value through other comprehensive income			
- Changes in fair value		(897)	(58)
- Income tax effect		135	9
Other comprehensive income for the year, net of income tax		11,386	2,472
Total comprehensive income for the year		4,602	50,184
 (Loss)/profit for the year attributable to:			
Owners to the Company		(6,558)	47,092
Non-controlling interest		(226)	620
		(6,784)	47,712
 (Loss)/profit for the year attributable to owners of the Company			
- from continuing operations		(6,558)	47,704
- from discontinued operation		-	(612)
		(6,558)	47,092

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the year attributable to non-controlling interest			
- from continuing operations		(226)	620
- from discontinued operation		-	-
		<u>(226)</u>	<u>620</u>
Total comprehensive income/(expenses) for the year attributable to:			
- Owners of the Company		4,828	49,564
- Non-controlling interest		(226)	620
		<u>4,602</u>	<u>50,184</u>
Total comprehensive income/(expenses) for the year attributable to owners of the Company:			
- from continuing operations		4,828	50,176
- from discontinued operation		-	(612)
		<u>4,828</u>	<u>49,564</u>
(Loss)/earnings per share attributable to owners of the Company	10		
Basic			
–(Loss)/earnings for the year		(0.008)	0.057
–(Loss)/earnings from continuing operations		(0.008)	0.058
Diluted			
–(Loss)/earnings for the year		(0.008)	0.057
–(Loss)/earnings from continuing operations		(0.008)	0.058

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022**

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		368,519	399,500
Investment properties	11	32,936	30,358
Non-current deposits for acquisitions of property, plant and equipment		220	1,698
Other financial assets at fair value through other comprehensive income	13	1,445	2,342
Non-current deposit for acquisition of other financial assets		2,500	-
Time deposit		47,000	30,000
Deferred tax assets		1,378	1,213
Total non-current assets		453,998	465,111
Current assets			
Inventories		89,874	133,547
Trade and other receivables	12	122,955	226,926
Amount due from a related company		69	61
Amount due from a non-controlling interest		-	2,500
Other financial assets at fair value through profit or loss	13	20,122	92,842
Derivatives financial instruments		42	5,077
Pledged deposits		53,578	1,640
Time deposit		161,332	-
Cash and cash equivalents		113,765	61,671
		561,737	524,264
Assets classified as held-for-sale	14	856	-
Total current assets		562,593	524,264

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022**

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	15	45,226	26,083
Contract liabilities		13,586	9,477
Derivatives financial instruments		18	896
Interest-bearing bank borrowings, secured		53,950	54,000
Lease liabilities		69	51
Debentures		-	4,376
Amount due to a director		4,783	11
Tax payables		11,619	11,649
		<u>129,251</u>	<u>106,543</u>
Liabilities associated with assets classified as held-for-sale	14	<u>269</u>	<u>-</u>
Total current liabilities		<u>129,520</u>	<u>106,543</u>
Net current assets		<u>433,073</u>	<u>417,721</u>
Total assets less current liabilities		<u>887,071</u>	<u>882,832</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022**

(Expressed in Renminbi)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities			
Other payables	15	4,290	4,680
Deferred tax liabilities		<u>2,404</u>	<u>2,760</u>
Total non-current liabilities		<u>6,694</u>	<u>7,440</u>
Net assets		<u>880,377</u>	<u>875,392</u>
Equity			
Share capital	16	38,462	35,345
Reserves		<u>841,031</u>	<u>834,527</u>
		879,493	869,872
Non-controlling interest		<u>884</u>	<u>5,520</u>
Total equity		<u>880,377</u>	<u>875,392</u>

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 revised and consolidated) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 July 2012.

The consolidated financial statements for the year ended 31 December 2022 comprise the financial statements of the Company and its subsidiaries (together referred to as the “Group”). The consolidated financial statements were authorised for issue by the directors (the “Directors”) of the Company on 31 March 2023.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

In addition, the Group applied the agenda decision(s) of the Committee of the International Accounting Standards Board, including “Lessor Forgiveness of Lease Payments” (IFRS 9 Financial Instruments and IFRS 16 Leases), which is relevant to the Group.

The application of the amendments to IFRSs and the Committee's agenda decision(s) in the current year had no material impact on the Group's financial positions and performance for the current year and/or on the disclosures set out in these consolidated financial statements.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2022 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue from contracts from customers

(i) *Disaggregation of revenue from contracts with customers*

The principal activities of the Group are (i) the manufacturing and sales of outdoor wooden products; and (ii) manufacturing and sales of renewable energy products. During the year ended 31 December 2021, the Group discontinued its operation of retail sales of outdoor wooden products.

Revenue from contracts with customers within the scope of IFRS 15 is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Continuing operations</u>		
Sales of outdoor wooden products	460,742	601,968
Sales of renewable energy products	4,295	6,106
	<u>465,037</u>	<u>608,074</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Revenue from contracts from customers (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

In the following table, revenue is disaggregated by primary geographical markets.

For the year ended 31 December 2022

Continuing operations

	Manufacturing and sales of wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	Consolidated RMB'000
Primary geographical markets*			
The PRC (place of domicile)	81,192	4,295	85,487
Australasia	328,919	-	328,919
North America	12,756	-	12,756
Europe	34,037	-	34,037
Asia Pacific (exclusive of the PRC)	3,838	-	3,838
	<u>460,742</u>	<u>4,295</u>	<u>465,037</u>

For the year ended 31 December 2021

Continuing operations

	Manufacturing and sales of wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	Consolidated RMB'000
Primary geographical markets*			
The PRC (place of domicile)	81,832	6,106	87,938
Australasia	438,912	-	438,912
North America	40,953	-	40,953
Europe	29,777	-	29,777
Asia Pacific (exclusive of the PRC)	10,494	-	10,494
	<u>601,968</u>	<u>6,106</u>	<u>608,074</u>

* The geographical location of customers is based on the location at which the goods were delivered.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting

In a manner consistent with how the Group managed 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 two reportable segments, namely (i) manufacturing and sales of wooden products, and (ii) manufacturing and sales of renewable energy products. During the year ended 31 December 2021, the Group discontinued the operation of retail sales of outdoor wooden 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.
- Manufacturing and sales of renewable energy products: manufacturing and sales of biomass pellet fuel to both domestic and overseas customers.

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 and manufacturing and sales of renewable energy products, respectively.

The measure used for reportable segment (loss)/profit is "(loss)/profit for the year (excluding the after tax effect of government subsidies)" of manufacturing and sales of wooden products and manufacturing and sales of renewable energy products, respectively.

Segment assets exclude other financial assets, deferred tax assets, derivative financial instruments, pledged deposits, time deposit, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, debentures, tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting (continued)

(i) Segment revenue and results

For the year ended 31 December 2022

Continuing operations

	Manufacturing and sales of wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue derived from the Group's external customers	460,742	4,295	465,037
Inter- segment revenue	5,149	2,900	8,049
Reportable segment revenue	<u>465,891</u>	<u>7,195</u>	<u>473,086</u>
Reportable segment (loss)/ profit for the year excluding government subsidies, net of tax	<u>(11,548)</u>	<u>970</u>	<u>(10,578)</u>
Government subsidies, net of tax			5,111
Depreciation charge on leased properties			(112)
Unallocated other income			1
Unallocated finance cost			(147)
Unallocated corporate expenses			<u>(1,059)</u>
Loss for the year from continuing operations			<u><u>(6,784)</u></u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting (continued)

(i) Segment revenue and results (continued)

For the year ended 31 December 2021

Continuing operations

	Manufacturing and sales of wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue derived from the Group's external customers	601,968	6,106	608,074
Inter- segment revenue	5,843	3,482	9,325
Reportable segment revenue	<u>607,811</u>	<u>9,588</u>	<u>617,399</u>
Reportable segment profit/(loss) for the year excluding government subsidies, net of tax	<u>57,104</u>	<u>(2,209)</u>	54,895
Government subsidies, net of tax			5,280
Depreciation charge on leased properties			(77)
Unallocated other income			3,601
Unallocated finance cost			(1,245)
Unallocated corporate expenses			(14,130)
Profit for the year from continuing operations			<u>48,324</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting (continued)

(ii) Segment assets and liabilities

Continuing operations

	2022 <i>RMB'000</i>	2021 RMB'000
Segment assets		
Manufacturing and sales of wooden products	613,640	792,363
Manufacturing and sales of renewable energy products	1,129	1,564
Total reportable segment assets	<u>614,769</u>	<u>793,927</u>
Assets classified as held-for-sale	856	-
Corporate and other unallocated assets	400,966	195,448
Total assets	<u><u>1,016,591</u></u>	<u><u>989,375</u></u>
Segment liabilities		
Manufacturing and sales of wooden products	64,898	27,256
Manufacturing and sales of renewable energy products	598	622
Total reportable segment liabilities	<u>65,496</u>	<u>27,878</u>
Liabilities relating to assets classified as held-for-sale	269	-
Corporate and other unallocated assets	70,449	86,105
Total liabilities	<u><u>136,214</u></u>	<u><u>113,983</u></u>

(iii) Geographical information

Non-current assets

Over 90% of non-current assets are located in the PRC. Accordingly, no further geographical information of non-current assets were disclosed.

5. **OTHER INCOME**

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on bank deposits	7,817	3,601
Government subsidies	5,111	6,212
Dividend income from equity investment designated as fair value through other comprehensive income	177	195
Rental income	1,499	1,046
Others	1,222	4,729
	15,826	15,783

6. **OTHER GAINS, NET**

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net foreign exchange (loss)/gain	(1,628)	4,635
Fair value gain on derivative financial instruments	430	4,637
Fair value (loss)/gain on other financial assets	(470)	1,225
Gain on disposal of property, plant and equipment	568	103
Impairment of non-current deposits for acquisition of property, plant and equipment	-	(1,907)
Written off of other payables	4,910	-
Written off of other receivables	(1,315)	-
Others	(515)	(258)
	1,980	8,435

7. FINANCE COSTS

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expense on bank borrowings	865	1,103
Interest expense on debentures	95	138
Interest expense on lease liabilities	53	4
	<u>1,013</u>	<u>1,245</u>

8. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before taxation from continuing operations has been arrived at after charging:

Staff costs (exclude directors' remuneration)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	22,454	23,158
Contributions to defined contribution retirement schemes	2,902	6,936
Equity-settled share award scheme expenses	-	4,108
	<u>25,356</u>	<u>34,202</u>

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 2022 and 2021. 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.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under its retirement benefit scheme in the PRC and under the MPF Scheme in Hong Kong which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

9. INCOME TAX CREDIT

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise income tax	27	(10,809)
Deferred tax	<u>(386)</u>	<u>656</u>
Income tax credit	<u>(359)</u>	<u>(10,153)</u>

Notes:

- (i) No provision was made for Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021.
- (ii) The Group's PRC subsidiaries are subject to PRC Enterprise Income Tax ("EIT") at the statutory rate of 25% unless otherwise specified.
- (iii) One of the Company's subsidiaries applied and was approved for the High and New Technology Entities ("HNTE") qualification under the PRC Enterprise Income Tax Law and its relevant regulations during 2019, and therefore is entitled to the preferential income tax rate of 15% for a period of four years from 2019 to 2022.
- (iv) According to the announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises, the EIT rate applicable to small-scale enterprises with low profitability that meet certain conditions including the assessable profits not more than RMB3,000,000, shall be reduced to 20%. Certain of the Company's subsidiaries have been designated as small-scale enterprises, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "1st Assessable Profits") of these subsidiaries is effectively taxable at 2.5% (i.e. 20% on 12.5% of the 1st Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "Remaining Assessable Profits") is effectively taxable at 10% (i.e. 20% on 50% of the Remaining Assessable Profits).

10. (LOSS)/EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year attributable to owners of the Company	(6,558)	47,092
Less: loss for the year from discontinued operations	<u>-</u>	<u>612</u>
(Loss)/earnings for the purpose of basic (loss)/earnings per share from continuing operations	<u>(6,558)</u>	<u>47,704</u>

	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>872,349,887</u>	<u>824,549,598</u>

The basic and diluted (loss)/earnings per share are the same as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>(6,558)</u>	<u>47,092</u>

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is RMB0.001 per share based on the loss for the year ended 31 December 2021 from the discontinued operations of approximately RMB612,000 and the denominators detailed above for both basic and diluted loss per share.

11. INVESTMENT PROPERTIES

The Group's investment properties were stated at cost less accumulated depreciation and impairment, if any.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	64,665	115,180
Less: allowance for credit losses	<u>(12,186)</u>	<u>(17,938)</u>
	<u>52,479</u>	<u>97,242</u>
Trade deposit for raw materials	61,887	104,756
Interest receivables	4,878	648
Prepayments and other receivables	4,959	25,528
Less: allowance for credit losses	<u>(1,248)</u>	<u>(1,248)</u>
	<u>70,476</u>	<u>129,684</u>
Total trade and other receivables	<u>122,955</u>	<u>226,926</u>

The ageing analysis of trade receivables (net of allowance for credit losses) as of the end of reporting period, based on invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	28,047	41,536
1 to 2 months	13,746	38,667
2 to 3 months	5,841	13,566
Over 3 months	<u>4,845</u>	<u>3,473</u>
	<u>52,479</u>	<u>97,242</u>

13. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, other financial assets represent investment products of PRC banks of RMB20,122,000.

As at 31 December 2021, other financial assets represent (i) investment products of PRC banks of RMB10,592,000; and (ii) certain index-linked debts instruments (the “Index-Linked Debts Instruments”) with an aggregate principal amount of RMB80,000,000, in which, the interest payments are linked to the relevant exchange rate between RMB and Euro or United States Dollar. The Index-Linked Debts Instruments were pledged to secure the Group’s interest-bearing bank borrowings.

14. ASSETS CLASSIFIED AS HELD-FOR-SALE

During the year, the Group realigned its business strategies to close the business of Zhangzhou Xingruixiang Supply Chain Management Co., Ltd. (“Zingruixiang”), a non-wholly owned subsidiary of the Company. The principal activity of Zingruixiang is to sell the wooden products to Fujian Zhangping Kimura Forestry Products Co., Ltd (“Zhangping Kimura”), a wholly-owned subsidiary of the Company.

The Group entered into a disposal agreement to close its business upon the completion of existing sales orders, which are expected to be sold within twelve months. Certain assets and liabilities have been classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position (see below).

The major classes of assets and liabilities of Zingruixiang as at 31 December 2022, which have been presented separately in the consolidated statement of financial position, are as follows:

	2022 RMB'000
Amount due from non-controlling interest	711
Cash and cash equivalents	145
Total assets classified as held-for-sale	856
Other payables and total liabilities associated with assets classified as held-for-sale	(269)

15. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and bills payables	18,531	7,425
Accrued staff costs	9,037	8,389
Payables for acquisition of property, plant and equipment	1,538	1,174
Payables for transportation fee	3,003	1,484
Other payables and accruals	12,727	7,221
Provision for medical compensation	4,680	5,070
	49,516	30,763
Less: Provision for medical compensation classified as non-current portion	(4,290)	(4,680)
Current portion	45,226	26,083

The maturity analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	14,486	4,811
1 to 2 months	1,432	30
2 to 3 months	543	-
Over 3 months	2,070	2,584
	18,531	7,425

16. SHARE CAPITAL

Authorised and issued share capital

	2022			2021		
	Par value <i>HK\$</i>	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>	Par value <i>HK\$</i>	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:						
Ordinary shares	0.05	2,000,000	100,000	0.05	2,000,000	100,000

	2022		2021	
	Number of shares <i>'000</i>	Amount <i>RMB'000</i>	Number of shares <i>'000</i>	Amount <i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At 1 January	850,368*	35,345	783,750*	32,591
Shares issued upon loan capitalization (Note(a))	71,002*	3,117	-	-
Issue of new shares under share award scheme (Note (b))	-	-	66,618*	2,754
At 31 December	921,370*	38,462	850,368*	35,345

Notes:

- (a) On 22 August 2022, the Company entered into subscription agreements with two debenture holders which each of the holders agreed to subscribe for an aggregate of 35,501,048 new shares at the subscription price of HK\$0.0768 (approximately RMB0.0674) per share. The completion of each of the share subscription took place on 9 September 2022.
- (b) On 20 April 2021, the Board resolved to award a total of 66,618,016 Shares (the “Award Shares”) were issued to 13 eligible persons (the “Selected Persons”), in which, as to (i) 36,970,000 Award Shares were issued on 10 May 2021 to the Company’s employees pursuant to the general mandate; and (ii) the remaining 29,648,016 Award shares were issued on 7 June 2022 to the Directors pursuant to the specific mandate approved in the Extraordinary General Meeting on 31 May 2021. The Selected Persons are (i) senior and middle management of the Group; (ii) staffs who served the Group for a long period of time and (iii) Directors of the Company.

The 66,618,016 Award Shares had neither any vesting period nor condition, and accordingly, the aggregate fair value of 66,618,016 Award Shares amounting to approximately RMB7,706,000 were determined by the closing market prices of the Company’s Shares on the respective issue dates of the Award Shares and were recognised as expenses in the consolidated statement of profit or loss.

* Share of HK\$0.05 each

17. BANKING FACILITIES AND PLEDGED ASSETS

The Group entered into certain banking facilities with certain PRC banks with an aggregate amount of RMB195,050,000 (2021: RMB236,700,000), of which, as to RMB100,295,000 (2021: RMB73,989,000) (including the bank borrowings of RMB53,950,000 (2021:54,000,000)) have been utilised at the end of reporting date.

The banking facilities are secured by certain of the Group's land use rights, buildings, other financial assets at fair value through profit or loss and pledge deposits amounting to approximately RMB7,257,000 (2021: RMB29,632,000), RMB108,225,000 (2021: RMB128,427,000), RMBNil (2021: RMB80,000,000) and RMB53,578,000 (2021: RMB1,640,000), respectively.

18. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2022 not provided for in these consolidated financial statements were as follows:

	2022 <i>RMB '000</i>	2021 <i>RMB '000</i>
Contracted for	<u>6,250</u>	<u>6,571</u>

(b) Operating lease arrangements

The Group leases, as lessor, certain investment properties in the PRC were leased out under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB1,499,000 (2021: RMB1,046,000).

As lessor

At 31 December 2022, the undiscounted lease rental receivable by the Group in future periods under noncancellable operating leases with its tenants are as follows:

	2022 <i>RMB '000</i>	2021 <i>RMB '000</i>
Within one year	1,620	1,132
After one year but within two years	1,281	1,143
After two years but within three years	<u>1,280</u>	<u>1,626</u>
	<u>4,181</u>	<u>3,901</u>

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Segment review

The Group's core business segments are comprised of manufacturing and sales of wooden products; retail sales of outdoor wooden products; and manufacturing and sales of renewable energy products. During the Year, the Group discontinued its operation of retail sales of outdoor wooden products. 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	
	2022 RMB'000	2021 RMB'000		2022 %	2021 %	2022 RMB'000	2021 RMB'000
Continuing operations							
Manufacturing and sales of wooden products	460,742	601,968	(23.4)	99.1	99.0	(11,548)	57,104
Manufacturing and sales of renewable energy products	4,295	6,106	(29.7)	0.9	1.0	970	(2,209)
	<u>465,037</u>	<u>608,074</u>	<u>(23.5)</u>	<u>100.0</u>	<u>100.0</u>	<u>(10,578)</u>	<u>54,895</u>
Discontinued operation							
Retail sales of outdoor wooden products	-	-	N/A	N/A	N/A	-	(612)
	<u>465,037</u>	<u>608,074</u>	<u>(23.5)</u>	<u>100.0</u>	<u>100.0</u>	<u>(10,578)</u>	<u>54,283</u>

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

	Revenue		Change %	% to total Revenue	
	2022 RMB'000	2021 RMB'000		2022 %	2021 %
The PRC	85,487	87,938	-2.8%	18%	14%
Australasia	328,919	438,912	-25.1%	71%	72%
North America	12,756	40,953	-68.9%	3%	7%
Europe	34,037	29,777	14.3%	7%	5%
Asia Pacific exclusive of the (PRC)	3,838	10,494	-63.4%	1%	2%
	<u>465,037</u>	<u>608,074</u>	<u>-23.5%</u>	<u>100%</u>	<u>100%</u>

Manufacturing and sales of wooden products remains to be the Group's largest business segment, contributing 99.1% of the Group's revenue. The revenue derived from such business decreased by 23.4%.

Manufacturing and sales of wooden products is the principal segment of the Group. Since 2020, the Group has taken a progressive approach towards the Australasian markets and have successfully expanded its market reach to Australia. However, market demand from the Australasian markets for the Group's products has shown significant decline in the second half of 2022. As a result, revenue from manufacturing and sales of wooden products to decrease 23.4% to RMB460.7 million (2021: RMB602.0 million). Aggressive pricing strategy has also led to a reportable segment loss of RMB11.5 million (2021: a reportable segment profit of RMB57.1 million).

The Group's renewable energy business focuses on the recycling of leftover sawdust from the production of our wooden products into biomass pellet fuel. Revenue from the renewable energy business decreased 29.7% to RMB4.3 million during the reporting year, with a profit of approximately RMB1.0 million (2021: revenue of RMB6.1 million and loss of RMB2.2 million).

Financial Review

Revenue by product category

	Revenue	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Timber houses and their related parts and structures	412,893	535,761
Leisure household products		
Outdoor and indoor furniture	17,145	19,079
Recreational products	12,877	28,939
Landscape garden products	17,456	17,343
Pet-home designs	371	846
	47,849	66,207
Renewable energy products	4,295	6,106
Total	465,037	608,074

Revenue from timber houses and their related parts and structures remained the largest income stream of the Group during the Period. Revenue from such category decreased by 22.9% to RMB412.9 million (2021: RMB535.8 million), representing 89% of total sales for the reporting year (2021: 88%), mainly attributable to the decrease in sales to the Australasian markets.

Overall revenue from the leisure household products decreased by 27.7% to RMB47.8 million (2021: RMB66.2 million) mainly because of the decreases in the sales in recreational products and outdoor and indoor products.

During the Period, the Group's revenue from the renewable energy business decreased by 29.7% to approximately RMB4.3 million (2021: RMB6.1 million), due to the decrease in demand from the domestic renewable energy market.

Gross profit and gross margin

Gross profit dropped to approximately RMB53.9 million (2021: RMB121.7 million) as a result of the decrease of gross profit margin in the reporting year to 11.6% (2021: 20.0%), mainly because of the unfavorable pricing condition of construction materials.

Other income

During the year, other income was RMB15.8 million (2021: RMB15.8 million) mainly represented by bank interest income and government subsidies received during the Year.

Other gains, net

The Group recorded other gains, net of RMB2.0 million for the Year (2021: RMB8.4 million), which was mainly derived from net foreign exchange loss and write-off of other payables during the Year.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Year were RMB35.5 million (2021: RMB46.9 million) which was a result of the decrease in turnover and number of shipments during the reporting year.

Administrative expenses

Our administrative expenses incurred during the reporting year amounted to RMB48.0 million (2021: RMB62.2 million). The decrease was mainly due to the decrease in research and development costs during the Year.

Finance costs

Our finance costs increased to approximately RMB1.0 million (2021: RMB1.2 million), which mainly represented by interest on bank borrowings during the Year.

Income tax credit

The Group recorded an income tax credit of RMB0.3 million (2021: RMB10.2 million).

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 2022, the Group had current assets of RMB562.6 million (31 December 2021: RMB524.3 million), of which cash and cash equivalents were RMB113.8 million (31 December 2021: RMB61.7 million).

The Group's cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2022, total banking facilities utilised as at 31 December 2022 amounted to RMB100 million (31 December 2021: RMB 74 million) and these were mainly denominated in RMB 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 2022, the current ratio and quick ratio were 4.3:1 and 3.6:1 respectively (31 December 2021: 4.9:1 and 3.7:1 respectively).

Pledge of assets

As detailed in note 17 to this announcement, the Group pledged its land use rights, buildings, other financial assets at fair value through profit or loss and pledged deposits to secure for certain banking facilities.

Capital expenditure

During the Year, the Group's total expenditure in respect of property, plant and equipment and non-current deposit for acquisitions of property, plant and equipment amounted to RMB7.2 million (2021: RMB17.8 million).

Foreign currency risks

The Group's sales are mainly denominated in AUD, 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 AUD and USD as the Group may not be able to reflect the appreciation in selling prices to overseas customers that were determined in AUD and USD. In response to this, the Group manages fluctuations in the exchange rate of RMB against AUD and USD by entering into foreign currency forward contracts mainly denominated in AUD, USD and RMB with banks when sales contracts were entered with overseas customers.

At 31 December 2022, the Group had foreign currency forward contracts with their fair values recognised as derivative financial instruments assets of RMB42,000 (2021: RMB5,077,000) and derivative financial instruments (liabilities) of RMB18,000 (2021: RMB896,000). The changes in fair value of the foreign currency forward contracts were recognised in the consolidated statement of profit or loss. All of the foreign currency forward contracts are to be settled within one year.

Human resources

As at 31 December 2022, we employed a total of 149 (2021: 383) full-time employees, mainly in the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. 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 2022, no options have been granted.

Events after the reporting period

The Group has no material events after the reporting year.

Prospects

The global economy has become increasingly gloomy following by the substantial recovery in 2021. In Australia, the Group's key market – the rapid interest rate hike has sent tremors through the nation's heavily indebted households and threatened a property downturn. According to International Monetary Fund, Australia's household debt accounted for 119.8 % of the country's Nominal GDP in Sep 2022. The startling debt ratio poses an additional risk to the real estate market as a prolonged global recession is increasingly imminent. Further, according to Forbes Advisor, Australian house prices are expected to soften further in 2023. The Group is of a cautious view to the year of 2023, and will strive to expand its footprints in order to stabilize returns to the shareholders of the company.

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 annual results for the year ended 31 December 2021 and interim results for the six months period ended 30 June 2022 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 code provision 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 FOR SECURITIES TRANSACTIONS

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 BY THE AUDIT COMMITTEE

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

SCOPE OF WORK OF CWK CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the Year have been compared by the Company's auditors, CWK CPA Limited, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by CWK CPA 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.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 to the shareholders.

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.

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

Hong Kong, 31 March 2023

As at the date of this announcement, the executive Directors are Ms. Xie Qingmei and Mr. Wu Zheyuan and the independent non-executive Directors are Mr. Tse Kwok Hing, Henry, Prof. Jin Zhongwei and Prof. Su Wenqiang.