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 2019

The Board announces the audited consolidated annual results of the China Environmental Technology and Bioenergy Holdings Limited and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 ("Year 2019" or the "Reporting Year"), together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Renminbi)

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	3(a)	**694,052**	634,686
Cost of sales		**(685,428)**	(566,161)
Gross profit		**8,624**	68,525
Other revenue	4(a)	**19,856**	9,480
Other net loss	4(b)	**(4,700)**	(180,023)
Selling and distribution expenses		**(25,565)**	(22,329)
Administrative expenses		**(48,330)**	(49,194)
Expected credit loss on financial assets		**(12,774)**	(642)
Loss from operations		**(62,889)**	(174,183)
Finance costs	5(a)	**(1,815)**	(8,895)
Share of profits of associates		**401**	282
Loss before taxation	5	**(64,303)**	(182,796)
Income tax expense	6(a)	**(168)**	(2,135)
Loss for the year		**(64,471)**	(184,931)
			Restated
Earnings per share – Basic and Diluted (RMB)	7	**(0.104)**	(0.299)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Renminbi)

	2019	2018
	RMB'000	*RMB'000*
Loss for the year	**(64,471)**	(184,931)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(258)**	7,731
Items that will not be reclassified subsequently to profit or loss:		
Equity investment designated at fair value through other comprehensive income - Changes in fair value	**(186)**	(687)
Other comprehensive income for the year, net of tax	**(444)**	7,044
Profit and total comprehensive income for the year attributable to owners of the Company	**(64,915)**	(177,887)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(Expressed in Renminbi)

	Notes	**2019** **RMB'000**	2018 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**495,794**	462,194
Lease prepayments		**-**	44,183
Non-current prepayments for acquisitions of property, plant and equipment		**11,074**	14,329
Interest in associates		**15,666**	24,716
Other financial assets		**3,048**	3,267
Deferred tax assets		**890**	831
		526,472	549,520
Current assets			
Inventories	8(a)	**225,406**	345,487
Current portion of lease prepayments		**-**	1,017
Trade and other receivables	9	**145,931**	215,773
Pledged deposits		**7,612**	18,084
Cash and cash equivalents		**76,024**	38,000
		454,973	618,361
Current liabilities			
Trade and other payables	10	**44,838**	57,300
Contract liabilities	11	**4,213**	23,133
Bank loans		**-**	91,152
Lease liabilities		**187**	-
Debentures		**13,279**	-
Current taxation		**26,717**	26,277
		89,234	197,862
Net current assets		**365,739**	420,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(Expressed in Renminbi)

	2019	2018
	RMB'000	*RMB'000*
Total assets less current liabilities	**892,211**	970,019
Non-current liabilities		
Lease liabilities	**32**	-
Debentures	**4,756**	17,620
Deferred tax liabilities	**1,790**	1,851
	6,578	19,471
Net assets	**885,633**	950,548
EQUITY		
Share capital	**25,544**	25,544
Reserves	**860,089**	925,004
Total equity	**885,633**	950,548

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 2019 comprise the Company and its subsidiaries (together referred to as "the Group"). The consolidated financial statements were authorised for issue by the Directors on 30 March 2020.

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 2019 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 disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 9	Prepayment features and negative compensation
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IFRSs	Annual improvements to IFRSs 2015- 2017 cycle
IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments

The impact of the adoption of IFRS 16 Leases has been summarised in below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

IFRS 16 - Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lease accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As for as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalize (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for the capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group has no leasehold property that is held to earn rental income and/or for the capital appreciation.

(iii) Lessor accounting

The Group leases out properties to earn rental income for the year ended 31 December 2019 as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying assets. The adoption of IFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

(b) Critial accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification

Classification of interest in leasehold land and buildings held for own use In accordance with IAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

The Group has applied IFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

As mentioned above, the Group has applied IFRS 16 using modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from IFRS 16 are therefore recognised in the opening balances on 1 January 2019.

The following tables summarized the impact of transition to IFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	**45,559**
Lease prepayments	**(44,183)**
Current-portion of lease prepayments	**(1,017)**
Lease liabilities	**359**

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	**584**
Less: commitments relating to leases exempt from capitalisation:	
- Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(205)**
- Future interest expenses	**(20)**
Total lease liabilities recognised at 1 January 2019	**359**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	**214**	**359**
Lease payments for land use right	**44,183**	**45,200**

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 31 December 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**187**	**194**	**145**	**158**
After 1 year but within 2 years	**32**	**32**	**214**	**221**
	219	**226**	**359**	**379**
Less: total future interest expenses		**(7)**		**(20)**
Present value of lease liabilities		**219**		**359**

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 31 December 2019 is 5.13% p.a.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are manufacturing and sales of outdoor wooden products, retail sales of outdoor wooden products through self-operated retail shops and manufacturing and sales of renewable energy products.

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

	2019	2018
	RMB'000	*RMB'000*
Sales of outdoor wooden products	**687,132**	618,872
Retail sales of wooden products	**29**	1,254
Sales of renewable energy products	**6,891**	14,560
	694,052	634,686

Information about major customers

For the year ended 31 December 2019, revenues from one (2018: one) customer of the Group's sales of outdoor wooden products amounted to RMB121,947,000 (2018: RMB66,120,000), which represent 10% or more of the Group's revenues.

Revenue from contracts with customers

Disaggregation of revenue information

In the following table, revenue is disaggregated by primary geographical markets, major products and timing of revenue recognition.

	2019			
	Manufacturing and sales of wooden products *RMB'000*	**Retail business** *RMB'000*	**Manufacturing and sales of renewable energy products** *RMB'000*	**Total** *RMB'000*
Primary geographical markets				
The PRC (place of domicile)	104,719	29	6,891	111,639
North America	334,388	- -	-	334,388
Europe	45,112	-	-	45,112
Asia Pacific (exclusive of the PRC)	4,551	-	-	4,551
Australasia	198,362	-	-	198,362
	687,132	29	6,891	694,052
Major products				
Wooden products	687,132	29	-	687,161
Renewable energy products	-	-	6,891	6,891
	687,132	29	6,891	694,052
Timing of revenue recognition				
Product transferred at a point in time	687,132	29	6,891	694,052

	2018			
	Manufacturing and sales of wooden products	Retail business	Manufacturing and sales of renewable energy products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Primary geographical markets				
The PRC (place of domicile)	130,305	1,254	14,560	146,119
North America	260,111	-	-	260,111
Europe	30,349	-	-	30,349
Asia Pacific (exclusive of the PRC)	10,162	-	-	10,162
Australasia	187,945	-	-	187,945
	618,872	1,254	14,560	634,686
Major products				
Wooden products	618,872	1,254	-	620,126
Renewable energy products	-	-	14,560	14,560
	618,872	1,254	14,560	634,686
Timing of revenue recognition				
Product transferred at a point in time	618,872	1,254	14,560	634,686

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019	2018
	RMB'000	*RMB'000*
Trade receivables (note 9)	**87,294**	121,888
Contract liabilities (note 11)	**(4,213)**	(23,133)

(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 three reportable segments, namely Manufacturing and sales of wooden products, Retail business 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.
- 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 and Manufacturing and sales of renewable energy products, respectively.

The measure used for reportable segment profit/(loss) is "profit/(loss) after taxation (excluding the after tax effect of government subsidies)" of Manufacturing and sales of wooden products, Retail business 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 2019 and 2018 is set out below:

	2019			
	Manufacturing and sales of wooden products *RMB'000*	**Retail business** *RMB'000*	**Manufacturing and sales of renewable energy products** *RMB'000*	**Total** *RMB'000*
Revenue derived from the Group's external customers	**687,132**	**29**	**6,891**	**694,052**
Inter-segment revenue	**6,396**	**190**	**2,857**	**9,443**
Reportable segment revenue	**693,528**	**219**	**9,748**	**703,495**
Reportable segment (loss)/profit ((loss)/ profit after taxation (excluding the after tax effect of government subsidies))	**(73,719)**	**(730)**	**942**	**(73,507)**
Depreciation charge on owned property, plant and equipment	**(20,656)**	**(394)**	**(507)**	**(21,557)**
Depreciation charge on land use rights included within right-of-use assets	**(1,017)**	**-**	**-**	**(1,017)**
Changes in fair value of derivative financial instruments — unrealised	**(389)**	**-**	**-**	**(389)**
Gain on disposal of a subsidiary	**-**	**-**	**17**	**17**
Impairment of property, plant and equipment	**(638)**	**-**	**-**	**(638)**
Loss on disposal of property, plant and equipment	**(1,817)**	**(8)**	**-**	**(1,825)**
Write-off of interest in an associate	**(456)**	**-**	**-**	**(456)**
Write-off of inventories, net	**(4,495)**	**-**	**-**	**(4,495)**

	2018			
	Manufacturing and sales of wooden products	Retail business	Manufacturing and sales of renewable energy products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue derived from the Group's external customers	618,872	1,254	14,560	634,686
Inter-segment revenue	11,764	-	2,208	13,972
Reportable segment revenue	630,636	1,254	16,768	648,658
Reportable segment (loss)/profit ((loss)/ profit after taxation (excluding the after tax effect of government subsidies))	(186,107)	(1,622)	2,512	(185,217)
Depreciation charge on owned property, plant and equipment	(32,790)	(436)	(507)	(33,733)
Amortisation of lease prepayments	(1,635)	-	-	(1,635)
Changes in fair value of derivative financial instruments — unrealised	190	-	-	190
Impairment of property, plant and equipment	(139,251)	-	-	(139,251)
Impairment of lease prepayments	(23,263)	-	-	(23,263)
Write-off of inventories	(7,931)	-	-	(7,931)

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**703,495**	648,658
Elimination of inter-segment revenue	**(9,443)**	(13,972)
	694,052	634,686
Loss		
Reportable segment loss derived from the Group's external customers	**(73,507)**	(185,217)
Government subsidies (net of tax)	**15,490**	5,849
Depreciation on right-of-use assets included within leased properties	**(150)**	-
Unallocated head office and corporate expenses	**(6,304)**	(5,563)
Consolidated loss after taxation	**(64,471)**	(184,931)

(iii) Geographical information

Revenue from external customers

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

	2019	2018
	RMB'000	*RMB'000*
The PRC (place of domicile)	**111,639**	146,119
North America	**334,388**	260,111
Europe	**45,112**	30,349
Asia Pacific (exclusive of the PRC)	**4,551**	10,162
Australasia	**198,362**	187,945
	582,413	488,567
	694,052	634,686

4. OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2019	2018
	RMB'000	*RMB'000*
Interest income on bank deposits	**347**	797
Government subsidies	**18,223**	7,022
Dividend income	**531**	461
Rental income	**62**	290
Others	**693**	910
Total	**19,856**	9,480

(b) Other net loss

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	**6,749**	(5,346)
Change in fair value of derivative financial instruments — realised	**(4,542)**	(4,036)
Changes in fair value of derivative financial instruments — unrealised	**(389)**	190
Gain on disposal of a subsidiary	**17**	-
(Loss)/gain on disposal of property, plant and equipment	**(1,825)**	1
Impairment of property, plant and equipment	**(638)**	(139,251)
Impairment of lease prepayments	**-**	(23,263)
Write-off of interest in an associate	**(456)**	-
Write-off of inventories	**(4,495)**	(7,931)
Others	**879**	(387)
Total	**(4,700)**	(180,023)

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	RMB'000	*RMB'000*
Interest expense on bank loans and debentures	**1,802**	8,895
Interest expense on lease liabilities	**13**	-
	1,815	8,895

(b) Staff costs

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**34,111**	33,979
Contributions to defined contribution retirement schemes	**1,153**	1,497
	35,264	35,476

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 2019 and 2018. 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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses (note (i))	**685,428**	566,161
Depreciation charge		
Owned property, plant and equipment	**21,557**	33,733
Right-of-use assets included within (note (ii)):		
- Land use rights	**1,017**	-
- Leased properties	**150**	-
Low-value assets leases expenses	**116**	-
Amortisation of lease prepayments	-	1,635
Operating lease charges for properties	-	451
Research and development costs	**21,418**	22,969
Auditors' remuneration	**1,016**	1,066

Note:

(i) Cost of inventories includes RMB40,845,000 (2018: RMB52,223,000) for the year ended 31 December 2019 relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

(ii) The Group has initially applied IFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. After initial recognition at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax		
Provision for the year	**263**	182
Over-provision in respect of prior year	**(8)**	(210)
Deferred tax		
Origination and reversal of temporary difference	**(87)**	2,163
Total	**168**	2,135

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

	2019	2018
	RMB'000	*RMB'000*
Loss before taxation	**(64,303)**	(182,796)
National tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned note (i) & (ii)	**(9,189)**	(42,522)
Effect of non-taxable income	**(1)**	(1)
Effect of income reduction (note (iv))	**(244)**	(419)
Effect of non-deductible expenses	**2,649**	43,174
Effect of research and development expense bonus deduction (note (iii))	**(1,606)**	(4,307)
Tax loss not recognised	**8,567**	6,420
Over-provision in respect of prior years	**(8)**	(210)
Actual tax expense	**168**	2,135

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 2019 and 2018.

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 2019, and therefore is entitled to the preferential income tax rate of 15% for a period of three years from 2019 to 2021.

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 175% (2018: 175%) 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 recognised 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 2019, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries to overseas holding company amounted to RMB259,463,000 (2018: RMB278,746,000) and deferred tax liabilities of RMB25,946,000 (2018: RMB27,875,000) have not been recognised.

vi. In addition to the amount charged to the other comprehensive income, deferred tax of RMB 33,000 (2018: RMB 121,000) relating to the change in fair value of the financial assets for the year ended 31 December 2019 has been credited to other comprehensive income.

7. LOSS PER SHARE

The calculation of basic and dilute loss per share for the year ended 31 December 2019 is based on the loss attributable to equity shareholders of the Company of RMB64,471,000 (2018: RMB184,931,000) and weighted average of 617,667,000 shares (2018: 617,667,000 shares adjusted for the effect of the share consolidation on 22 October 2019) in issue during the year ended 31 December 2019, calculated as follows:

	Number of shares	
	2019	2018
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**617,667**	617,667

Weighted average of 617,667,000 shares for the year ended 31 December 2019 and 2018 (restated) are derived from 3,088,335,000 ordinary shares in issue as at 1 January 2018 after taking into account the effects of the share consolidation which was effective on 22 October 2019.

8. INVENTORIES

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

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**140,321**	165,793
Work in progress	**22,599**	34,915
Finished goods	**62,486**	144,779
	225,406	345,487

A provision of RMB3,254,000 made in prior years against the carrying value of finished goods have been reversed. This reversal arose due to the sales of impaired finished goods during the year.

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

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**685,428**	566,161

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills receivables	**108,095**	120,761
Trade receivable from associates	**92**	9,246
Less: loss allowance	**(20,893)**	(8,119)
Total trade receivables	**87,294**	121,888
Prepayment for raw materials	**47,267**	71,134
Derivative financial instruments	**310**	2,736
Amount due from a related company	**71**	71
Amount due from associates	**5**	1,973
Amount due from a director	**-**	30
Other receivables	**11,369**	18,326
Less: Loss allowance	**(385)**	(385)
Total other receivables	**58,637**	93,885
Trade and other receivables	**145,931**	215,773

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The ageing analysis of trade receivables based on invoice date and net of loss allowances as of the end of reporting period, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**49,821**	45,592
1 to 2 months	**14,185**	25,581
2 to 3 months	**9,516**	6,562
Over 3 months	**13,772**	44,153
	87,294	121,888

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

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

	Trade receivables *RMB'000*	**Amount due from a related company** *RMB'000*	**Amounts due from associates** *RMB'000*	**Other receivables** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2017 under IAS 39	3,493	-	-	-	3,493
Impact of initial application of IFRS 9	3,578	2	3	786	4,369
Balance at 1 January 2018 under IFRS 9	7,071	2	3	786	7,862
Impairment losses recognized during the year	1,048	-	(3)	(403)	642
At 31 December 2018	8,119	2	-	383	8,504
Impairment losses recognized during the year	12,774	-	-	-	12,774
At 31 December 2019	20,893	2	-	383	21,278

10. TRADE AND OTHER PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade payables	**13,039**	12,018
Amounts due to associates	**14,281**	23,276
Derivative financial instruments (Note i)	**699**	2,546
Amount due to a director	**13**	12
Amount due to a related company	**-**	283
Other payables and accruals (Note ii)	**16,806**	19,165
	44,838	57,300

Notes:

i. At 31 December 2019, the Group has foreign currency forward contracts with their fair values recognised as derivative financial instruments (liabilities) of RMB699,000 (2018: RMB2,546,000). The changes in fair value of the foreign currency forward contracts are recognsied in the consolidated statement of profit or loss. All of the foreign currency forward contracts are to be settled within one year.

ii. 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 based on the due date of the trade payables is as follows:

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**9,017**	9,669
Due after 1 month but within 3 months	**4,022**	2,349
	13,039	12,018

11. CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**4,213**	23,133

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers goods to the customer.

The contract liabilities represented receipt in advance from customers for goods that have not yet been transferred to the customers. As at 31 December 2019 and 2018, the contract liabilities mainly included the receipt in advance received from sales of wooden products.

During the year ended 31 December 2019, all brought-forward contract liabilities at the beginning of the financial period were fully recognised as revenue.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales deposits

When the Group receives a deposit before the delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised exceeds the amount of the deposit. The amount of the sales deposit, if any, was negotiated on a case by case basis with customers.

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**23,133**	10,094
Amounts included in contract liabilities that was recognised as revenue during the year	**(23,133)**	(10,094)
Cash received in advance of performance and not recognised as revenue during the year	**4,213**	23,133
At 31 December	**4,213**	23,133

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)	
	2019	2018		**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	%	**%**	%	***RMB'000***	*RMB'000*
Manufacturing and sales of wooden products	**687,132**	618,872	11.0	**99.0**	97.5	**(73,719)**	(186,107)
Retail business	**29**	1,254	(97.7)	**0.0**	0.2	**(730)**	(1,622)
Manufacturing and sales of renewable energy products	**6,891**	14,560	(52.7)	**1.0**	2.3	**942**	2,512
	694,052	634,686	9.4	**100.0**	100.0	**(73,507)**	(185,217)

The Group's core business segments are comprised of production and sales of wooden products; retail business; and manufacturing and sales of renewable energy products. During the Year, revenue from these three business segments amounted to approximately RMB687.1 million, RMB0.3 million and RMB6.9 million (2018: approximately RMB618.9 million, RMB1.3 million and RMB14.6 million), accounting for 99.0%, 0.0% and 1.0% of the total revenue (2018: 97.5%, 0.2% and 2.3%).

Manufacturing and sales of wooden products remains to be the Group's largest business segment, contributing 99.0% of the Group's revenue. The revenue derived from such business increased by 11.0%. The overall increase in revenue from this segment is mainly driven by increase in demand from North America and Australasia clients.

Global growth momentum moderated further during the Year, and the disruptive impact of US import tariffs on global trade and supply chains continued to exacerbate. The Office of the United States Trade Representative announced further increase in trade tariff imposed on certain China exported goods from 10% to 25% effective May 2019, resulting in the further decline of profit margin of the wooden products exported to the United States by the Group during the Year. The Group's export business to the United States still accounts for a significant proportion of the Group's total business volume. Therefore, manufacturing and sales of wooden products segment recorded loss of RMB73.7 million during the Year.

The revenue and profit contribution from retail business remains insignificant during the Year, the Group sees this segment as a strategic stepping stone in making into the PRC household product market, and will adapt to new business direction whenever appropriate.

The Group's renewable energy business focuses on the recycling of leftover sawdust from the production of our wooden products into biomass pellet fuel. Against the backdrop of slowing Chinese economy and the fierce domestic competition in the renewable energy market, the Group's renewable energy business recorded a decrease of 52.7% in revenue to approximately RMB6.9 million during the Year, with its profit down to RMB0.9 million (2018: revenue of RMB14.6 million and profit of RMB2.5 million).

Market Review

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

	Revenue		Change	**% to total revenue**	
	2019	2018		**2019**	2018
	RMB'000	*RMB'000*	%	%	%
The PRC	**111,639**	146,119	(23.6)	**16**	23
North America	**334,388**	260,111	28.6	**48**	41
Europe	**45,112**	30,349	48.6	**6**	5
Asia Pacific (Exclusive of the PRC)	**4,551**	10,162	(55.2)	**1**	2
Australasia	**198,362**	187,945	5.5	**29**	29
	694,052	634,686	9.4	**100**	100

The North American market remains the largest income stream of the Group, accounting for 48% of the total revenue of the Group (2018: 41%). During the Year, revenue from the North American market grew by 28.6% to RMB334.4 million (2018: RMB260.1 million). As US-China trade tension evolved during the Year, the imposition of tariffs of up to 25% to the Group's products exported to the United States resulted in adverse effect to the profitability despite growth in revenue in this market. On 29 January 2020, the U.S. Department of Commerce announced the initiation of new antidumpling duty and countervailing duty investigations to determine whether wood mouldings and millwork products from Brazil and China are being dumped in the United States, and to determine if producers in China are receiving unfair subsidies. Certain of the Group's wood products exported to the United States were under the scope of such investigations. Therefore, the Group will closely monitor the development on the Investigations, evaluate the impact to the Group and seek for necessary and decisive actions to minimise the negative impact.

China economy's growth rate continued to hover at the weakest in nearly three decades in 2019, with its GDP grew an annual 6.1% during the Year. The economic outlook in China remains highly uncertain with both pressures on the external sector and domestic demand. Due to the slowest economic growth pace, the Group's revenue from the PRC market fell by 23.6% to RMB111.6 million (2018: RMB146.1 million), and accounted for 16% of the total revenue (2018: 23%), which is still the third largest revenue source of the Group.

The Australasia market continued to be the second largest income stream of the Group, accounting for 29% (2018: 29%) of the Group's total revenue. Income from the Australasia market recorded a steady growth of 5.5% to RMB198.4 million (2018: RMB187.9 million) due to the successful expansion to timber houses and their related parts and structure products in the region. The construction of more condominiums and residential houses in the country is expected to drive the Group's business in the coming year.

Financial Review

Revenue and gross profit margin by product category

	Revenue		Change	**% to total revenue**		**Gross margin**	
	2019	2018		**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	%	**%**	%	**%**	%
Timber houses and their related parts and structures	**567,863**	496,211	14.4	**81.8**	78.2	**0.6**	11.7
Leisure household product							
Outdoor and indoor furniture	**24,931**	13,075	90.7	**3.6**	2.1	**-0.5**	16.2
Recreational products	**32,205**	14,697	119.1	**4.6**	2.3	**1.1**	4.3
Landscape garden products	**7,229**	13,474	-46.3	**1.1**	2.1	**2.2**	16.9
Pet-home designs	**7,781**	11,441	-32.0	**1.1**	1.8	**11.4**	10.2
	72,146	52,687	36.9	**10.4**	8.3	**1.7**	11.7
Trading of timber	**47,153**	71,228	-33.8	**6.8**	11.2	**6.7**	-0.1
Renewable energy products	**6,890**	14,560	-52.7	**1.0**	2.3	**12.3**	18.0
Total	**694,052**	634,686	9.4	**100.0**	100.0	**1.2**	10.8

Revenue from timber houses and their related parts and structures remained the largest income stream of the Group in 2019. Revenue from such category increased by 14.4% to RMB567.9 million (2018: RMB496.2 million), representing 81.8% of total sales for the Year (2018: 78.2%), attributable to the sustain growth recorded in the North America and Australasia market.

Overall revenue from the leisure household products drastically increased by 36.9% to RMB72.1 million (2018: RMB52.7 million), among those, the revenue from outdoor and indoor furniture and recreational products significantly increased by 90.7% and 119.1% respectively to RMB25.0 million and RMB32.2 million. All other leisure household products recorded a decrease in revenue as a result of softened market demand from European market.

Due to the escalated US-China trade disputes during the Year, the Group recorded a decrease in turnover of 33.8% from trading of timber to RMB47.2 million (2018: RMB71.2 million).

During the Year, the Group's renewable energy business decreased by 52.7% to approximately RMB6.9 million (2018: RMB14.6 million), due to the sluggish economic growth and increasingly fierce competition in the domestic renewable energy market.

Other revenue

During the Year, other revenue increased to RMB19.9 million (2018: RMB9.5 million) mainly due to the increase in government subsidies to RMB18.2 million (2018: RMB7.0 million).

Other net loss

The Group recorded other net loss of RMB4.7 million for the Year (2018: other net loss RMB180.0 million). Mainly attributable to the impairment of property, plant and equipment and lease prepayment recognized in last year amounted to RMB162.5 million.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Year were RMB25.6 million (2018: RMB22.3 million) which was a result of the increase in turnover and number of shipments during the Year.

Administrative expenses

Our administrative expenses incurred during the Year amounted to RMB48.3 million (2018: RMB49.2 million) as a result of effective cost control measures taken by the Group.

Finance costs

Our finance costs decreased to approximately RMB1.8 million (2018: RMB8.9 million), which was primarily due to decrease in bank borrowings during the Year.

Income tax expenses

The Group recorded an expense of RMB0.2 million (2018: RMB2.1 million) mainly due to the tax provision for the profit obtained in the Group's renewable energy business during the Year.

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 2019, the Group had current assets of RMB455.0 million (31 December 2018: RMB618.4 million), of which bank deposits and cash (including pledged deposits) were RMB83.6 million (31 December 2018: RMB56.1 million).

The Group's cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2019, total available banking facilities of the Group amounted to RMB151.7 million (31 December 2018: RMB237.2 million), no banking facilities were utilised as at 31 December 2019 (31 December 2018: utilised banking facilities of RMB91.2 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 2019, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 1.8% and -7.4%, respectively (31 December 2018: 9.3% and 5.5% respectively), while current ratio and quick ratio were 5.1:1 and 2.6:1 respectively (31 December 2018: 3.1:1 and 1.4:1 respectively).

Pledge of assets

As at 31 December 2019, the Group pledged its land use rights and buildings held for own use with net book value of RMB126.5 million (31 December 2018: pledged its buildings held for own use, plant and machinery, construction in progress and lease prepayments of RMB142.6 million) and deposits with banks of RMB7.6 million (31 December 2018: RMB18.1 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 RMB10.5 million (2018: RMB19.9 million).

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.

At 31 December 2019, the Group had foreign currency forward contracts with their fair values recognised as derivative financial instruments (assets) of RMB310,000 (2018: RMB2,736,000) and derivative financial instruments (liabilities) of RMB699,000 (2018: RMB2,546,000). 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.

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 2019, the aforesaid proceeds were utilised except for proceeds from December 2015 Open Offer. 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$'million*	**Increasing and enhancing our research and development activities** *HK$'million*	**General working capital** *HK$'million*	**Total** *HK$'million*
From December 2015 Open Offer				
Amount of net proceeds	119.0	17.0	34.0	170.0
Percentage to total net proceeds	70.0%	10.0%	20.0%	100.0%
Utilised amount as at 31 December 2019	116.0	17.0	34.0	167.0
Unutilised amount as at 31 December 2019	3.0	-	-	3.0

Human resources

As at 31 December 2019, we employed a total of 464 (2018: 426) 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 (including full-time and part-time employees) for the Year were RMB35.3 million (2018: RMB35.5 million), representing 5.1% (2018: 5.6%) of the revenue of the Group. The Group has been consistently increasing production process automation, strengthening the training of staff with an emphasis on high-technique processing with a mission on the continuous development and enhancing of competitiveness. The Group offered highly competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees.

The Group's emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees 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 2019, no options have been granted.

Events after the reporting period

Subscription of new shares for capitalization of debenture

On 22 December 2019, the Company entered into the subscription agreements with Mr. Han Hong and Mr. Han Jin (together as "Subscribers"), pursuant to which Subscribers have conditionally agreed to subscribe for an aggregate of 123,533,400 new shares at the subscription price of HK$0.12 by capitalising partial amounts of debenture together with accrued interest thereon in the amount of HK$14,824,000 (equivaluent to RMB13,280,000) owed by the Company to Subscribers. The subscription has been completed on 14 February 2020.

Antidumping duty and countervailing duty investigations

On 29 January 2020, the U.S. Department of Commerce announced the initiation of new antidumping duty and countervailing duty investigations (the “Investigations”) to determine whether wood mouldings and millwork products from Brazil and China are being dumped in the United States, and to determine if producers in China are receiving unfair subsidies. Certain of the Group’s wood products exported to the United States were under the scope of such Investigations. The Group will closely monitor the development on the Investigations, evaluate the impact to the Group and seek for necessary and decisive actions to minimise the negative impact. The Company has obtained a legal opinion from an independent solicitors firm and such opinion is of the view that the implementation of the antidumping duty and countervailing duty and the rates of such duties are subjected to the final determination of the U.S. Department of Commerce. It is not practicable to determine whether the Group will be subjected to such duties. Further, such opinion suggested that the Group will not be subjected to any antidumping duty and countervailing duty for its products sold to the United States before 31 December 2019 under the Investigation, therefore no provision for penalties or fines has been made by the Group and the Group has no contingent liabilities as at the balance sheet date.

Outbreak of Coronavirus Disease 2019 in January 2020

Since the outbreak of Coronavirus Disease 2019 (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. Subject to the development and spread of COVID-19 subsequent to the end of the reporting period, further changes in economic conditions may have an impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will keep continuous attention on the situation of the COVID-19 and proactively take action with an attempt to minimise its impact on the Group’s financial position and operating results.

Prospects

On 15 January 2020, the first sings of a truce between the US-China trade dispute were seen when two countries finally signed the phase one trade deal. However, the uncertainty remained elevated as the U.S. Department of Commerce announced the initiation of new antidumpling duty and countervailing duty investigations (the "Investigations") to determine whether wood mouldings and millwork products from Brazil and China are being dumped in the United States, and to determine if producers in China are receiving unfair subsidies on 29 January 2020. Certain of the Group's wood products exported to the United States were under the scope of such Investigations. Looking ahead, there are multiples external and domestic headwinds facing the Group's profitability. On the external front, adding headwinds faced by heightened uncertainties and risks arising from the global economic slowdown, the recent coronavirus (COVID-19) outbreak has already brought considerable human suffering and major economic disruption, the Group expects that the adverse on confidence, financial markets and disruption to supply chain will surface during the first half of 2020. The Group sees fragile business and consumer confidence could dampen capital expenditure, as well as building and construction activities in the North American, European and Australasia markets. On the other hand, multiple challenges faced by China, including further economic slowdown, weakened housing market, rising corporate leverage and household debt burden further clouded the Group's business prospects in the PRC market. With these considerations aforementioned, it is expected that the Group's profitability will be inevitably affected worldwide, putting tremendous pressure on the returns on assets and inventories. The Group will continue enhance the business resilience by closely monitoring the initiation of new antidumpling duty from the United States and the development of other overseas markets such as Australia, assessing the impact on the Group and identifying necessary and decisive measures in diversifying the business risks ahead.

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 2018 and interim results for the six months period ended 30 June 2019 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 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 BDO 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, 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.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 to the shareholders.

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 26 May 2020 to 29 May 2020 (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 25 May 2020.

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, 30 March 2020

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.