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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 2020

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 2020 (“Year 2020” or the “Reporting Year”), together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Renminbi)

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Revenue	3	492,589	694,052
Cost of sales		<u>(488,151)</u>	<u>(685,428)</u>
Gross profit		4,438	8,624
Other revenue	4(a)	17,626	19,856
Other net loss	4(b)	(36,225)	(4,700)
Selling and distribution expenses		(21,721)	(25,565)
Administrative expenses		(57,651)	(48,330)
Gain on bargain purchase on acquisition of a subsidiary		697	-
Expected credit loss on trade and other receivables	9	<u>(3,933)</u>	<u>(12,774)</u>
Loss from operations		(96,769)	(62,889)
Finance costs	5(a)	(162)	(1,815)
Share of (losses)/profits of associates		<u>(287)</u>	<u>401</u>
Loss before tax	5	(97,218)	(64,303)
Income tax credit/(expense)	6	<u>4,119</u>	<u>(168)</u>
Loss for the year		<u>(93,099)</u>	<u>(64,471)</u>
Loss per share – Basic and Diluted (RMB)	7	<u>(0.128)</u>	<u>(0.104)</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Renminbi)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year	(93,099)	(64,471)
Other comprehensive income		
<i>Items that will be reclassified to profit or loss in subsequent period:</i>		
Exchange differences arising on translation of foreign operations	2,262	(258)
<i>Items that will not be reclassified to profit or loss in subsequent period:</i>		
Equity investment designated at fair value through other comprehensive income		
- Change in fair value	(648)	(219)
- Income tax effect	97	33
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	1,711	(444)
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Total comprehensive income for the year attributable to owners of the Company	(91,388)	(64,915)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		450,260	495,794
Non-current deposit for acquisitions of property, plant and equipment		1,907	11,074
Interest in associates		-	15,666
Other financial assets at fair value through other comprehensive income		2,400	3,048
Deferred tax assets		1,025	890
Total non-current assets		455,592	526,472
Current assets			
Inventories	8	115,134	225,406
Trade and other receivables	9	134,800	144,830
Other financial assets at fair value through profit or loss		29,174	791
Derivatives financial instruments		1,619	310
Pledged deposits		4,590	7,612
Cash and cash equivalents		137,969	76,024
Total current assets		423,286	454,973
Current liabilities			
Trade and other payables	10	37,132	48,352
Derivatives financial instruments		157	699
Lease liabilities		23	187
Tax payables		22,451	26,717
Total current liabilities		59,763	75,955
Net current assets		363,523	379,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

(Expressed in Renminbi)

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Total assets less current liabilities		819,115	905,490
Non-current liabilities			
Lease liabilities		53	32
Debentures		4,535	18,035
Deferred tax liabilities		1,925	1,790
Total non-current liabilities		6,513	19,857
Net assets		812,602	885,633
EQUITY			
Share capital	11	32,591	25,544
Reserves		780,011	860,089
Total equity		812,602	885,633

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 2020 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 2021.

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 2020 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. The consolidated 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”).

ADOPTION OF NEW/REVISED IFRSs – EFFECTIVE 1 JANUARY 2020

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”)

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to IFRS 3

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendments to IAS 1 and IAS 8

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

(a) 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 (i) manufacturing and sales of wooden products, (ii) retail sales of outdoor wooden products and (iii) 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 sales of outdoor wooden products: retail sales of outdoor wooden products through self-operated retail shops; and
- 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 sales of outdoor wooden products and manufacturing and sales of renewable energy products, respectively.

The measure used for reportable segment profit/(loss) is "profit/(loss) for the year (excluding the after tax effect of government subsidies)" of manufacturing and sales of wooden products, retail sales of outdoor 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, 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, bank loans, debentures, tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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 2020 and 2019 is set out below:

	2020			
	Manufacturing and sales of wooden products <i>RMB'000</i>	Retail sales of outdoor 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	486,102	-	6,487	492,589
Inter-segment revenue	5,164	-	2,650	7,814
Reportable segment revenue	<u>491,266</u>	<u>-</u>	<u>9,137</u>	<u>500,403</u>
Reportable segment profit/(loss) (profit/(loss) for the year (excluding the after tax effect of government subsidies))	<u>(84,011)</u>	<u>(587)</u>	<u>458</u>	<u>(84,140)</u>

	2019			Total RMB'000
	Manufacturing and sales of wooden products RMB'000	Retail sales of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	
Revenue derived from the Group's external customers	687,132	29	6,891	694,052
Inter-segment revenue	<u>6,396</u>	<u>190</u>	<u>2,857</u>	<u>9,443</u>
Reportable segment revenue	<u>693,528</u>	<u>219</u>	<u>9,748</u>	<u>703,495</u>
Reportable segment profit/(loss) (profit/(loss) for the year (excluding the after tax effect of government subsidies))	<u>(73,719)</u>	<u>(730)</u>	<u>942</u>	<u>(73,507)</u>

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	500,403	703,495
Elimination of inter-segment revenue	<u>(7,814)</u>	<u>(9,443)</u>
	492,589	694,052
Loss		
Reportable segment loss derived from the Group's external customers	(84,140)	(73,507)
Government subsidies (net of tax)	8,537	15,490
Depreciation on right-of-use assets included within leased properties	(149)	(150)
Unallocated head office and corporate expenses	<u>(17,347)</u>	<u>(6,304)</u>
Consolidated loss for the year	(93,099)	(64,471)

(iii) Reconciliation of segment assets and liabilities

	2020			
	Manufacturing and sales of wooden products <i>RMB'000</i>	Retail sales of outdoor wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	702,103	618	2,071	704,792
Corporate and other unallocated assets				<u>174,086</u>
Total assets				<u>878,878</u>
Segment liabilities	35,363	41	517	35,921
Corporate and other unallocated liabilities				<u>30,355</u>
Total liabilities				<u>66,276</u>
	2019			
	Manufacturing and sales of wooden products <i>RMB'000</i>	Retail sales of outdoor wooden products <i>RMB'000</i>	Manufacturing and sales of renewable energy products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	903,102	1,119	12,576	916,797
Corporate and other unallocated assets				<u>64,648</u>
Total assets				<u>981,445</u>
Segment liabilities	37,138	60	9,537	46,735
Corporate and other unallocated liabilities				<u>49,077</u>
Total liabilities				<u>95,812</u>

(b) Revenue

The principal activities of the Group are the 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 is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Production and sales of outdoor wooden products	486,102	687,132
Retail sales of outdoor wooden products	-	29
Sales of renewable energy products	6,487	6,891
	492,589	694,052

Information about major customers

For the year ended 31 December 2020, revenue from one (2019: one) customer of the Group's sales of outdoor wooden products amounted to RMB50,581,000 (2019: RMB121,947,000), which represent 10% or more of the Group's revenue.

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.

	2020			Total RMB'000
	Manufacturing and sales of wooden products RMB'000	Retail sales of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	
Primary geographical markets*				
The PRC (place of domicile)	94,119	-	6,487	100,606
North America	137,708	-	-	137,708
Europe	25,337	-	-	25,337
Asia Pacific (exclusive of the PRC)	4,387	-	-	4,387
Australasia	224,551	-	-	224,551
	<u>486,102</u>	<u>-</u>	<u>6,487</u>	<u>492,589</u>

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

	2019			Total RMB'000
	Manufacturing and sales of wooden products RMB'000	Retail sales of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products 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
	<u>687,132</u>	<u>29</u>	<u>6,891</u>	<u>694,052</u>

4. OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposits	3,344	347
Government subsidies	10,044	18,223
Dividend income from equity investment designated as fair value through other comprehensive Income	983	531
Rental income	96	62
Others	3,159	693
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Total	17,626	19,856
	<hr/>	<hr/>

(b) Other net loss

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net foreign exchange (loss)/gain	(8,090)	6,749
Fair value loss on derivative financial instruments	(8,684)	(4,931)
Fair value loss on other financial assets	(1,201)	-
Gain on de-registration of a subsidiary	1,183	-
Gain/(loss) on de-registration of associates, net	759	(456)
Gain on remeasurement of previously held equity interests in an associate	159	-
Gain on disposal of a subsidiary	-	17
Gain/(loss) on disposal of property, plant and equipment	1,782	(1,825)
Impairment of property, plant and equipment*	(24,641)	(638)
Write-back/(write-down) of inventories	2,910	(4,495)
Gain on early termination of leases	3	-
Others	(405)	879
	<hr/>	<hr/>
Total	(36,225)	(4,700)
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* Included in the property, plant and equipment, construction in progress with net carrying amount of RMB 24,461,000 were fully impaired during the year ended 31 December 2020.

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

(a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expense on bank loans	22	1,253
Interest expense on debentures	133	549
Interest expense on lease liabilities	7	13
	<u>162</u>	<u>1,815</u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	27,173	34,111
Contributions to defined contribution retirement schemes	890	1,153
Equity-settled share award scheme expenses (note 11)	6,075	-
	<u>34,138</u>	<u>35,264</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 2020 and 2019. 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories recognised as expenses	488,151	685,428
Depreciation of:		
Property, plant and equipment	35,021	21,557
Right-of-use assets		
- Land use rights	1,519	1,017
- Leased properties	149	150
Research and development costs	16,282	21,418
Gain on bargain purchase on acquisition of a subsidiary	697	-
Auditor's remuneration	875	1,016
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6. INCOME TAX (CREDIT) / EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – PRC corporate income tax		
Charged for the year	39	263
Over-provision in previous year	(4,255)	(8)
Deferred tax		
Charged for the year	97	(87)
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Total	(4,119)	168
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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 2020 and 2019.
- (ii) The Group's PRC subsidiaries are subject to PRC corporate income tax ("CIT") at the statutory rate of 25% unless otherwise specified.
- (iii) Fujian Zhangping Kimura Forestry Products Co., Ltd. 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.

- (iv) Under the PRC Corporate Income Tax Law, the CIT 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%. Five of the Company's subsidiaries (2019: six 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 5% (i.e. 20% on 25% 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).

7. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2020 is based on the loss attributable to equity shareholders of the Company of RMB93,099,000 (2019: RMB64,471,000) and weighted average of 726,582,000 shares (2019: 617,667,000 shares) in issue during the year ended 31 December 2020.

The weighted average of 617,667,000 shares for the year ended 31 December 2019 are derived from 3,088,335,000 ordinary shares in issue as at 1 January 2019 after taking into account the effect of the five-to-one share consolidation which was effective on 22 October 2019.

The weighted average of 726,582,000 shares for the year ended 31 December 2020 are derived from 617,667,000 ordinary shares in issue as at 1 January 2020 after taking into account the effect of (i) the issuance of new shares of 123,533,400 ordinary shares on 14 February 2020 and (ii) the issuance of 42,550,000 award shares under the share award scheme on 30 December 2020.

The basic and diluted loss per share are the same as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

8. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	75,687	140,321
Work in progress	21,652	22,599
Finished goods	17,795	62,486
	<u>115,134</u>	<u>225,406</u>

9. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	77,828	108,187
Less: loss allowance	(22,339)	(20,893)
	55,489	87,294
Trade deposit for raw materials	68,466	47,267
Due from a related company	67	71
Due from associates	-	5
Prepayments and other receivables	12,028	10,578
Less: loss allowance	(1,250)	(385)
	79,311	57,536
Trade and other receivables	134,800	144,830

The amounts due from a related company and associates are unsecured, interest-free and repayable on demand.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	20,576	49,821
1 to 2 months	21,361	14,185
2 to 3 months	2,986	9,516
Over 3 months	10,566	13,772
	55,489	87,294

Trade receivables are normally due within 90 days to 180 days (2019: 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 <i>RMB'000</i>	Amount due from a related company <i>RMB'000</i>	Other receivables <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2018 and 1 January 2019	8,119	2	383	8,504
Impairment losses recognised during the year	<u>12,774</u>	<u>-</u>	<u>-</u>	<u>12,774</u>
At 31 December 2019 and 1 January 2020	20,893	2	383	21,278
Impairment losses recognised during the year	3,068	-	865	3,933
Amounts written off as uncollectible	<u>(1,622)</u>	<u>-</u>	<u>-</u>	<u>(1,622)</u>
At 31 December 2020	<u>22,339</u>	<u>2</u>	<u>1,248</u>	<u>23,589</u>

10. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills payables (Note (i))	14,092	13,039
Contract liabilities	5,698	4,213
Due to associates	-	14,281
Due to a director	13	13
Other payables and accruals	<u>17,329</u>	<u>16,806</u>
	<u>37,132</u>	<u>48,352</u>

Note:

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	1,215	7,121
1 to 2 months	451	2,867
2 to 3 months	2,618	404
Over 3 months	<u>9,808</u>	<u>2,647</u>
	<u>14,092</u>	<u>13,039</u>

11. SHARE CAPITAL

Authorised and issued share capital

	2020			2019		
	Par Value HK\$	Number of shares (‘000)	Amount HK\$(‘000)	Par Value HK\$	Number of shares (‘000)	Amount HK\$(‘000)
Authorised:						
At 1 January	0.05	2,000,000	100,000	0.01	10,000,000	100,000
Effect on share consolidation	-	-	-	0.05	(8,000,000)	-
At 31 December	0.05	2,000,000	100,000	0.05	2,000,000	100,000

	2020			2019		
	Par Value HK\$	Number of shares (‘000)	Amount RMB(‘000)	Par Value HK\$	Number of shares (‘000)	Amount RMB(‘000)
Ordinary shares, issued and fully paid:						
At 1 January	0.05	617,667	25,544	0.01	3,088,335	25,544
Effect on share consolidation	-	-	-	N/A	(2,470,668)	-
Issuance of new shares (Note (i))	0.05	123,533	5,242	-	-	-
Issue of new shares under share award scheme (Note (ii))	0.05	42,550	1,805	-	-	-
At 31 December	0.05	783,750	32,591	0.05	617,667	25,544

Notes:

- (i) On 22 December 2019, the Company entered into the subscription agreements with debenture holders to partial capitalise the principal amounts of debentures together with accrued interest thereon in the amount of HK\$14,824,000 (equivalent to RMB13,279,000 and RMB13,229,000 as at 31 December 2019 and the completion date of 14 February 2020, respectively) by issuing an aggregate of 123,533,400 new shares at HK\$0.12. The capitalisation was completed on 14 February 2020.

- (ii) On 14 December 2020, a total of 42,550,000 award shares (“Award Shares”) were issued to 12 eligible persons (the “Selected Persons”). The Award Shares were settled by way of issue and allotment of new Shares on 30 December 2020 pursuant to the general mandate. The Selected Persons are (i) senior and middle management of the Group and (ii) staffs who served the Group for a long period of time.

The 42,550,000 Award Shares had neither any vesting period nor condition, accordingly, the fair value of 42,550,000 Award Shares were determined by the closing market price of the Company on 30 December 2020, of which, expenses of HK\$6,808,000 (equivalent to RMB6,075,000) were recognised as expenses in the consolidated statement of profit or loss.

12. COMMITMENT

(a) Capital commitments

Capital commitments outstanding at 31 December 2020 not provided for in these consolidated financial statements were as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted for	<u>-</u>	<u>23,642</u>

(b) Operating lease arrangements

The Group leases, as lessor, certain industrial properties and staff dormitory in the PRC 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 HK\$96,000 (2019: HK\$62,000).

As lessor

At 31 December 2020, the undiscounted lease rental receivable by the Group in future periods under noncancellable operating leases with its tenants are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	533	-
After one year but within two years	518	-
After two years but within three years	592	-
	<u>1,643</u>	<u>-</u>

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 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	
	2020	2019		2020	2019	2020	2019
	RMB'000	RMB'000	%	%	%	RMB'000	RMB'000
Manufacturing and sales of wooden products	486,102	687,132	(29.3)	98.7	99.0	(84,011)	(73,719)
Retail sales of outdoor wooden products	-	29	(100.0)	N/A	0.0	(587)	(730)
Manufacturing and sales of renewable energy products	6,487	6,891	(5.9)	1.3	1.0	458	942
	<u>492,589</u>	<u>694,052</u>	<u>(29.0)</u>	<u>100.0</u>	<u>100.0</u>	<u>(84,140)</u>	<u>(73,507)</u>

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

	Revenue		Change	% to total revenue	
	2020	2019		2020	2019
	RMB'000	RMB'000	%	%	%
The PRC	100,606	111,639	(9.9)	20	16
North America	137,708	334,388	(58.8)	28	48
Europe	25,337	45,112	(43.8)	5	6
Asia Pacific (Exclusive of the PRC)	4,387	4,551	(3.6)	1	1
Australasia	224,551	198,362	13.2	46	29
	<u>492,589</u>	<u>694,052</u>	<u>(29.0)</u>	<u>100</u>	<u>100</u>

Manufacturing and sales of wooden products remains to be the Group's largest business segment, contributing 98.7% of the Group's revenue. The revenue derived from such business decreased by 29.3%. The overall decrease in revenue from this segment is mainly driven by a decrease in demand from North American clients.

On 29 January 2020, the U.S. Department of Commerce (the “US Commerce”) announced the initiation of new anti-dumping duty and countervailing duty investigations to determine whether wood mouldings and millwork products from Brazil and the PRC are being dumped in the United States, and to determine if producers in the PRC are receiving unfair subsidies. Certain of the Group’s wood products exported to the United States were under the scope of such investigations. On 9 June 2020, the US Commerce announced the affirmative preliminary determination in the countervailing duty investigation of imports of wood mouldings and millwork products from the PRC, finding that exporters received countervailable subsidies at rates from 13.61% to 245.34%. On 5 August 2020, the US of Commerce announced the affirmative preliminary determination in the antidumping duty investigation of imports of wood mouldings and millwork products from the PRC (the “Products”), that a dumping margins from 40.3% to 146.91% exist. According to such preliminary determinations, Fujian Zhangping Kimura Forestry Products Co., Ltd., a wholly-owned subsidiary of the Company, has been determined that certain of its wood products exported to the United States will be subjected to such countervailing duty and its dumping margin was 79.4%. In view of such preliminary determinations, the Group has stopped the export of the products affected by such preliminary determinations to its U.S. customers in the United States, the Group’s performance was therefore negatively impacted as a result. Turnover from the Australasian market continued to edge up due to increasing market acceptance of the Group’s timber houses and their related parts and structures, offsetting the negative impact from the North American market to certain extent.

The revenue and profit contribution from retail sales of outdoor wooden products 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 5.9% in revenue to approximately RMB6.5 million during the Year, with its profit down to RMB0.5 million (2019: revenue of RMB6.9 million and profit of RMB0.9 million).

Financial Review

Revenue by product category

	Revenue	
	2020 RMB'000	2019 RMB'000
Timber houses and their related parts and structures	374,106	567,862
Leisure household products		
Outdoor and indoor furniture	10,995	24,931
Recreational products	47,197	32,205
Landscape garden products	31,696	7,229
Pet-home designs	673	7,781
	90,561	72,146
Trading of timber	21,435	47,153
Renewable energy products	6,487	6,891
Total	492,589	694,052

Revenue from timber houses and their related parts and structures remained the largest income stream of the Group in 2020. Revenue from such category decreased by 34.1% to RMB374.1 million (2019: RMB567.9 million), mainly attributable to the decrease in sales to the North America market as a result of the anti-dumping and countervailable subsidies investigations launched by the US Department of Commerce during the year.

Overall revenue from the leisure household products drastically increased by 25.5% to RMB90.6 million (2019: RMB72.1 million), mainly attributable to the increase in sales of landscape garden products during the year.

Gross profit and gross margin

Gross profit decreased to approximately RMB4.4 million (2019: RMB8.6 million) while gross margin slightly decreased to approximately 0.9% (2019: 1.2%), mainly because more sales discount were provided to customers.

Other revenue

During the Year, other revenue decreased to RMB17.6 million (2019: RMB19.9 million) mainly due to the less government subsidies received of RMB10.0 million (2019: RMB18.2 million).

Other net loss

The Group recorded other net loss of RMB36.2 million for the Year (2019: other net loss RMB4.7 million). The increase was mainly attributable to the impairment of construction-in-progress (included in property, plant and equipment) recognized during the year amounting to RMB24.6 million.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Year were RMB21.7 million (2019: RMB25.6 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 RMB57.7 million (2019: RMB48.3 million). The increase was mainly due to the recognition of equity settled share award scheme expenses amounted to RMB6.1 million during the Year.

Finance costs

Our finance costs decreased to approximately RMB0.2 million (2019: RMB1.8 million), which was primarily due to the decrease in bank borrowings during the Year.

Income tax (credit)/expenses

The Group recorded an income tax credit of RMB4.1 million (2019: income tax expense of RMB0.2 million) mainly due to the reversal of over-provision of income tax in prior year 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 2020, the Group had current assets of RMB423.3 million (31 December 2019: RMB455.0 million), of which bank deposits and cash (including pledged deposits) were RMB 142.6 million (31 December 2019: RMB83.6 million).

The Group's cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2020, total available banking facilities of the Group amounted to RMB97.7 million (31 December 2019: RMB151.7 million), banking facilities utilised as at 31 December 2020 amounted to RMB27.5 million (31 December 2019: RMB Nil) 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 2020, the current ratio and quick ratio were 7.1:1 and 5.2:1 respectively (31 December 2019: 6.0:1 and 3.0:1 respectively).

Pledge of assets

As at 31 December 2020, the Group pledged its land use rights, buildings held for own use and deposits with banks (31 December 2019: buildings held for own use, plant and machinery, construction in process, land use rights and deposits with banks) 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 deposit for acquisitions of property, plant and equipment amounted to RMB6.6 million (2019: RMB10.5 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 2020, the Group had foreign currency forward contracts with their fair values recognised as derivative financial instruments (assets) of RMB1,619,000 (2019: RMB310,000) and derivative financial instruments (liabilities) of RMB157,000 (2019: RMB699,000). 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 2020, the aforesaid proceeds were fully utilised.

Human resources

As at 31 December 2020, we employed a total of 340 (2019: 464) 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 2020, no options have been granted.

On 14 December 2020, the Board of Directors of the Company (the “Board”) has adopted the Share Award Scheme which does not constitute a share option scheme of the Company for the purpose of Chapter 17 of the Listing Rules and resolved to award an aggregate of 42,550,000 Award Shares to 12 Selected Participants by way of issue and allotment of new Shares pursuant to the General Mandate. Each of the Selected Participants are the Group’s employees who are third parties independent of the Company and its connected persons. The Board considers that the award of the Award Shares to the Selected Participants provides incentives to the Selected Participants and will allow the Group to attract, retain and motivate talents for the continual operation and development of the Group. The award of the Award Shares to the Selected Participants recognizes their continual support to the Group and their effort will promote the Group’s future development.

Events after the reporting period

Antidumping duty and countervailing duty investigations

During the year, certain of the Group's wood products exported to the United States were under the scope of new antidumping duty and countervailing duty investigations.

On 22 January 2021, the United States International Trade Commission ("US ITC") determined that a United States industry is materially injured by reason of imports of wood mouldings and millwork products from the PRC and that the US Commerce has determined are subsidised and sold in the United States at less than fair value.

As a result of the US ITC's affirmative determinations, US Commerce will issue antidumping and countervailing duty orders on imports of these products from the PRC and The U.S. cash deposits at a rate totaled at 54.43% will be collected from importers of the Group's relevant products.

The Group, as an exporter, is not directly obliged to pay such cash deposits but in the opinion of the directors of the Company, the imposition of such cash deposits will be taken into account in the pricing negotiations with the Group customers in the United States.

Prospects

On 22 January 2021, the US ITC determined that an industry in the United States is materially injured by reason of imports of wood mouldings and millwork products from China that the US Commerce has determined are subsidised and sold in the United States at less than fair value. As a result of the US ITC's affirmative determinations, the US Commerce will issue anti-dumping and countervailing duty orders on imports of these products from the PRC. With the above final determinations, the United States anti-dumping and countervailing investigations against Chinese wooden mouldings and wood products have come to an end. Although the new United States government has taken office in early 2021, the Group expects that the contrary trade measures of the United States against the PRC will not be significantly altered. Therefore, the Group actively adjusts its market strategy and will focus on markets outside the United States. The Group will continue to monitor the development of overseas markets such as the United States and 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 2019 and interim results for the six months period ended 30 June 2020 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 ASCENDA CACHET 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, Ascenda Cachet CPA 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 Ascenda Cachet 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 2020 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 2021 to 29 May 2021 (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 2021.

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 2021

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. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.