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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The Board is pleased to announce the unaudited interim results of the Group for the Period, together with the comparative figures for the previous financial periods.

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the Period, but are extracted from the Group's interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3, 4	205,900	339,265
Cost of sales		<u>(182,277)</u>	<u>(245,881)</u>
Gross profit		23,623	93,384
Other revenue	6(a)	16,797	22,856
Other net gain	6(b)	865	5,772
Selling and distribution expenses		(11,466)	(10,657)
Administrative expenses		<u>(27,358)</u>	<u>(27,827)</u>
Profit from operations		2,461	83,528
Finance costs	7(a)	(5,676)	(5,555)
Share of (loss)/profits of associates		<u>(60)</u>	<u>61</u>
(Loss)/profit before taxation	7	(3,275)	78,034
Income tax	8	<u>(900)</u>	<u>(15,740)</u>
(Loss)/profit for the period		<u>(4,175)</u>	<u>62,294</u>
Earnings per share			
Basic and diluted (RMB)	9	<u>(0.0016)</u>	<u>0.05</u>

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

for the six months ended 30 June 2016 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(4,175)	62,294
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be classified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of subsidiaries outside the PRC, net of nil tax	<u>5,706</u>	<u>(232)</u>
Total comprehensive income for the period	<u><u>1,531</u></u>	<u><u>62,062</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 — unaudited

(Expressed in Renminbi)

		At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		520,275	466,501
Lease prepayments		99,279	100,032
Non-current prepayments for acquisitions of property, plant and equipment		39,692	70,952
Interest in associates		23,360	13,970
Goodwill		4,300	4,300
Other financial assets		2,495	2,495
Deferred tax assets		4,403	5,269
		<u>693,804</u>	<u>663,519</u>
Current assets			
Inventories	10	347,381	336,409
Current portion of lease prepayments		1,966	1,966
Trade and other receivables	11	275,716	290,525
Pledged deposits		165,884	135,347
Cash and cash equivalents		177,321	196,901
		<u>968,268</u>	<u>961,148</u>
Current liabilities			
Trade and other payables	12	20,966	28,178
Bank loans		368,264	322,459
Current portion of deferred income		1,163	1,163
Current taxation		25,554	25,744
		<u>415,947</u>	<u>377,544</u>
Net current assets		<u>552,321</u>	<u>583,604</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2016 — unaudited**(Expressed in Renminbi)*

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
<i>Note</i>		
Total assets less current liabilities	1,246,125	1,247,123
Non-current liabilities		
Interest-bearing borrowings	90,983	91,216
Non-current portion of deferred income	17,783	18,364
Deferred tax liabilities	318	2,033
	109,084	111,613
NET ASSETS	1,137,041	1,135,510
CAPITAL AND RESERVES		
Capital	20,987	20,987
Reserves	1,116,054	1,114,523
TOTAL EQUITY	1,137,041	1,135,510

NOTES

1 REPORTING ENTITY AND BASIS OF PREPARATION

(a) Reporting entity

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

(b) Basis of preparation

The condensed interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with International Accounting Standard (“IASs”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Board on 31 August 2016.

The interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards (“IFRSs”) and new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

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

Revenue represents

- (i) the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax; and
- (ii) contract revenue derived from projects of outdoor wooden products including the provision of design and installation services.

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of outdoor wooden products	193,507	314,697
Retail sales of wooden products	3,223	9,727
Contract revenue derived from projects of outdoor wooden products including the provision of design and installation services	–	200
Sales of renewable energy products	9,170	14,641
	<u>205,900</u>	<u>339,265</u>

4 SEGMENT REPORTING

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

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

(a) Segment results

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below:

	Six months ended 30 June 2016				Total RMB'000
	Manufacturing and sales of wooden products RMB'000	Retail business RMB'000	Projects of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	
Revenue derived from the Group's external customers	193,507	3,223	–	9,170	205,900
Inter-segment revenue	24,334	–	–	–	24,334
Reportable segment revenue	<u>217,841</u>	<u>3,223</u>	<u>–</u>	<u>9,170</u>	<u>230,234</u>
Reportable segment profit/(loss) (profit/(loss) after taxation excluding the after tax effect of government subsidies)	<u>(7,528)</u>	<u>(1,438)</u>	<u>(98)</u>	<u>15</u>	<u>(9,049)</u>
	Six months ended 30 June 2015				
	Manufacturing and sales of wooden products RMB'000	Retail business RMB'000	Projects of outdoor wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	Total RMB'000
Revenue derived from the Group's external customers	314,697	9,727	200	14,641	339,265
Inter-segment revenue	48,814	–	–	–	48,814
Reportable segment revenue	<u>363,511</u>	<u>9,727</u>	<u>200</u>	<u>14,641</u>	<u>388,079</u>
Reportable segment profit/(loss) (profit/(loss) after taxation excluding the after tax effect of government subsidies)	<u>44,486</u>	<u>212</u>	<u>(60)</u>	<u>5,784</u>	<u>50,422</u>

(b) **Reconciliations of reportable segment revenue and reportable segment (loss)/profit**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	230,234	388,079
Elimination of inter-segment revenue	(24,334)	(48,814)
Consolidated revenue	<u>205,900</u>	<u>339,265</u>
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers	(9,049)	50,422
Government subsidies (net of tax)	10,521	16,262
Unallocated head office and corporate expenses	(5,647)	(4,390)
Consolidated (loss)/profit after taxation	<u>(4,175)</u>	<u>62,294</u>

(c) **Geographic information**

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
The PRC	31,763	158,935
North America	132,634	152,377
Europe	23,387	15,385
Asia Pacific (exclusive of the PRC)	11,893	12,568
Australia	6,223	–
	<u>205,900</u>	<u>339,265</u>

5 SEASONALITY OF OPERATIONS

The Group's operations are not subject to significant seasonal fluctuations. Sales revenue recorded in the first and second half of the financial year is not affected by seasonal fluctuations.

6 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income on bank deposits	2,674	1,174
Government subsidies	14,029	21,682
Other	94	–
	<u>16,797</u>	<u>22,856</u>

The Group received unconditional government subsidies of RMB13,447,000 (six months ended 30 June 2015: RMB21,100,000) for the six months ended 30 June 2016. These government subsidies were granted to Fujian Zhangping Kimura Forestry Products Co., Ltd. (“Zhangping Kimura”) for subsidising various expenses already incurred and were recognised as other revenue when they became receivable.

The Group recognised government subsidies as deferred income which compensates the Group for the cost of its land use right and the cost of infrastructure development. Government subsidies (deferred income) of RMB582,000 (six months ended 30 June 2015: RMB582,000) were recognised as other revenue for the six months ended 30 June 2016, which is on a systematic basis over the useful life of the relevant assets.

(b) Other net gain

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Net foreign exchange (loss)/gain	(1,994)	4,649
Changes in fair value of derivative financial instruments	2,833	1,123
Others	26	–
	<u>865</u>	<u>5,772</u>

7 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expense on bank loans and interest-bearing borrowings wholly repayable within five years	10,277	8,451
Less: Interest expense capitalised into construction in progress*	(4,601)	(2,896)
	<u>5,676</u>	<u>5,555</u>

* The borrowing costs have been capitalised at a rate of 3.17% (six months ended 30 June 2015: 3.63%) per annum for the six months ended 30 June 2016.

(b) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories	182,277	245,881
Depreciation of property, plant and equipment	8,552	9,038
Amortisation of lease prepayments	753	573
Operating lease charges for properties	498	1,600
Research and development costs	10,757	8,912

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax — PRC corporate income tax	41	14,958
Deferred tax expense	859	782
	<u>900</u>	<u>15,740</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

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 six months ended 30 June 2016 and 2015.

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

The Group’s other PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25%.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of RMB4,172,000 (six months ended 30 June 2015: RMB62,294,000 profit) and weighted average of 2,573,835,000 shares (six months ended 30 June 2015: 1,380,636,000 shares) in issue during the six months ended 30 June 2016, calculated as follows.

Weighted average number of ordinary shares

	Number of shares	
	2016	2015
	'000	'000
Issued ordinary shares at 1 January	<u>2,573,835</u>	<u>1,365,000</u>
Effect of purchasing of own shares on 12 January 2015	–	(1,867)
Effect of issue of shares upon placing on 13 May 2015	<u>–</u>	<u>17,503</u>
Weighted average number of ordinary shares at 30 June	<u><u>2,573,835</u></u>	<u><u>1,380,636</u></u>

There were no potential dilutive ordinary shares during the six months ended 30 June 2016 and 2015 and, therefore, diluted earnings per share are the same as the basic earnings per share.

10 INVENTORIES

	At	At
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Raw materials	235,822	181,157
Work in progress	47,465	52,935
Finished goods	<u>64,094</u>	<u>102,317</u>
	<u><u>347,381</u></u>	<u><u>336,409</u></u>

There was no write down of inventories during the six months ended 30 June 2016 and 2015.

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade and bills receivables (<i>note (a)</i>)	119,428	183,678
Trade receivable from associates	6,545	10,270
Amount due from a related company	1,007	1,007
	<hr/>	<hr/>
Total trade receivables	126,980	194,955
Prepayment for raw materials	101,792	80,162
Derivative financial instruments	3,956	3,064
Gross amount due from customers for contract work (<i>note</i>)	708	708
Other receivables	42,280	11,636
	<hr/>	<hr/>
	275,716	290,525
	<hr/> <hr/>	<hr/> <hr/>

Note: The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 30 June 2016 was RMB1,108,000 (31 December 2015: RMB1,108,000). This balance includes retention receivables at 30 June 2016 of RMB181,000 (31 December 2015: RMB181,000), of which RMBNil (31 December 2015: Nil) was expected to be recovered after more than one year.

All of the trade and other receivables, apart from those balances specified in note above are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As at 30 June 2016, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowances of doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	51,323	69,438
1 to 2 months	26,319	31,024
2 to 3 months	12,475	14,539
Over 3 months	29,311	79,954
	<hr/>	<hr/>
	119,428	194,955
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills receivables are normally due within 15 days to 3 months from the date of billing.

12 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables (<i>note (a)</i>)	5,905	8,749
Receipts in advance	1,039	484
Derivative financial instruments	1,718	5,112
Amount due to a director	17	16
Salaries, wages, bonus and other accrued benefits	2,407	2,752
Payables for the purchase of property, plant and equipment	403	956
Other tax payables	2,414	686
Professional fees payables	1,520	1,966
Transportation fee payables	664	1,968
Others	4,879	5,489
	<u>20,966</u>	<u>28,178</u>

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

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

As at 30 June 2016, the maturity analysis of the trade payables balance is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Due within 1 month or on demand	5,488	8,164
Due after 1 month but within 3 months	417	585
	<u>5,905</u>	<u>8,749</u>

13 DIVIDENDS

- (i) The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the Period:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
No final dividend proposed in respect of the previous financial year (six months ended 30 June 2015: HK\$0.005 (equivalent to approximately RMB0.004))	<u> – </u>	<u> 5,648 </u>

At a Board meeting held on 29 March 2016, the Directors proposed no final dividend distribute for the year ended 31 December 2015, and the proposal is approved in the Annual General Meeting on 26 May 2015. Therefore no final dividend payable in respect of year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

The Group has recorded a downturn for the Period with its revenue decreased by 39.3% to RMB205.9 million as compared to the corresponding period of the previous year (“2015 1H”) (2015 1H: RMB339.3 million). The Group also recorded a turn from profit to RMB4.2 million loss (2015 1H: RMB62.3 million profit).

Segment review

During the Period, the performance of our business segments is as follows:

	Segment revenue derived from external customers			% to total segment revenue derived from external customers		Reportable segment (loss)/profit	
	Six months ended			Six months ended		Six months ended	
	30 June			30 June		30 June	
	2016	2015	Change	2016	2015	2016	2015
	RMB'000	RMB'000	%	%	%	RMB'000	RMB'000
Manufacturing and sales of wooden products	193,507	314,697	-38.5%	94.0%	92.8%	(7,528)	44,486
Retail business	3,223	9,727	-66.9%	1.6%	2.9%	(1,438)	212
Projects of outdoor wooden products	-	200	-100.0%	0.0%	0.1%	(98)	(60)
Manufacturing and sales of renewable energy products	9,170	14,641	-37.4%	4.4%	4.2%	15	5,784
	<u>205,900</u>	<u>339,265</u>	<u>-39.3%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>(9,049)</u>	<u>50,422</u>

During the Period, the Group continued to consolidate its core business into the following segments: manufacturing and sales of wooden products, retail business and projects of outdoor wooden products. The Group’s relatively new business in the manufacturing and sales of renewable energy products has successfully continued its operation for the third year since its commencement in 2014. The revenue derived from each of the four business segments during the Period were RMB193,507,000, RMB3,223,000, Nil and RMB9,170,000 (2015 1H: RMB314,697,000, RMB9,727,000, RMB200,000 and RMB14,641,000, representing 94.0%, 1.6%, 0.0% and 4.4% of the total revenue derived (2015 1H: 92.8%, 2.9%, 0.1% and 4.2%) respectively.

Manufacturing and sales of wooden products remains the Group’s largest business. The revenue derived from such business decreased by 38.5% which was attributable to the slowdown of growth in the emerging economies and increased competition in the domestic and overseas timber house and structure markets. Also, a drop in selling price of the products met by an increase in processing and production cost to improve product competitiveness caused by stiff competition, which led to a significant decrease in the gross profit margin and turn from profit to a loss of RMB7.5 million (2015 1H: RMB44.5 million profit). However, in light of the recent recovery of the economies of US and Europe, the Group will monitor the performance of each market and hope to stabilize the overall revenue of the Company.

The Group's self-owned brand is engaged in the retail of leisure household products. Since its establishment in 2010, its sales network has grown to cover major cities in more than 10 provinces in the PRC with over 60 self-operated stores and distribution outlets. The Group aims to improve the operation by improving its cost control.

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

The Group's renewable energy business recorded a decrease in revenue by 37.4% to RMB9.1 million and a decrease in profit by 99.7% to RMB15,000 (2015 1H: revenue of RMB14.6 million and profit of RMB5.8 million) during the Period. It is expected that this business will generate further revenue to the Group in the future.

Market review

During the Period, the distribution of revenue from our global markets is as follows:

	Revenue		% to total revenue	
	Six months ended 30 June 2016 RMB'000	2015 RMB'000	Six months ended 30 June 2016 %	2015 %
The PRC	31,763	158,935	16%	47%
North America	132,634	152,377	64%	45%
Europe	23,387	15,385	11%	5%
Asia Pacific (Exclusive of the PRC)	11,893	12,568	6%	3%
Australia	6,223	–	3%	0%
	205,900	339,265	100%	100%

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

During the Period, revenue from the PRC market decreased by 80% to RMB31.7 million (2015 1H: RMB158.9 million), contributing 16% (2015 1H: 47%) to the total revenue of the Group. The decrease in revenue was mainly attributable to the economic slowdown in the PRC, timber sales and products sales decreased significantly as a result. In 2016, the growth of the PRC's investments in fixed assets was further decelerated. Although interest rates were lowered in the PRC, the finance costs remained relatively high. The Group expects that the PRC economy will continue to fluctuate in the rest of 2016 and it will continue to strengthen its business portfolio in order to maintain its competitiveness in the PRC market.

According to the US Department of Commerce, the new housing increased by approximately 8% to 6.9 million units in the first six month period of 2016. Nevertheless, the growth of the US economy in June 2016 was 1.2%. Due to the stable economy in the US and the decline in the PRC market, the North America became the largest market of the Group. Although the revenue from the North America market declined by 13.0% to RMB132.6 million (2015 1H: RMB152.4 million), the revenue contributes 64% (2015 1H: 45%) to the Group's total revenue. The Group expects that, with the further recovery of the US economy, the Group will be able to capture further opportunities and business so as to help stabilize the Group's total revenue.

During the Period, the Group's revenue from the European market increased by 52% to RMB23.4 million (2015 1H: RMB15.4 million). Germany was the largest market of the Group in Europe. The number of residential building approvals in Germany rose by 8.4% to 309,000 in 2015, the highest in 15 years. The Group expects to capture further opportunities and business as a result of the acceleration in construction of new housing this year.

During the Period, the Group successfully developed new business in sales of wood in new geographical areas such as Australia and Korea. This could help the Company to develop a more diversified customer base. The Group will continue to seek for new business opportunity.

Financial review

Revenue and gross profit margin by product category

	Revenue			% to total revenue		Gross margin	
	Six months ended		Change	Six months ended		Six months ended	
	30 June				30 June		30 June
	2016	2015		2016	2015	2016	2015
	RMB'000	RMB'000	%	%	%	%	%
Timber houses and their related parts and structures	129,949	204,945	-36.6%	63.1%	60.4%	7.9%	27.9%
Leisure household products							
Outdoor and indoor furnitures	18,107	38,839	-53.4%	8.8%	11.4%	11.7%	33.8%
Recreational products	8,062	22,514	-64.2%	3.9%	6.6%	1.8%	26.1%
Landscape garden products	19,763	12,039	64.2%	9.6%	3.6%	13.4%	32.7%
Pet-home designs	6,502	4,050	60.5%	3.2%	1.2%	18.6%	41.1%
Trading of timber	14,347	42,237	-66.0%	7.0%	12.5%	16.1%	7.8%
Renewable energy products	9,170	14,641	-37.4%	4.4%	4.3%	53.5%	56.1%
Total	205,900	339,265	-39.3%	100.0%	100.0%	11.5%	27.5%

The sales of timber houses, related parts and structures remained the largest product category income stream of the Group during the Period. Revenue from such products decreased by 36.6% to RMB 129.9 million (2015 1H: RMB204.9 million), representing 63.1% (2015 1H: 60.4%) of total sales for the Period. Fluctuations in exchange rates, however, required the Group to adjust its product pricing in order to maintain market competitiveness and stability. Additional processing and production costs incurred caused the overall gross profit margin on the sale of such products drop to 7.9% (2015 1H: 27.9%).

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

Other revenue

Other revenue decreased to RMB16.8 million for the Period from RMB22.9 million for 2015 1H as a result of the government subsidies received during the Period as a recognition of the reduction of the Group's operations.

Other net gain

The Group recorded other net gain of RMB0.9 million for the Period (2015 1H: RMB5.8 million), which was primarily a result of the changes in fair value of derivative financial instruments during the Period.

Selling and distribution expenses

Our selling and distribution expenses reached RMB11.5 million (2015 1H: RMB10.7 million). The increase was primarily due to inflation.

Administrative expenses

Our administrative expenses decreased to RMB27.4 million (2015 1H: RMB27.8 million), which was a result of the improvement in cost control.

Finance costs

Our finance costs increased to RMB5.7 million during the Period (2015 1H: RMB5.6 million), which was mainly due to the increase in bank borrowings.

Income tax

Our income tax decreased to RMB0.9 million (2015 1H: RMB15.7 million), primarily due to a decrease in profit before taxation during the Period.

(Loss)/profit for the Period

As a result of the foregoing factors, profit for the Period recorded a turn from profit to RMB4.2 million loss (2015 1H: RMB62.3 million profit). Loss before taxation amounted to RMB3.3 million loss (2015 1H: RMB78.0 million profit).

Liquidity and capital resources

The Group principally meets its working capital and other liquidity requirements through operating cash flows and proceeds from bank borrowings. As at 30 June 2016, the Group had current assets of RMB968.3 million (31 December 2015: RMB961.1 million), of which bank deposits and cash (including pledged deposits) were RMB343.2 million (31 December 2015: RMB332.2 million). To better manage our funds, the Group's cash is generally deposited with banks and denominated mostly in RMB and USD. As at 30 June 2016, the total available banking facilities of the Group amounted to RMB554.3 million (31 December 2015: RMB652.9 million), banking facilities utilised as at 30 June 2016 were RMB442.2 million (31 December 2015: RMB396.9 million) and these bank borrowings were denominated in RMB, EURO and USD.

As at 30 June 2016, the ratio of total borrowings to total assets and net borrowings to total equity of the Group were 27.6% and 10.2% respectively (31 December 2015: 25.5% and 7.2% respectively), current ratio and quick ratio were 2.3 and 1.5 respectively (31 December 2015: 2.5:1 and 1.7:1 respectively).

Pledge of assets

As at 30 June 2016, the Group pledged its plant and machinery, lease prepayments and buildings held for own use and accounts receivable with net book value of RMB217.0 million (31 December 2015: RMB213.1 million) and deposits with banks of RMB165.9 million (31 December 2015: RMB135.3 million) mainly for the purpose of securing bank loans and financial derivative contracts issued by banks to the Group.

Capital expenditure

During the Period, the Group's total expenditure in respect of property, plant and equipment, lease prepayments and non-current prepayments for acquisitions of property, plant and equipment amounted to RMB26.5 million (2015 1H: RMB108.3 million).

Contingent liabilities

There were no significant contingent liabilities for the Group as at 30 June 2016.

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

There was no significant investment, material acquisition and disposal of subsidiaries by the Company. The Group currently has no plan to make any substantial investment in or acquisition of capital assets, but will continue to seek out potential investment or acquisition opportunities according to the Group's development needs.

Foreign currency risks

The Group's sales are mainly denominated in USD and RMB while our cost of sales and operating costs 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 the fluctuations in the exchange rate of RMB against USD by entering into foreign currency forward contracts denominated in USD and RMB with banks when sales contracts were entered with overseas customers. As at 30 June 2016, the Group has net outstanding USD denominated forward foreign currency contracts of USD48.6 million (31 December 2015: USD51.9 million). All the contracts are to be settled within one year.

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

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

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"). The net proceeds from the issue of new shares under the June 2014 Placement, October 2014 Placement, August 2015 Subscription, December 2015 Open Offer after deducting related transaction costs, were HK\$155.0 million, HK\$148.0 million, HK\$149.7 million, HK\$170.0 million respectively.

As at 30 June 2016, all the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. A breakdown of the use of net proceeds is set forth in the table below:

	The financing of the acquisition of automated production machinery and equipment <i>HK\$' million</i>	Establishing new production facilities <i>HK\$' million</i>	Establishing own-brand self-operated store network <i>HK\$' million</i>	Merger and acquisition of small to medium sized companies, other timber processing plants, and/or other resources <i>HK\$' million</i>	Own-brand promotion and other marketing events <i>HK\$' million</i>	Increasing and enhancing our research and development activities <i>HK\$' million</i>	General working capital <i>HK\$' million</i>	Total <i>HK\$' million</i>
From global offering								
Amount of net proceeds	N/A	41.8	39.8	27.9	11.1	9.8	13.9	144.3
Percentage to total net proceeds	N/A	29.0%	27.6%	19.3%	7.7%	6.8%	9.6%	100.0%
Utilised amount as at 30 June 2016	N/A	41.8	39.8	1.1	11.1	9.8	13.9	117.5
Unutilised amount as at 30 June 2016	N/A	–	–	26.8	–	–	–	26.8
From June 2014 Placement								
Amount of net proceeds	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Percentage to total net proceeds	N/A	80.6%	N/A	N/A	N/A	N/A	19.4%	100.0%
Utilised amount as at 30 June 2016	N/A	125.0	N/A	N/A	N/A	N/A	30.0	155.0
Unutilised amount as at 30 June 2016	N/A	–	N/A	N/A	N/A	N/A	–	–
From October 2014 Placement								
Amount of net proceeds	N/A	73.0	N/A	50.0	N/A	N/A	25.0	148.0
Percentage to total net proceeds	N/A	49.3%	N/A	33.8%	N/A	N/A	16.9%	100.0%
Utilised amount as at 30 June 2016	N/A	73.0	N/A	27.3	N/A	N/A	25	125.3
Unutilised amount as at 30 June 2016	N/A	–	N/A	22.7	N/A	N/A	–	22.7
From August 2015 Subscription								
Amount of net proceeds	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Percentage to total net proceeds	N/A	50.0%	N/A	N/A	N/A	N/A	50.0%	100%
Utilised amount as at 30 June 2016	N/A	74.9	N/A	N/A	N/A	N/A	74.8	149.7
Unutilised amount as at 30 June 2016	N/A	–	N/A	N/A	N/A	N/A	–	–
From December 2015 Open Offer								
Amount of net proceeds	119	N/A	N/A	N/A	N/A	17	34.0	170
Percentage to total net proceeds	70.0%	N/A	N/A	N/A	N/A	10.0%	20.0%	100%
Utilised amount as at 30 June 2016	46.3	N/A	N/A	N/A	N/A	17	34	97.3
Unutilised amount as at 30 June 2016	72.7	N/A	N/A	N/A	N/A	–	–	72.7

Human resources

As at 30 June 2016, we employed a total of 618 (30 June 2015: 668) full time employees mainly in the PRC and Hong Kong including management staff, product designers, technicians, salespersons and workers. The Group's total expenses on the remuneration of employees for the Period were RMB18.7 million (2015 1H: RMB18.6 million). 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 package, 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 (operated 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 and share options may also be awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 15 June 2012 and up to 30 June 2016, no options have been granted.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Group has no material events after the reporting period.

PROSPECTS

During 2015, the US Federal Reserve has raised interest rates for the first time in almost a decade. It is expected that the economy and the property market in the US will show steady growth in 2016. The China's economy stabilized after reaching the bottom, hoping that demand will gradually recover in China and greater demand for the Group's products in the Asia-Pacific region, the Group will endeavor to capture all opportunities presented by the emerging markets.

During the Period, the Group successfully developed new business in sales of wood in new geographical areas such as Australia and Korea. This could help the Company to develop a more diversified customer base. The Group will continue to seek for new business opportunity.

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

The development during the Period has provided a solid foundation for the Group's further growth in the coming years.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Period and until the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Period and up to the date of this announcement, the Company complied with the principles set out in the Corporate Governance Code, except code provision C.1.2 of the Corporate Governance Code as explained below.

According 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 passing 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 attend the monthly on-site updates session.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Pursuant to a resolution passed by the Board on 15 June 2012, 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 that they have complied with the required standards set out in the Model Code regarding their securities transactions for the Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Group's interim results for the six months ended 30 June 2016 have been published on the websites of the Stock Exchange and of the Company at <http://www.merrygardenholdings.com>. The Company's interim report for the Period will be dispatched to the Shareholders in due course.

DEFINITIONS

“Board”	the board of Directors
“Company”	China Environmental Technology and Bioenergy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Period”	the six months ended 30 June 2016
“PRC” or “China”	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of United States
“%”	per cent.

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

Hong Kong, 31 August 2016

As at the date of this announcement, the executive Directors are Ms. Xie Qingmei and Mr. Wu Zheyang, 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.