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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 2023

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 2023 (“**Year 2023**” or the “**Reporting Year**”), together with the comparative figures for the corresponding period in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Renminbi)

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	4	297,530	465,037
Cost of sales		<u>(277,352)</u>	<u>(411,164)</u>
Gross profit		20,178	53,873
Other income	5	24,775	15,826
Other gains, net	6	2,168	1,980
Selling and distribution expenses		(14,650)	(35,533)
Administrative expenses		(31,836)	(48,028)
(Provision for)/reversal of expected credit loss on trade receivables		(1,174)	5,752
Finance costs	7	<u>(1,359)</u>	<u>(1,013)</u>
Loss before tax	8	(1,898)	(7,143)
Income tax (expense)/credit	9	<u>(466)</u>	<u>359</u>
Loss for the year		<u>(2,364)</u>	<u>(6,784)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Renminbi)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statement of foreign operations	1,843	12,148
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Equity investment designated at fair value through other comprehensive income		
– Changes in fair value	(6,817)	(897)
– Income tax effect	1,023	135
Other comprehensive (expense)/income for the year, net of income tax	<u>(3,951)</u>	<u>11,386</u>
Total comprehensive (expense)/income for the year	<u>(6,315)</u>	<u>4,602</u>
Loss for the year attributable to:		
Owners to the Company	(2,364)	(6,558)
Non-controlling interest	–	(226)
	<u>(2,364)</u>	<u>(6,784)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Renminbi)

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Total comprehensive (expenses)/income for the year attributable to:			
– Owners of the Company		(6,315)	4,828
– Non-controlling interest		<u>–</u>	<u>(226)</u>
		<u>(6,315)</u>	<u>4,602</u>
		<i>RMB</i>	<i>RMB</i> (Restated)
Loss per share attributable to owners of the Company			
Basic	10		
– Loss for the year		(0.03)	(0.08)
Diluted			
– Loss for the year		<u>(0.03)</u>	<u>(0.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

(Expressed in Renminbi)

		2023	2022
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		338,776	368,519
Investment properties	11	31,222	32,936
Non-current deposits for acquisitions of property, plant and equipment		2,665	220
Other financial assets at fair value through other comprehensive income	13	3,378	1,445
Non-current deposit for acquisition of other financial assets		–	2,500
Time deposits		160,398	47,000
Deferred tax assets		3,193	1,378
		<u>539,632</u>	<u>453,998</u>
Total non-current assets			
Current assets			
Inventories		115,940	89,874
Trade and other receivables	12	113,143	122,955
Amount due from a related company		69	69
Other financial assets at fair value through profit or loss	13	15,055	20,122
Derivatives financial instruments		771	42
Pledged deposits		77,051	53,578
Time deposits		160,581	161,332
Cash and cash equivalents		32,499	113,765
		<u>515,109</u>	<u>561,737</u>
Assets classified as held for sale	14	–	856
		<u>515,109</u>	<u>562,593</u>
Total current assets			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

(Expressed in Renminbi)

		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
Current liabilities			
Trade and other payables	15	58,043	45,226
Contract liabilities		7,675	13,586
Derivatives financial instruments		22	18
Interest-bearing bank borrowings, secured		76,900	53,950
Lease liabilities		–	69
Amount due to a director		10,572	4,783
Tax payables		11,987	11,619
		165,199	129,251
Liabilities associated with assets classified as held for sale	14	–	269
		165,199	129,520
Net current assets		349,910	433,073
Total assets less current liabilities		889,542	887,071
Non-current liabilities			
Other payables	15	3,900	4,290
Interest-bearing bank borrowings, secured		10,000	–
Deferred tax liabilities		3,270	2,404
		17,170	6,694
Net assets		872,372	880,377
Equity			
Share capital	16	38,462	38,462
Reserves		833,910	841,031
		872,372	879,493
Non-controlling interest		–	884
		872,372	880,377

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 2023 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 28 March 2024.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current year and/or on the disclosures set out in these consolidated financial statements.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2023 but are extracted from those financial statements.

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

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue from contracts from customers

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

The principal activities of the Group are (i) the manufacturing and sales of outdoor wooden products; and (ii) manufacturing and sales of renewable energy products.

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of outdoor wooden products	295,084	460,742
Sales of renewable energy products	2,446	4,295
	<u>297,530</u>	<u>465,037</u>

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

For the year ended 31 December 2023

	Manufacturing and sales of wooden products	Manufacturing and sales of renewable energy products	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Primary geographical markets*			
The PRC (place of domicile)	47,179	2,446	49,625
Australasia	213,193	–	213,193
North America	3,962	–	3,962
Europe	20,908	–	20,908
Asia Pacific (exclusive of the PRC)	9,842	–	9,842
	<u>295,084</u>	<u>2,446</u>	<u>297,530</u>

For the year ended 31 December 2022

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

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

(b) Segment reporting

In a manner consistent with how the Group managed its business and the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely (i) manufacturing and sales of wooden products, and (ii) manufacturing and sales of renewable energy products:

- Manufacturing and sales of wooden products: manufacturing and sales of outdoor wooden products to both domestic and overseas customers, and trading of timber.
- Manufacturing and sales of renewable energy products: manufacturing and sales of biomass pellet fuel to both domestic and overseas customers.

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

Reportable segment revenue represents the revenue derived from the Group's external customers by manufacturing and sales of wooden products and manufacturing and sales of renewable energy products, respectively.

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

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

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

(i) Segment revenue and results

For the year ended 31 December 2023

	Manufacturing and sales of wooden products RMB'000	Manufacturing and sales of renewable energy products RMB'000	Total RMB'000
Revenue derived from the Group's external customers	295,084	2,446	297,530
Inter – segment revenue	<u>3,826</u>	<u>2,857</u>	<u>6,683</u>
Reportable segment revenue	<u>298,910</u>	<u>5,303</u>	<u>304,213</u>
Reportable segment (loss)/profit for the year excluding government subsidies, net of tax	<u>(6,120)</u>	<u>1,066</u>	(5,054)
Government subsidies, net of tax			3,966
Depreciation charge on leased properties			(61)
Unallocated other income			487
Unallocated finance cost			(28)
Unallocated corporate expenses			<u>(1,674)</u>
Loss for the year			<u>(2,364)</u>

For the year ended 31 December 2022

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

(ii) *Segment assets and liabilities*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Segment assets		
Manufacturing and sales of wooden products	613,084	613,640
Manufacturing and sales of renewable energy products	838	1,129
Total reportable segment assets	613,922	614,769
Assets classified as held-for-sale	–	856
Corporate and other unallocated assets	440,819	400,966
Total assets	1,054,741	1,016,591
Segment liabilities		
Manufacturing and sales of wooden products	78,879	64,898
Manufacturing and sales of renewable energy products	338	598
Total reportable segment liabilities	79,217	65,496
Liabilities relating to assets classified as held-for-sale	–	269
Corporate and other unallocated assets	103,152	70,449
Total liabilities	182,369	136,214

(iii) *Geographical information*

Non-current assets

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

5. **OTHER INCOME**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income on bank deposits	16,194	7,817
Government subsidies	3,966	5,111
Dividend income from equity investment designated as fair value through other comprehensive income	727	177
Rental income	2,057	1,499
Others	1,831	1,222
	24,775	15,826

6. OTHER GAINS, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net foreign exchange gain/(loss)	10,296	(1,628)
Fair value (loss)/gain on derivative financial instruments	(8,932)	430
Fair value gain/(loss) on other financial assets	548	(470)
(Loss)/gain on disposal of property, plant and equipment	(30)	568
Gain on disposal of a subsidiary	838	–
Written off of other payables	–	4,910
Written off of other receivables	–	(1,315)
Others	(552)	(515)
	<u>2,168</u>	<u>1,980</u>

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expense on bank borrowings	1,331	865
Interest expense on debentures	–	95
Interest expense on lease liabilities	28	53
	<u>1,359</u>	<u>1,013</u>

8. LOSS BEFORE TAX

Loss before taxation has been arrived at after charging:

Staff costs (exclude directors' remuneration)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	17,979	22,454
Contributions to defined contribution retirement schemes	1,713	2,902
	<u>19,692</u>	<u>25,356</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 2023 and 2022. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under its retirement benefit scheme in the PRC and under the MPF Scheme in Hong Kong which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

9. INCOME TAX EXPENSE/(CREDIT)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – Hong Kong Profits Tax	361	–
Current tax – PRC Corporate Income Tax	31	27
Deferred tax	74	(386)
	<hr/>	<hr/>
Income tax expense/(credit)	466	(359)
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Provision for Hong Kong Profits Tax has been made for the year ended 31 December 2023 under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. No provision was made for Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2022.
- (ii) The Group's PRC subsidiaries are subject to PRC Corporate Income Tax ("CIT") at the statutory rate of 25% unless otherwise specified.
- (iii) One of the Company's subsidiaries applied and was approved for the High and New Technology Entities ("HNTE") qualification under the PRC 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 five years from 2019 to 2023.
- (iv) According to the announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises, the 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%. Certain of the Company's subsidiaries have been designated as small-scale enterprises, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "1st Assessable Profits") of these subsidiaries is effectively taxable at 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 5% (i.e. 20% on 25% of the Remaining Assessable Profits).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the purpose of basic loss per share	<u>(2,364)</u>	<u>(6,558)</u>
	Number of shares	
	2023	2022 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (<i>Note</i>)	<u>92,137,051</u>	<u>87,234,989</u>

Note: The weighted average number of ordinary shares in issue and basic and diluted loss per share were stated after taking into account the effect of the share consolidation on 2 January 2024, whereby every 10 existing ordinary shares in the issued and unissued share capital of the Company were consolidated into 1 consolidated share. Comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in prior year. Details are set out in note 19.

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 2023 and 2022.

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

11. INVESTMENT PROPERTIES

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

12. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	62,181	64,665
Less: allowance for credit losses	<u>(13,360)</u>	<u>(12,186)</u>
	<u>48,821</u>	<u>52,479</u>
Trade deposit for raw materials	50,094	61,887
Interest receivables	10,103	4,878
Prepayments and other receivables	5,373	4,959
Less: allowance for credit losses	<u>(1,248)</u>	<u>(1,248)</u>
	<u>64,322</u>	<u>70,476</u>
Total trade and other receivables	<u><u>113,143</u></u>	<u><u>122,955</u></u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	8,406	28,047
1 to 2 months	17,334	13,746
2 to 3 months	5,959	5,841
Over 3 months	<u>17,122</u>	<u>4,845</u>
	<u><u>48,821</u></u>	<u><u>52,479</u></u>

13. OTHER FINANCIAL ASSETS

As at 31 December 2023, other financial assets at fair value through profit or loss represent investment product of a PRC bank of RMB5,216,000 (2022: RMB20,122,000) and Australian Dollar denominated structured product of a Hong Kong investment bank of RMB9,839,000 (2022: Nil).

As at 31 December 2023, other financial assets at fair value through other comprehensive income represent unlisted investments in 5% (2022: 5%) and 1.3% (2022: Nil) equity interests of two (2022: one) PRC local banks in Zhangping City, Fujian Province, the PRC.

14. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2022, the Group realigned its business strategies to close the business of Zhangzhou Xingruixiang Supply Chain Management Co., Ltd. (“Xingruixiang”), a non-wholly owned subsidiary of the Company. The principal activity of Xingruixiang is to sell the wooden products to Fujian Zhangping Kimura Forestry Products Co., Ltd (“Zhangping Kimura”), a wholly-owned subsidiary of the Company.

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

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

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

On 3 November 2023, the disposal has been completed with a gain on disposal of approximately RMB838,000, being the difference of Xingruixiang's fair value less costs to sell and its carrying amount as at 31 December 2022. On the same date, the retained profits and non-controlling interest amounted to RMB806,000 and RMB884,000, respectively, were released.

15. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills payables	32,505	18,531
Accrued staff costs	9,138	9,037
Payables for acquisition of property, plant and equipment	1,223	1,538
Payables for transportation fee	287	3,003
Other payables and accruals	14,500	12,727
Provision for medical compensation	4,290	4,680
	<hr/>	<hr/>
	61,943	49,516
Less: Provision for medical compensation classified as non-current portion	(3,900)	(4,290)
	<hr/>	<hr/>
Current portion	58,043	45,226
	<hr/> <hr/>	<hr/> <hr/>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	9,810	14,486
1 to 2 months	5,109	1,432
2 to 3 months	249	543
Over 3 months	17,337	2,070
	<hr/>	<hr/>
	32,505	18,531
	<hr/> <hr/>	<hr/> <hr/>

16. SHARE CAPITAL

Authorised and issued share capital

	2023			2022		
	Par value	Number of	Amount	Par value	Number of	Amount
	<i>HK\$</i>	shares	<i>HK\$'000</i>	<i>HK\$</i>	shares	<i>HK\$'000</i>
		<i>'000</i>			<i>'000</i>	
Authorised:						
Ordinary shares	<u>0.05</u>	<u>2,000,000</u>	<u>100,000</u>	<u>0.05</u>	<u>2,000,000</u>	<u>100,000</u>

	2023		2022	
	Number of	Amount	Number of	Amount
	shares	<i>RMB'000</i>	shares	<i>RMB'000</i>
	<i>'000</i>		<i>'000</i>	
Ordinary shares, issued and fully paid:				
At 1 January	921,370	38,462	850,368*	35,345
Shares issued upon loan capitalization (<i>Note</i>)	<u>–</u>	<u>–</u>	<u>71,002*</u>	<u>3,117</u>
At 31 December	<u>921,370</u>	<u>38,462</u>	<u>921,370*</u>	<u>38,462</u>

Note: On 22 August 2022, the Company entered into subscription agreements with two debenture holders which each of the holders agreed to subscribe for an aggregate of 35,501,048 new shares at the subscription price of HK\$0.0768 (approximately RMB0.0674) per share. The completion of each of the share subscription took place on 9 September 2022.

* Share of HK\$0.05 each

17. BANKING FACILITIES AND PLEDGED ASSETS

The Group entered into certain banking facilities with certain PRC banks with an aggregate amount of RMB111,900,000 (2022: RMB195,050,000), of which, as to RMB86,900,000 (2022: RMB100,295,000) (including the bank borrowings of RMB86,900,000 (2022: RMB53,950,000)) have been utilised at the end of reporting date.

The banking facilities are secured by certain of the Group's land use rights, buildings and pledged deposits amounting to approximately RMB34,156,000 (2022: RMB7,257,000), RMB103,788,000 (2022: RMB108,225,000) and RMB77,051,000 (2022: RMB53,578,000), respectively.

18. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2023 not provided for in these consolidated financial statements were as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contracted for	—	6,250

(b) Operating lease arrangements

The Group leases, as lessor, certain investment properties in the PRC were leased out under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB2,057,000 (2022: RMB1,499,000).

As lessor

At 31 December 2023, the undiscounted lease rental receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	1,635	1,620
After one year but within two years	1,268	1,281
After two years but within three years	845	1,280
	<u>3,748</u>	<u>4,181</u>

19. EVENT AFTER THE REPORTING PERIOD

On 28 December 2023, the Company approved the share consolidation at the extraordinary general meeting, which is on the basis that every 10 existing ordinary shares in the issued and unissued share capital of the Company be consolidated into 1 consolidated share. With effect from 2 January 2024, the existing ordinary shares in the issued and unissued share capital of the Company of 2,000,000,000 have been consolidated into 200,000,000 consolidated shares. Details of the above share consolidation are set out in the announcements of the Company dated 8 December 2023 and 28 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Segment review

The Group's core business segments are comprised of manufacturing and sales of wooden products and manufacturing and sales of renewable energy products. The performance of our business segments are as follows:

	Segment revenue derived from external customers		Change %	% to total segment revenue derived from external customers		Reportable segment (loss)/profit	
	2023	2022		2023	2022	2023	2022
	RMB'000	RMB'000		%	%	RMB'000	RMB'000
Manufacturing and sales of wooden products	295,084	460,742	-36.0	99.2	99.1	(6,120)	(11,548)
Manufacturing and sales of renewable energy products	2,446	4,295	-43.1	0.8	0.9	1,066	970
	297,530	465,037	-36.0	100.0	100.0	(5,054)	(10,578)

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

	Revenue		Change %	% to total Revenue	
	2023	2022		2023	2022
	RMB'000	RMB'000		%	%
The PRC	49,625	85,487	-42%	17%	18%
Australasia	213,193	328,919	-35%	72%	71%
North America	3,962	12,756	-69%	1%	3%
Europe	20,908	34,037	-39%	7%	7%
Asia Pacific exclusive of the (PRC)	9,842	3,838	156%	3%	1%
	297,530	465,037	-36%	100%	100%

Manufacturing and sales of wooden products remains to be the Group's largest business segment, contributing 99.2% of the Group's revenue. The revenue derived from such business decreased by 36.0%.

Manufacturing and sales of wooden products is the principal segment of the Group. Market demand from the Australasian markets for the Group's products has shown significant decline in 2023. As a result, revenue from manufacturing and sales of wooden products during the Reporting year decreased by 36.0% to RMB295.1 million (2022: RMB460.7 million), and recorded a reportable segment loss of RMB6.1 million (2022: a reportable segment loss of RMB11.5 million).

The Group's renewable energy business focuses on the recycling of leftover sawdust from the production of our wooden products into biomass pellet fuel. Revenue from the renewable energy business decreased by 43.1% to RMB2.4 million during the reporting year, with a profit of approximately RMB1.1 million (2022: revenue of RMB4.3 million and profit of RMB1.0 million).

FINANCIAL REVIEW

Revenue by product category

	2023	2022
	RMB'000	RMB'000
Wooden products	295,084	460,742
Renewable energy products	2,446	4,295
	<hr/>	<hr/>
Total	297,530	465,037
	<hr/> <hr/>	<hr/> <hr/>

Revenue from wooden products remained the largest income stream of the Group during the Reporting Year. Revenue from such category decreased by 36.0% to RMB295.1 million (2022: RMB460.7 million), representing 99.2% of total sales for the Reporting Year (2022: 99.1%), mainly attributable to the decrease in sales to the Australasian markets.

During the Reporting Year, the Group's revenue from the renewable energy business decreased by 43.1% to approximately RMB2.4 million (2022: RMB4.3 million), due to the decrease in demand from the domestic renewable energy market.

Gross profit and gross margin

Gross profit dropped to approximately RMB20.2 million (2022: RMB53.9 million) as a result of the decrease of gross profit margin in the reporting year to 6.8% (2022: 11.6%), mainly because of the unfavorable pricing condition of construction materials.

Other income

During the Reporting Year, other income was RMB24.8 million (2022: RMB15.8 million) mainly represented by bank interest income and government subsidies received during the Reporting Year.

Other gains, net

The Group recorded other gains, net of RMB2.2 million for the Reporting Year (2022: RMB2.0 million), which was mainly derived from net foreign exchange gain and fair value loss on derivative financial instruments during the Reporting Year.

Selling and distribution expenses

Our selling and distribution expenses incurred during the Reporting Year were RMB14.7 million (2022: RMB35.5 million) which was a result of the decrease in turnover and number of shipments during the Reporting Year.

Administrative expenses

Our administrative expenses incurred during the Reporting Year amounted to RMB31.8 million (2022: RMB48.0 million). The decrease was mainly due to the decrease in research and development costs during the Reporting Year.

Finance costs

Our finance costs was approximately RMB1.4 million (2022: RMB1.0 million), which mainly represented by interest on bank borrowings during the Reporting Year.

Income tax expense/(credit)

The Group recorded an income tax expense of RMB0.5 million (2022: income tax credit of RMB0.3 million).

Liquidity and capital resources

The Group principally meets its working capital and other liquidity requirements through operating cash flows and proceeds from bank borrowings. The Group anticipates that it can sufficiently meet funding needs for working capital and capital expenditure. As at 31 December 2023, the Group had current assets of RMB515.1 million (31 December 2022: RMB562.6 million), of which cash and cash equivalents were RMB32.5 million (31 December 2022: RMB113.8 million).

The Group's cash is generally deposited with banks and denominated mostly in RMB, USD and AUD. As at 31 December 2023, total banking facilities utilised amounted to RMB86.9 million (31 December 2022: RMB54.0 million) and these were mainly denominated in RMB. 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 2023, the current ratio and quick ratio were 3.1:1 and 2.4:1 respectively (31 December 2022: 4.3:1 and 3.6:1 respectively).

Pledge of assets

As detailed in note 17 to this announcement, the Group pledged its land use rights, buildings and pledged deposits to secure for certain banking facilities.

Capital expenditure

During the Reporting 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 RMB4.1 million (2022: RMB7.2 million).

FOREIGN CURRENCY RISKS

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

At 31 December 2023, the Group had foreign currency forward contracts with their fair values recognised as derivative financial instruments (assets) of RMB771,000 (2022: RMB42,000) and derivative financial instruments (liabilities) of RMB22,000 (2022: RMB18,000). The changes in fair value of the foreign currency forward contracts were recognised in the consolidated statement of profit or loss. All of the foreign currency forward contracts are to be settled within one year.

HUMAN RESOURCES

As at 31 December 2023, we employed a total of 144 (2022: 149) 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 2023, no options have been granted.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 19 to this Announcement, the Group has no other material events after the Reporting Year.

OUTLOOK

Although the world has emerged from the haze of the epidemic, the global economy continues to be affected by other uncertainties such as war, the rise of unilateralism and other factors after the epidemic, and the global economic situation is not yet clear. The International Monetary Fund has warned that high inflation coupled with financial sector turmoil may result in a weak global economic outlook and that the global economy is entering a dangerous phase. In the “World Economic Outlook” report released by the International Monetary Fund, it warned that geopolitical shocks and global supply disruptions, such as attacks by Yemen’s Houthi rebels in the Red Sea, or the expansion of conflicts in the Middle East, may lead to another surge in commodity prices. Stubborn inflation will force central banks to keep interest rates high for a longer period of time. The report also believes that global trade fragmentation may occur, and predicts that global trade will grow by only 3.3% in 2024 and 3.6% next year, both lower than the historical average of 4.9%. The Group will continue to adopt a prudent approach and will try to expand its business footprint to stabilize shareholder returns.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchase, sold or redeemed any of the Company’s listed securities during the Reporting Year.

CORPORATE GOVERNANCE CODE

During the Reporting 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 C.5.1 and D.1.2.

Pursuant to code provision C.5.1 of the Code, the Board meetings should be held at least four times a year at approximately quarterly intervals. The Board only held two regular meetings during the Year to approve the interim results of 2023 and annual results of 2022 whilst other matters of the Board were dealt with by written resolutions or ad hoc Board meetings.

Pursuant to code provision D.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 D.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 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 Reporting Year.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

SCOPE OF WORK OF CWK CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the Reporting Year have been compared by the Company's auditors, CWK CPA Limited, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the Reporting Year and the amounts were found to be in agreement. The work performed by CWK CPA Limited in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 to the shareholders.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Stock Exchange's websites. The Company's annual report for the Reporting 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, 28 March 2024

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