Company Registration No. 93306 (Jersey)

CHINA NEW ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY INFORMATION

Directors	Yu Weijun Tang Zhaoxing Richard Bennett	Executive Chairman Chief Executive Officer Non-Executive Director
Company secretary	Computershare Company Secretarial Services (Jersey) Limited	
Registered office	Queensway House Hilgrove Street St Helier JE1 1ES	
Business address	8 Floor, Technology Integration Building of GIEC No 4, Nengyuan Road, Wushan Tianhe District Guangzhou 510640 P.R. China	
Registered number	93306 (Jersey)	
Auditors	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ	
Nominated adviser	Cairn Financial Advisers LLP Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX	
Broker	Cairn Financial Advisers LLP Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX	
Registrar	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey JE1 1ES	
Website	http://www.chinanewenergy.co.uk/	

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Financial review

I am pleased to report that the Group recorded its third consecutive profit after tax ("net profit").

Our total revenue has slightly decreased from RMB257.1 million (c. £29.2 million) for the year ended 31 December 2017 to RMB250.0 million (c. £28.1 million) for the year ended 31 December 2018, representing a decrease of 2.8% which was due to the decrease in revenue generated from the provision of ethanol production system technology integrated services in the ethanol fuel industry although this was partially offset by the growth in revenue of RMB46.5 million and RMB13.5 million generated from projects in the alcoholic beverages and other industries respectively. Our net profit increased marginally from RMB45.7 million (c. £5.2 million) for the year ended 31 December 2017 to RMB45.8 million (c. £5.2 million) for the year ended 31 December 2018, representing an increase of 0.2%.

The significant growth in our revenue and net profit from 2016 to 2018 was primarily due to the increased market demand as well as the favourable policies introduced by the People's Republic of China ("PRC") government, such as: i.) The 13th Five Year Plan for Renewable Energy Development clearly demonstrated the intention of the PRC government to vigorously develop the ethanol fuel industry. In September 2017, the PRC government announced a new nationwide ethanol mandate (NEA) that was designated to expand the mandatory use of E10 fuel (gasoline containing 10 percent ethanol) from 12 trial provinces to the entire country by 2020. In addition, the State Council of the PRC executive meeting decided to promote the usage of ethanol fuel in another 14 provinces in addition to the original 12 trial provinces; and ii.) The building of "ecological civilization" is listed as one of the top ten goals of the 13th Five Year Plan. Driven by the policies mentioned by policies mentioned above, ethanol producers have to replace outdated equipment by investing in more advanced production systems that generate high production efficiency and low pollutant discharge. The necessity for upgrades of manufacturing facilities, replacement of production systems and mass-production trends drive demand for advanced ethanol production system in the alcoholic beverage industry in the PRC. We believe that, with our extensive experience and expertise in ethanol production system industry, we are well positioned to capture growth opportunities in the PRC. For the year ended 31 December 2018, the major ethanol production system technology integrated services projects for the ethanol fuel industry were with Heilongjiang Hongzhan Biotechnology Co., Ltd and for the alcoholic beverage industry were with Jilin Xintianlong Industries Co., Ltd, Mengzhou City Houyuan Biotechnology Co., Ltd, and Henan Xinheyang Alcohol Co., Ltd respectively.

The gross profit decreased by 6.1% to RMB72.6 million (c. £8.2 million) for the year ended 31 December 2018 from RMB77.3 million (c. £8.8 million) for the year ended 31 December 2017. Our overall gross profit margin decreased slightly from 30.1% for the year ended 31 December 2017 to 29.0% for the year ended 31 December 2018.

The net profit for the year increased by 0.2% to RMB45.8 million (£5.2 million) for the year ended 31 December 2018 from RMB45.7 million (£5.2 million) for the year ended 31 December 2017. Net profit margin remained relatively stable at 17.8% for the year ended 31 December 2017 and 18.3% for the year ended 31 December 2018.

Order Book and Contract Backlog

We entered 2019 with a strong order book of RMB329.6 million (c. £37.7 million). This number includes new contracts to be started and the proportion of anticipated revenue from contracts which have started but not yet completed. This represents an increase of 234.3% from RMB98.6 million (c. £11.2 million) for the year ended 31 December 2017.

The following table sets forth the movement of backlog of our projects during the years ended 31 December 2017 and 2018:

CHAIRMAN'S STATEMENT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Order Book and Contract Backlog (cont'd)

	For the year ended 31 December 2017 RMB'000	2018 RMB'000
Contract value (exclusive of value-added tax) of the beginning of the year	138,142	98,565
Contract value (exclusive of value-added tax) of new contracts awarded during the year	217,532	480,990
Less:		
Revenue recognised during the year	(257,109)	(249,978)
Contract value (exclusive of value-added tax) at the end of year	98,565	329,577

Business

The Group is a leading ethanol production system technology integrated service provider in the PRC. The Group primarily provide integrated services including engineering design, equipment manufacturing, installation and commissioning and subsequent maintenance for the core system of ethanol production system in the ethanol fuel and alcoholic beverage industries in the PRC. In addition, the Group also provided its technology integrated services for other chemical production systems in Canada, Russia and other countries.

With 13 years of operating history, the company have gained substantial experience and established a solid reputation in terms of advanced technology skills and proven track records in ethanol production system industry in the PRC .According to a recently commissioned report from the China Insights Consultancy Limited, an independent market research and consulting company, we ranked second in terms of revenue with a market share of approximately 8.4%, in the ethanol production system industry in the PRC in 2017.

Research and Development

We have established a solid reputation in terms of advanced technology skills and proven track records in the ethanol production system industry in the PRC. Over the years, we have been devoted to research and development to drive improvement and innovation in technologies to be applied to the core system of the ethanol production system, we intend to continue to invest in our research and development efforts.

As at the date of this report, we had 31 patented technologies, which we have incorporated into our production procedures. In addition, as at the date of this report, the Group have submitted nine patent registrations in the PRC and two ongoing research and development projects. We believe our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to continue in securing contracts from customers through our provision of high-quality and innovative ethanol production system technology integrated services.

Business Strategies

Our goal is to continue to enhance our overall competitiveness and to capture greater market share in the ethanol production system industry and expand our presence to solidify our position as a leading ethanol production system technology integrated service provider in the PRC. To achieve this goal, we intend to pursue the following strategies:

- Continue to maintain our leading market position by undertaking more projects in the PRC; and
- Continue to focus on research and development to strengthen our design and engineering capability.

CHAIRMAN'S STATEMENT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Whilst the business fundamentals and outlook have substantially grown over the last three years, we are not seeing the value reflected in the Company's share price. This is both causing frustration amongst the board and investors, as well as making it unattractive for the Company to raise additional capital to expand the business. Our Directors are of the view that we will be better served by listing our shares on a stock exchange in Asia, a larger and more liquid stock market with investors who can more readily understand our business operations and the industry and market we are in. We believe this will better accommodate our growth and, at the same time, increase the investment value of our shares which is expected to be reflected in our medium to long term market valuation.

As a result, the Company is actively seeking a listing in Asia where there is a greater understanding of our primary market in the PRC, which we believe will lead to an increased share price and offer more opportunity to us to raise capital. I am pleased to report that the Company is now in late stage preparation of submitting an application for listing on a stock market in Asia for improving shareholder value, but there is no certainty when the submission will be lodged. We continue to stress that we are committed to remaining public and for our shares to be traded on an internationally recognised stock exchange.

Outlook

The board and I are very optimistic about 2019 and the long-term future of CNE. The continuous favourable changes in the PRC ethanol production policies in recent year such as the 13th Five Year Plan for Renewable Energy Development clearly demonstrated the intention of the PRC government to develop the ethanol fuel industry. We believe that, our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to continue in securing contracts from customers through our provision of high-quality and innovative ethanol production system technology integrated services in the PRC. .

I am very confident about the immediate outlook for 2019 and the investment value of our shares which is expected to be reflected in our medium to long term market valuation.

On behalf of the board, I would like to extend my appreciation to our valued shareholders, supportive business partners and associates, insightful management and dedicated staff for all their contribution and commitment towards the Company. I would also like to thank the board for their invaluable counsel in steering the Group through this exciting time.

Yu Weijun
Chairman

19 June 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report, together with the audited financial statements for China New Energy Limited ('the Company') and its subsidiary undertakings (together 'the Group) for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is an investment holding company. The Group is a leading ethanol production system technology integrated service provider in the PRC. The services of the Group includes (i) ethanol production system integrated services; and ii.) system upgrade. The Group's primary focus is on the ethanol fuel and alcoholic beverages industry in the PRC.

Change of Auditor and Prior Year Adjustments.

On 18 May 2019, the Company signed an engagement letter to appoint PricewaterhouseCoopers LLP as the auditor for the Group.

During the year ended 31 December 2018, management revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with IFRS. Certain other adjustments have also been made to the prior year's consolidated financial statements to ensure compliance with IFRS which have no impact on equity. The impact of the prior year adjustments and adoption of IFRS 9 using the fully retrospective approach are disclosed in more detail in note 2.3.

Business review

The Group recorded a decrease of 2.8% in revenue to RMB250.0 million for the financial year 2018 ("FY2018"). This was due to the decrease in revenue generated from the provision of ethanol production system technology integrated services in the ethanol fuel industry although this was partially offset by the growth in revenue of RMB46.5 million and RMB13.5 million generated from projects in the alcoholic beverages industry and other industries respectively.

The gross profit decreased by 6.1% to RMB72.6 million (c. £8.2 million) for the year ended 31 December 2018 from RMB77.3 million (c. £8.8 million) for the year ended 31 December 2017. Our overall gross profit margin decreased slightly from 30.1% for the year ended 31 December 2017 to 29.0% for the year ended 31 December 2018.

The net profit for the year increased by 0.2% to RMB45.8 million (£5.2 million) for the year ended 31 December 2018 from RMB45.7 million (£5.2 million) for the year ended 31 December 2017. Net profit margin remained relatively stable at 17.8% for the year ended 31 December 2017 and 18.3% for the year ended 31 December 2018.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results. The Board monitors risks on an ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks, facing the following principal risks:

Uncertainties in the promotion of ethanol fuel
The main sales driver for new projects continues to be the 13th Five Year Plan for Renewable Energy Development, and the policy related to the new nationwide ethanol mandate (NEA) announced in September 2017, the mandatory use of ethanol fuel will be promoted to the entire country by 2020, ,which demonstrated the intention of the PRC government to develop the ethanol fuel industry by significantly expanding the ethanol fuel production capacity. The nationwide usage of ethanol usage of ethanol fuel might increase the feedstock price in the future, which could cause changes in government's policy. It is generally very difficult to predict whether or when we will secure new contracts, as it may depend on a number of factors, such as the actual business needs of the potential customers, market conditions, financing arrangements and government policy.

Risks and uncertainties (cont'd)

Order Book and Contract Backlog
Whilst the Group has a strong order book and contract backlog, the projected revenue amounts reported could fail to result in actual revenue or translate into profits and, therefore are not indicative of our future results of operations. Contract backlog figures represent our estimate of the total contract value of work which remained to be completed pursuant to the terms of the ethanol production system technology integrated service contracts which have become effective. The contract value of a project or other transaction represents the amount as of the relevant date we expect to receive assuming our performance is in accordance with the terms of the contract. However, such backlog figure is based on the assumption that the relevant contracts will be performed in full in accordance with their terms and schedule. Our service contract may be subject to projection cancellations or change of order or schedule by the counterparty or other force majeure which may affect the project progress, any one or more sizeable contracts could have substantial and immediate effect on our backlog, and could reduce the amount of backlog and revenue and profit that we can actually generate and pose pressure on our working capital.

Account receivable and progress payment from customers
We may experience delays or defaults in recognizing trade receivables and progress payments from our customers. For our ethanol production system technology integrated service projects, project owners typically make progress payments to us with reference to the percentage of work completed at specific milestone dates. In accordance with the contracts entered into between us and our customers, once the service project reaches a certain stage as specified in the relevant contract, we will be paid a portion of the contract value on a progressive basis. The milestone stage on which our customers pay us generally include (i) the signing of the contract, (ii) before delivery of the equipment to the project site of our customer, (iii) after completion of installation of the equipment and issuance of project completion report and (iv) the expiry of the defect liability period, which is generally 12 months from the date of project completion report issued by our customer. From time to time, we may be required to commit cash and other resources to the projects prior to receiving payments from each payment stage from project owners to cover certain expenditures on the projects as they incur. There is a risk that our customers will not perform their contractual obligations pursuant to the terms and conditions of the contracts and make full and timely payments for our services rendered to them. Delays in progress payments by our customers may significantly increase our working capital needs. In view of this, our liquidity maybe constrained, our level of bad debts may soar, thereby adversely our financial condition, and results of operations.

Working Capital and Cashflow from Operating Activities
We recorded a net cash outflow from our operating activities of RMB4.7 million for the year ended 31 December 2017. We cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected, or it may be necessary to raise additional funds from the market or other investors.

Research and Development
As part of our business strategies, we continue to focus on research and development to strengthen our design and engineering capability. Advanced biofuels using cellulose as feedstock have been touted as the next step beyond the corn-based ethanol. But cellulosic is harder to make than grain ethanol because it uses the inedible and irregular parts of the plants. The difficulties in cellulosic ethanol production technology from a challenge faced by us, as the ethanol production system suppliers. We may be unsuccessful in researching and developing new technologies. We maintain our in-house research and development team to develop new technologies or new features of current technologies. The success of our business to a certain extent is dependent upon our ability to continuously develop, in a timely manner, new technological applications through research and development and introduce new solution designs to cater our customers' requirements. We may be required to invest extra time and resources to develop new technological applications for solution design in order to satisfy changing requirements of our customers.

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Risks and uncertainties (cont'd)

Competition
We operate in a competitive industry and we may not be able to maintain an edge over our competitors. There are other providers of ethanol production systems operating in the market whom may possess more in-depth experience, expertise, technical knowhow and financial ability to capitalise on pricing strategies and other services to gain an edge over competition. There can be no guarantee that the competitiveness of our competitors will not improve or that we will be successful in expanding our market share against our competitors or expanding into new markets. Hence this could adversely affect our business, financial condition and operating results.

The Group's financial risk management objectives, policies and strategies and risk profile and financial instruments of the Group are set out in notes 31 and 32 to the financial statements.

Note: The exchange rate used in 2018 is £1:RMB 8.8178 (2017: £1:RMB 8.7348).

Results and dividends

The financial results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 20. The directors do not recommend a dividend payment for the year.

Directors' interests

The following directors have held office during the period under review and their interests as at 31 December 2018, all of which are beneficial unless otherwise stated, whether direct or indirect, of the Directors and their families in the issued share capital of the Company and options over ordinary shares which had been granted, are as follows:

Name of Directors	Number of shares	% of issued share capital
Yu Weijun *	90,932,440	18.51%
Tang Zhaoxing **	48,000,000	9.77%
Richard Bennett	325,732	0.066%
Nicholas Brooks (resigned 31 August 2018)	405,000	0.082%

* *Held through Leader Vision Investments Limited and W B Nominees Limited*
** *Held through Vidacos Nominees Limited*

Name of Directors	Number of share options	Expiry date
Yu Weijun	3,070,352	17/10/2020
Tang Zhaoxing	3,070,352	17/10/2020
Richard Bennett	3,070,352	17/10/2020
Nicholas Brooks (resigned 31 August 2018)	3,070,352	17/10/2020

In accordance with Article 19.6 of the Articles of Association of the Company, at each annual general meeting, directors shall not remain in office for longer than 3 years since their last election or re-election without submitting themselves for re-election.

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' remuneration

	2018 RMB'000	2017 RMB'000 (restated)
Yu Weijun	630	671
Tang Zhaoxing	705	742
Richard Bennett	177	233
Nicholas Brooks	133	252
Total	**1,645**	**1,898**

Included within the remuneration for each director is RMB51,000 (2017:RMB11,000) in respect of long term incentive schemes.

Employment policies

The Group pursues a policy of equal opportunities to all employees and potential employees. The Group has continued its policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, the Group strives to ensure that disabled employees receive equal treatment, including opportunities for promotion.

Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled. It is the Group's policy to take the views of employees into account in making decisions, and wherever possible to encourage the involvement of employees in the Group's performance.

Payments to suppliers

The Group's policy for the year ended 31 December 2018 is to settle the terms of payment with suppliers when agreeing the terms of the business transactions:

- To ensure that suppliers are aware of the terms of payments by the inclusion of the relevant terms in contracts; and
- To pay in accordance with the Company's contractual and other legal obligations.

The number of days of trade purchases outstanding for the Group as at 31 December 2018 was 125 days (2017: 89 days).

Substantial shareholders

The Group had been notified of the following beneficial interest of 3% or more in its shares as at 31 December 2018:

Name of shareholders	Number of shares	% of issued share capital
Leader Vision Investments Limited (Yu Weijun) *	64,000,000	13.03%
Vidacos Nominees Limited (Tang Zhaoxing)	48,000,000	9.77%
Best Full Investments Limited (Liang Hongtao)	48,000,000	9.77%
Jet-Air (HK) Limited	44,652,107	9.09%
W B Nominees Limited (Yu Weijun) *	26,932,440	5.49%
Pershing Nominees Limited (Jiang Xinchun)**	25,100,000	5.13%

* *Both held shares for Mr Yu Weijun, aggregated % of issued share capital is 18.52%*
***Jiang Xinchun also holds other shares of 7,000,000 by his name of Mr Jiang Xinchun, totalling 32,100,000 shares with an aggregated % of issued share capital of 6.53%*

Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern.

The Group has made a profit after tax of RMB45.8 million and has net current assets of RMB43.4 million, including RMB7.6 million of cash and cash equivalents.

The Group's forecasts show significant increases in revenue and profitability for 2019 and beyond. As indicated in the principles risks section of the directors' report, a key uncertainty in managing within our facilities and ensuring the liquidity of our business is the timing of when payments are received from customers. Due to the long term nature of our contracts, we rely on certain customer payments to be made in advance or at milestones in order that we can effectively manage our working capital within our facilities and fund the necessary outflows required for inventory and capital investment.

Based on the level of customer contracts in place, the contracted payment terms, and our ability to slow down expenditure to offset any deviations from cash inflows, the directors cannot see any outcome that is reasonable to consider in which the Group would not be able to operate as a going concern and meet its liabilities as they fall due.

We expect our liquidity to be further strengthened by an expected Initial Public Offering on a larger and more liquid stock market in Asia, and the potential to raise further borrowings if required to fund growth, however we have forecasted on the basis that shows we are not reliant on either of these events in order to manage within our current facilities.

Events after the reporting period

On 7 January 2019, the Group drew down RMB8,800,000 loan from Bank of China. The loan is repayable within 12 months and bears interest at the benchmark interest rate published by National Interbank Funding Centre plus 189 basis point.

On 1 February 2019 the company entered into a Convertible Loan Agreement with Double River Limited for HKD11,500,000 (c. £1,118,000). The Loan will be converted automatically into ordinary shares of the Company at a price of approximately HKD0.481 (approximately 4.7 pence) per share on the Company obtaining regulatory approval from the relevant authority for the new listing before the Maturity Date (as defined herein below). The Loan has a term of 12 months from the date the Company receives the sum of the Loan from the Lender (the "Maturity Date"), and, in the event that the Loan is not converted, carries an interest at a rate of 12 per cent. per annum due on the Maturity Date. If the Loan is converted, no interest will be applied.

On 21 February 2019 the Company changed broker to Cairn Financial Services LLP.

On 5 March 2019, Tewin Capital Holding Limited, a company owned by Mr Yu Weijun, a director of the Company, purchased 8,079,728 shares in the Company, representing 1.64% of the Company's issued ordinary share capital. Following the purchase of ordinary shares, Mr Yu Weijun has an interest in 99,012,168 ordinary shares, representing 20.15% of the Company's issued share capital.

On 4 April 2019, Mr Yu Weijun, a director of the Company, notified the company that he had consolidated his shareholding which was previously held by two companies into one holding. Leader Vision Investments Limited transferred its shareholding of 64,000,000 ordinary shares to Tewin Capital Holding Limited, a company owned by Mr Yu Weijun. Mr Yu Weijun's interest in 99,012,168 ordinary shares, representing 20.15% of the Company's issued share capital, remained unchanged.

DIRECTORS' REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group and company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991.

Statement of disclosure to auditors

The directors have confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Group and Company's auditors is unaware; and
- each director has taken all the necessary steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Auditors

In accordance with Article 109 of the Companies (Jersey) Law 1991, a resolution proposing that PricewaterhouseCoopers LLP be appointed for the forthcoming year will be put to the Annual General Meeting.

By order of the Board

Yu Weijun
Director
19 June 2019

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

Principles of Corporate Governance

Following a change to the AIM rules in 2018, from 28 September 2018, the company has now adopted the Quoted Companies Alliance's "Corporate Governance Guidelines for Smaller Quoted Companies" (the QCA Code) which the Board believes appropriate due to the size and complexity of the company.

Chairman's Corporate Governance Statement

The Board of Directors is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board of Directors seeks to apply where appropriate the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. In the final section to this statement the Company sets out how each principle is applied, where the Company departs from these principles, with an explanation as to why. We have addressed how we comply with each of these on our website at the below link:

www.chinanewenergy.co.uk/investors/corporate_governance

Board Structure
The Board has 3 directors, one of whom is a non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

It is the Group's policy that the roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

- The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.
- The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication. The CEO is responsible for the day to day management of the company, and for maintaining the highest ethical standards and integrity in the interest of the shareholders, employees, customers and the wider community.

The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and take all reasonable steps to ensure compliance by the Group's applicable employees. The Group has adopted and operates a share dealing code for directors, and employees in accordance with the AIM Rules.

CORPORATE GOVERNANCE STATEMENT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Attendance at meetings

It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments, and that all Directors will attend the AGM. Where Directors are unable to attend meetings due to conflicts in their schedules, they will receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to relay any comments to the Chairman in advance of the meeting. Directors are required to leave the meeting where matters relating to them, or which may constitute a conflict of interest to them, are being discussed.

The following table shows the directors' attendance at scheduled Board meetings, which they were eligible to attend during the 2018 financial year:

Director	Attendance of Board Meetings
Yu Weijun	4/4
Tang Zhaoxing	4/4
Richard Bennett	4/4
Nicholas Brooks *	2/2

* resigned August 2018

Board Committees

The terms of reference of the board committees are reviewed regularly and are available upon request.

Remuneration Committee

The remuneration committee comprises Richard Bennett (Chairman) and Tang Zhaoxing. It is responsible for reviewing the performance of the senior executives, and for determining their levels of remuneration.

The Committee makes recommendations to the Board, within agreed terms of reference, which the Board review at least annually, regarding the levels of remuneration and benefits including participation in the Company's share plan.

Audit Committee

The audit committee comprises Richard Bennett (Chairman) and Yu Weijun. The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit program. The terms of Reference of the Audit Committee are reviewed by the Board regularly and are available on request from the Company. The Audit Committee is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the accounts and internal control systems.

The report of the Audit Committee for the current year is available upon request.

Nomination Committee

The Nomination Committee meets as required to consider the composition of and succession planning for the Board, and to lead the process of appointments to the Board. The Committee Chairman is Weijun Yu. The other member of the Committee is Richard Bennett.

Anti-Bribery Policy

China New Energy and its senior management have a zero tolerance of bribery and corruption. This policy extends to all the company's business dealings and transactions in all countries in which it or its subsidiaries and associates operate. All directors and employees are required to comply with this policy.

The Group prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, agent or other person or body acting on the Group's behalf in order to gain any commercial, contractual or regulatory advantage for the Group in a way which is unethical or in order to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

Bribery and fraud may occur internally or externally and may be perpetrated by employees, clients, suppliers, contractors, service providers, agents or anyone else doing business with the Group. The Group will not, therefore, enter into any business relationship or engage in any activity if it knows or has reasonable grounds to suspect that a business relationship or activity is, in any way, connected with or facilitates bribery or fraud. We will actively cooperate with law enforcement authorities for the investigation and punishment of any act of bribery connected to any group company. Employees of group companies must also comply with local policies and procedures that apply to them as set out in any other individual group company compliance manual or procedures.

Matters reserved for the Board.

1. Approval of the Group vision, values and overall governance framework;
2. Approval of the Company's Annual Report and Accounts and Half Yearly Financial Statements;
3. Approval of any interim dividend and recommendation of the final dividend;
4. Approval of Group financial policy;
5. Approval of budgeted capital projects;
6. Approval of the Company's long-term finance plan and annual capital and revenue budget;
7. Approval of any significant change in Group accounting policies or practices;
8. Approval of all circulars, listing particulars, resolutions and corresponding documentation sent to shareholders;
9. Approval of changes in the capital structure of the Company or its status as a plc and, in particular, the issue or allotment of shares in the Company otherwise than pursuant to Company approved employee share schemes;
10. Appointment, re-appointment and removal of the Chairman and Directors and the recommendation to shareholders of their election or re-election under the Articles of Association; the appointment and removal of the Company Secretary;
11. Approval of the division of responsibilities between the Chairman and Chief Executive;
12. Establishing committees of the Board, approving their terms of reference (including membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions;
13. Recommendation to shareholders for the appointment, re-appointment or removal of the auditors;
14. Approval of this schedule of Matters Reserved to the Board.

Company culture and ethics

The Board of Directors of China New Energy has adopted this code of ethics, to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; promote the full, fair, accurate, timely and understandable disclosure of the Company's financial results in accordance with applicable disclosure standards; promote compliance with applicable governmental laws, rules and regulations; and deter wrongdoing. A culture of ethics and compliance is at the core of our risk management program.

Company culture and ethics (cont'd)

The Board of Directors further seek to embody and promote a corporate culture that is based on sound ethical values of creativity, perfection and integrity(创新、至善、诚信), and seeks to promote a culture where its people can thrive:

- We are committed to innovation in what we do and how we do it, and to working smarter rather than harder to reduce costs, increase efficiency and make lives easier by being creative, pragmatic and different.
- We have an enduring positive attitude that stems from being self-motivated, adaptable and agile and feeling fully empowered to make a difference, speaking out with ideas and suggestions to make things better.
- We respect one another and are courteous, honest and straightforward in all our dealings, we honour diversity, individuality and personal differences, and are committed to conducting our business with the highest personal, professional and ethical standards.

The board believes that a culture that is based on three core values is a competitive advantage and consistent with fulfilment of the group's mission and execution of its strategy. The promotion of a corporate culture based on sound ethical values and behaviours is essential to maximize shareholder value. Adherence to these standards is a key factor in the evaluation of performance within the company, including during annual performance reviews.

The culture of the Group is characterized by these values which are communicated regularly to staff through internal communications and forums. A staff recognition programme operates on an ongoing basis by which any employee can nominate any of his/her colleagues for a contribution that is in keeping with the three core values. The core values are communicated to prospective employees in the group's recruitment programmes and are considered as part of the selection process.

The Company also runs a long-term incentive plan for employees and directors in order to align the long term success of the business with shareholder and employees and to promote a culture of, and reward, commitment to the Company.

Internal controls

The directors are responsible for the Group's system of internal controls and reviewing its effectiveness. The Board has designed the Group's system of internal controls in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal controls can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control systems in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision.
- It has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority.
- Established procedures for the planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts.
- Departmental heads are required annually to undertake a full assessment process to identify and quantify the risks that face their businesses and functions and assess the adequacy of the prevention, monitoring and modification practices in place for those risks.
- Significant risks and associated controls and monitoring procedures are reported regularly to the Board to enable the Directors to review the effectiveness of the system of internal controls.

Relations with shareholders

The Board attaches great importance to maintain a good relationship with shareholders. The Board regards the annual general meeting as a good opportunity to communicate directly with investors who are encouraged to make inquiries to officers of the Group.

Yu Weijun
Director

19 June 2019

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHINA NEW ENERGY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, China New Energy Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2018; the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: RMB 2,564,000 (2017: RMB 2,500,000), based on 5% of profit before tax adjusted for non-recurring items.
- Overall company materiality: RMB 161,000 (2017: RMB 179,000), based on 1% of total assets.

- All entities within the Group were subject to a full scope audit.
- The trading operations of the group are based in China and the parent Company is registered in Jersey, but with all books and records held in China. The majority of the audit work was performed by PwC China, who issued an audit opinion on the Group on a referred reporting basis to PricewaterhouseCoopers LLP ("PwC UK"). The work performed by PwC China was directly reviewed by PwC UK, and key determinations such as audit risks, approach and materiality were directed by PwC UK. Furthermore certain central items, such as the consolidation, were directly audited by PwC UK.
- We have audited the consolidated financial statements of the Group and the Company only financial statements through performing full scope audits on all entities within the Group.

- Accounting for long term contracts.
- Recoverability of trade receivable and contract assets.
- Recognition of income tax payable.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF CHINA NEW ENERGY LIMITED

Our audit approach (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for long term contracts As outlined in note 3 the Group recognises revenue from their construction contracts on a stage of completion basis which represents a significant estimate for the Group. Stage of completion is measured based on actual costs incurred as a proportion of total expected costs, with this percentage being applied to the total contract value in order to recognise revenue. Margin is recognised on this revenue based on the expected overall margin of the contract. This requires a significant amount of judgement in estimating the remaining cost to complete the project in order to establish the percentage of revenue to be recognised and the appropriate margin.	We obtained and reviewed management's calculation of actual costs incurred to date as a percentage of total estimated costs including the estimation of costs to complete the project. For a sample of projects we have tested costs incurred by the end of 2018 and reviewed the estimate of future costs remaining on the project. These have been assessed against actual costs recorded in 2019 as well as considering management's previous history of accuracy in estimating their future costs. In addition, a sample of milestone payments and third party evidence have been tested to confirm stage of completion, including final customer confirmation of acceptance when a project is completed. As a result of these procedures a number of prior year adjustments were identified relating to revenue and margin recognition. This has led to a strengthening of controls in this area by management and greater scrutiny of cost estimates and further audit testing around actual costs incurred after the balance sheet date.
Recoverability of trade receivables and contract assets As referred to in note 3, the provision for trade receivables and contract assets requires a high level of estimation. In addition, trade receivables and contract assets represent a significant balance due to the nature of the operations of the Group. The calculation of the provision is based on a number of assumptions, including the likely risk of customer default based on previous experience and the ageing of debtors and represents a material provision for the Group.	We obtained and reviewed management's calculation of estimated credit loss for trade receivables and contract assets. We discussed this with management and agreed the historical levels of default to previous trade receivables provisions rates and future expectations of default. We obtained an understanding of the nature and credit profile of the current customer base to ensure the percentages being applied based on previous customer defaults were appropriate. We also reviewed the level of trade receivables and contract assets in each ageing category that then remained unpaid and progressed to an older category in order to challenge the level of expected credit loss provision that should be required to current debtors. In addition we reviewed cash received post year end to determine if customers were paying in line with expected credit terms and the provisions made were appropriate.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of income tax payable As described in note 27 the assessment of the level of current income tax to recognise requires a degree of judgement. Tax computations are prepared and tax is paid on a basis where profit recognition follows actual invoicing rather than stage of completion revenue recognition accounting, and there are significant timing differences between when profits are recognised in the accounts versus the computations. Taxation is recognised within the financial statements on a basis consistent with how the accounting profit is recognised. An assessment must be made of the appropriateness of the basis on which tax computations are prepared and therefore the risk that tax fines and interest may arise. There is further judgement as to whether the tax arising based on accounting profits should be considered deferred taxation or current taxation.	We have held discussions with management and utilised relevant taxation specialists to form a view as to the appropriateness of the basis on which tax computations are prepared and tax is paid versus how tax is recognised in the financial statements. We tested key reconciling items to supporting documentation, including validating movements in contract assets each period versus the invoicing profile of the Group. Based on procedures performed and the views provided by taxation specialists it was deemed that the tax recognised in the accounts contained appropriate judgements and is in line with tax legislation. Therefore, it is appropriate that the liabilities arising within the accounts are presented as current tax liabilities. The submitted tax computations, although containing alternative judgements, were prepared in line with generally accepted practice and on an appropriate basis and therefore it is considered unlikely fines and interest will arise.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements comprise of the parent company and a single Chinese reporting component.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF CHINA NEW ENERGY LIMITED

Our audit approach (continued)

Materiality (continued)

	Group financial statements	*Company financial statements*
Overall materiality	RMB 2,564,000 (2017: RMB 2,500,000).	RMB 161,000 (2017: RMB 179,000).
How we determined it	5% of profit before tax adjusted for non-recurring items.	1% of total assets.
Rationale for benchmark applied	We believe that this measure is the most appropriate benchmark because this is the key metric of interest to investors and is the key metric monitored by management when assessing performance. It is also a generally accepted measure used for companies in this industry.	We believe that this measure is the most appropriate benchmark because this is key metric monitored by management when assessing performance and it is also a generally accepted measure used for holding companies.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between RMB 161,000 and RMB 2,436,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RMB 128,000 (Group audit) (2017: RMB 100,000) and RMB 8,000 (Company audit) (2017: RMB 9,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF CHINA NEW ENERGY LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

David Teager

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
East Midlands
19 June 2019

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	Group			Company	
		As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated See note 2.2)	As at 1 January 2017 RMB'000 (Restated See note 2.2)	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated See note 2.2)
Non-current assets						
Property, plant and equipment	4	6,457	7,887	9,465	-	-
Land use rights	5	2,608	2,691	2,771	-	-
Intangible assets	6	12,782	5,989	5,905	-	-
Investments in subsidiaries	7	-	-	-	9,548	9,203
Deferred tax assets	8	5,752	-	-	-	-
		27,599	16,567	18,141	9,548	9,203
Current assets						
Inventories	9	3,661	13,742	5,619	-	-
Contract assets	10	88,465	60,658	7,170	-	-
Trade and other receivables	11	121,609	82,546	52,387	6,582	8,620
Cash and cash equivalents	12	7,588	19,368	13,854	22	240
		221,323	176,314	79,030	6,604	8,860
Current liabilities						
Short-term borrowings	13	6,540	10,107	-	-	-
Trade and other payables	14	128,605	97,136	67,472	8,247	6,327
Contract liabilities	10	21,028	33,234	36,244	-	-
Provision for liabilities	15	-	4,636	6,612	-	-
Income tax payable		21,723	18,118	9,057	316	-
		177,896	163,231	119,385	8,563	6,327
Net current assets/(liabilities)		43,427	13,083	(40,355)	(1,959)	2,533
Net assets/(liabilities)		71,026	29,650	(22,214)	7,589	11,736
Equity						
Share capital	16	1,541	1,541	1,441	1,541	1,541
Share premium	16	68,830	68,830	62,905	68,830	68,830
Combination reserve	17	(33,156)	(33,156)	(33,156)	-	-
Other reserves		32,154	36,599	36,419	(11,803)	(7,244)
Retained earnings/ (accumulated losses)		1,657	(44,164)	(89,823)	(50,979)	(51,391)
		71,026	29,650	(22,214)	7,589	11,736

The financial statements on pages 20 to 76 were approved and authorised for issue by the board and were signed on its behalf on 19 June 2019.

Yu Weijun
Director
The notes on pages 25 to 76 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group Year ended 31 December		Company Year ended 31 December	
		2018 RMB'000	2017 RMB'000 (Restated See note 2.2)	2018 RMB'000	2017 RMB'000 (Restated See note 2.2)
Revenue	33	249,978	257,109	-	-
Cost of sales	25	(177,374)	(179,788)	-	-
Gross profit		72,604	77,321	-	-
Selling and distribution expenses	25	(5,801)	(5,573)	-	-
Administrative expenses	25	(19,758)	(14,334)	(2,668)	(2,314)
Share-based payments	25	(460)	(96)	-	-
Other income	22	1,685	1,061	-	-
Other gains	23	263	2,937	233	-
Net impairment losses on financial assets and contract assets		(362)	(6,193)	-	-
Investment income		-	-	3,163	-
Operating profit/(loss)		48,171	55,123	728	(2,314)
Finance income	24	22	87	-	80
Finance costs	24	(1,094)	(747)	-	-
Finance costs – net	24	(1,072)	(660)	-	-
Profit/(loss) before tax		47,099	54,463	728	(2,234)
Income tax expense	27	(1,278)	(8,804)	(316)	-
Profit/(loss) for the year attributable to owners of the Group/Company		45,821	45,659	412	(2,234)
Other comprehensive (expense)/income					
Exchange difference on translating foreign operations		(224)	84	(338)	340
Total comprehensive income/(expense) for the year attributable to owners of the Group/Company		45,597	45,743	74	(1,894)
Earnings per share (RMB)		2018 (RMB)	2017 (RMB)		
Basic	28	0.10	0.09		
Diluted	28	0.10	0.09		

The profit/(loss) is all generated from continuing operations for both years presented.

The notes on pages 25 to 76 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Share Capital	Other reserves								
	RMB'000	Share premium RMB'000	Combination reserve RMB'000	Statutory reserve RMB'000	Share based payment reserve RMB'000	Foreign currency translation reserve RMB'000	Treasury shares RMB'000	Total RMB'000	Retained earnings /(Accumulated loss) RMB '000	Total equity RMB'000
	Note 16	Note 16	Note 17	Note 18	Note 19	Note 20	Note 21			
Balance at 31 December 2016 as originally presented	1,441	62,905	(33,156)	12,328	-	24,091	-	36,419	(63,039)	4,570
Correction of prior year errors, net of tax (note 2.2)	-	-	-	-	-	-	-	-	(24,357)	(24,357)
Adjustment on full retrospective application of IFRS 9, net of tax (note 2.3)	-	-	-	-	-	-	-	-	(2,427)	(2,427)
Balance at 1 January 2017, as restated	**1,441**	**62,905**	**(33,156)**	**12,328**	**-**	**24,091**	**-**	**36,419**	**(89,823)**	**(22,214)**
Profit for the year, as restated	-	-	-	-	-	-	-	-	45,659	45,659
Other comprehensive income	-	-	-	-	-	84	-	84	-	84
Total comprehensive income for the year, as restated	-	-	-	-	-	84	-	84	45,659	45,743
Transactions with owners, recognised directly in equity										
Share-based payment expenses	-	-	-	-	96	-	-	96	-	96
Issue of shares, net of share issue cost	100	5,925	-	-	-	-	-	-	-	6,025
Balance at 31 December 2017, as restated	**1,541**	**68,830**	**(33,156)**	**12,328**	**96**	**24,175**	**-**	**36,599**	**(44,164)**	**29,650**
Balance at 31 December 2017 as originally presented	**1,541**	**68,830**	**(33,156)**	**12,328**	**528**	**24,175**	**-**	**37,031**	**(32,954)**	**41,292**
Correction of prior year errors, net of tax (note 2.2)	-	-	-	-	(432)	-	-	(432)	(6,025)	(6,457)
Adjustment on full retrospective application of IFRS 9, net of tax (note 2.3)	-	-	-	-	-	-	-	-	(5,185)	(5,185)
Balance at 31 December 2017 as restated	**1,541**	**68,830**	**(33,156)**	**12,328**	**96**	**24,175**	**-**	**36,599**	**(44,164)**	**29,650**
Profit for the year	-	-	-	-	-	-	-	-	45,821	45,821
Other comprehensive expense	-	-	-	-	-	(224)	-	(224)	-	(224)
Total comprehensive income for the year	-	-	-	-	-	(224)	-	(224)	45,821	45,597
Transactions with owners, recognised directly in equity										
Share-based payment expenses	-	-	-	-	460	-	-	460	-	460
Buy-back of shares	-	-	-	-	-	-	(4,681)	(4,681)	-	(4,681)
Balance at 31 December 2018	**1,541**	**68,830**	**(33,156)**	**12,328**	**556**	**23,951**	**(4,681)**	**32,154**	**1,657**	**71,026**

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Treasury shares RMB'000	Foreign currency translation reserve RMB'000	Subtotal of other reserve RMB'000	Accumulated loss RMB'000	Total equity RMB'000
Balance at 1 January 2017	**1,441**	**62,905**	**-**	**-**	**(7,680)**	**(7,680)**	**(49,157)**	**7,509**
Loss for the year, as restated	-	-	-	-	-	-	(2,234)	(2,234)
Other comprehensive income	-	-	-	-	340	340	-	340
Total comprehensive income for the year, as restated	-	-	-	-	340	340	(2,234)	(1,894)
Transactions with owners, recognised directly in equity								
Share-based payment expenses	-	-	96	-	-	96	-	96
Issue of shares, net of share issue cost	100	5,925	-	-	-	-	-	6,025
Balance at 31 December 2017	**1,541**	**68,830**	**96**	**-**	**(7,340)**	**(7,244)**	**(51,391)**	**11,736**
Balance at 31 December 2017 as originally presented	**1,541**	**68,830**	**528**	**-**	**(7,340)**	**(6,812)**	**(51,919)**	**11,640**
Correction of prior year errors, net of tax (note 2.2)	-	-	(432)	-	-	(432)	528	96
Balance at 31 December 2017 as restated	**1,541**	**68,830**	**96**	**-**	**(7,340)**	**(7,244)**	**(51,391)**	**11,736**
Profit for the year	-	-	-	-	-	-	412	412
Other comprehensive expense					(338)	(338)	-	(338)
Total comprehensive income for the year	-	-	-	-	(338)	(338)	412	74
Transactions with owners, recognised directly in equity								
Share-based payment expenses	-	-	460	-	-	460	-	460
Buy-back of shares	-	-	-	(4,681)	-	(4,681)	-	(4,681)
Balance at 31 December 2018	**1,541**	**68,830**	**556**	**(4,681)**	**(7,678)**	**(11,803)**	**(50,979)**	**7,589**

The notes on pages 25 to 76 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated See note 2.2)		(Restated See note 2.2)
Cash flows from operating activities				
Cash generated from/(used in) operations	10,069	(13,135)	(895)	(7,673)
Income tax paid	(3,425)	(175)	-	-
Interest paid	(1,072)	(660)	-	-
Net cash generated from/(used in) operating activities	5,572	(13,970)	(895)	(7,673)
Cash flows from investing activities				
Purchases of property, plant and equipment	(889)	(687)	-	-
Purchase of other intangible assets	(5,954)	(595)	-	-
Proceeds from disposal of property, plant and equipment	3	-	-	-
Dividend received	-	-	444	-
Net cash used in investing activities	(6,840)	(1,282)	444	-
Cash flows from financing activities				
Proceeds from bank and other borrowings	6,800	10,257	-	-
Repayments of borrowings	(10,367)	(150)	-	-
Proceeds from shares issued	-	6,025	-	6,025
Repurchase of shares	-	(4,681)	-	-
Cash advance from related parties	15,404	52,410		
Repayment to related parties	(11,165)	(43,175)		
Restricted cash pledged for bank borrowings	(1,230)	-	-	-
Net cash (used in)/ generated from financing activities	(558)	20,686	-	6,025
Net (decrease)/increase in cash and cash equivalents	(1,826)	5,434	(451)	(1,648)
Cash and cash equivalents at beginning of year	8,180	2,666	240	1,808
Exchange gains on cash and cash equivalents	4	80	233	80
Cash and cash equivalents at end of year	6,358	8,180	22	240
Profit/(loss) before income tax	47,099	54,463	728	(2,234)
- Finance costs	1,072	660	-	(80)
- Depreciation	2,316	2,187	-	-
- Amortisation	618	591	-	-
- Net impairment losses on financial assets and contract assets	362	6,193	-	-
- Share-based employee expense	460	96	-	-
- Exchange gain	(4)	(80)	(233)	-
- Non cash item-Investments in subsidiaries	-	-	(3,163)	-
	51,923	64,110	(2,668)	(2,314)
Changes in working capital:				
- Contract assets	(27,807)	(53,488)	-	-
- Inventories	10,081	(8,123)	-	-
- Restricted cash	11,188	-	-	-
-Trade and other receivables	(49,185)	(39,623)	(147)	(4,819)
-Contract liabilities	(12,206)	(3,010)	-	-
- Trade and other payables	26,075	26,999	1,920	(540)
Cash generated from/(used in) operations	10,069	(13,135)	(895)	(7,673)

The notes on pages 25 to 76 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The Company (or "CNE") with registration number 93306 was incorporated in Jersey on 2 May 2006 as an investment holding Company. The Company is domiciled in Jersey with its registered office at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

The principal activities of its main subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd. ("ZKTY") are providing turnkey technology solutions to manufacturers of ethanol, edible alcohol and acetic acid from a range of bio-resources including corn, sugarcane, cassava and other bio-resources.

The principal place of business is located at No 4, Nengyuan Road, Wushan, Tianhe District, Guangzhou, People's Republic of China ("PRC").

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), under the historic cost convention, including related Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements incorporate the financial information of the Company and the Group. The subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

The consolidated financial statements of the Group are presented in Chinese Renminbi ("RMB"), which is the presentation currency of the Group financial statements as the Group mainly operates in the PRC. The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency), with the exception of the parent entity whose functional currency is GBP but has a presentational currency of RMB. All financial information presented in RMB has been recorded to the nearest thousand.

The Group has adopted all relevant IFRS standards effective for accounting periods beginning on or after 1 January 2018.

As at the end of the reporting year, the Group has not adopted the following IFRS standards as they are either not yet effective or not applicable to the Group's business.

IFRS standards, amendments and interpretations

Up to the date of issuance of this report, the IASB has issued the following new standards, amendments and interpretations which are not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
IFRS 16 (i)	Leases	1 January 2019
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.1. Basis of preparation (cont'd)

		Effective for annual periods beginning on or after
IAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to IFRSs 2015-2017 cycle	Clarifying previously held interest in a joint operation under IFRS3 Business Combinations and IFRS 11 Joint Arrangements	1 January 2019
	Clarifying income tax consequences of payments on financial instruments classified as equity under IAS 12 Income Taxes	
	Clarifying borrowing costs eligible for capitalisation under IAS 23 Borrowing Costs	
IFRS 3 (Amendment)	Definition of a Business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
IAS 1 and IAS 8	Disclosure initiative-Definition of method	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i): IFRS 16 *leases*

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB6,019,000. Of these commitments, approximately RMB222,000 relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately RMB4,625,000 on 1 January 2019, lease liabilities of RMB4,625,000 (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018) and deferred tax assets of RMB26,000.

The Group expects that net profit after tax will decrease by approximately RMB146,000 in the year ending December 31, 2019 as a result of adopting the new rules.

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors

During the year ended 31 December 2018, management revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with IFRS. Certain other adjustments have also been made to the prior year's consolidated financial statements to ensure compliance with IFRS which have no impact on equity, and are described in further detail in note 2.2f. The comparative figures that show the impact of prior year adjustments ("PYA") and the adoption of IFRS9 using the fully retrospective approach are shown in the table below:

Consolidated statement of financial position (extract)	Original stated	PYA 1- Revenue Recognition	PYA 2- Litigation	PYA 3- Research and Development	PYA 4- Receivables	PYA 5- Tax	PYA Subtotal	Other prior year errors	Adoption of IFRS9	Restated
	31 December 2017	Note 2.2 (a)	Note 2.2 (b)	Note 2.2 (c)	Note 2.2 (d)	Note 2.2 (e)		Note 2.2 (f)	Note 2.3	1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets										
Property, plant and equipment	3,854	-	-	4,033	-	-	4,033	-	-	7,887
Land Use Rights	-	-	-	-	-	-	-	2,691	-	2,691
Intangible assets	15,814	-	-	(7,134)	-	-	(7,134)	(2,691)	-	5,989
Total non-current assets	19,668	-	-	(3,101)	-	-	(3,101)	-	-	16,567
Current assets										
Inventories	18,745	-	(5,003)	-	-	-	(5,003)	-	-	13,742
Contract assets	55,866	7,526	(8)	-	342	-	7,860	(2,540)	(528)	60,658
Trade and other receivables	92,791	1,656	-	-	(5,970)	-	(4,314)	(1,274)	(4,657)	82,546
Total current assets	186,770	9,182	(5,011)	-	(5,628)	-	(1,457)	(3,814)	(5,185)	176,314
Current liabilities										
Short-term borrowings	7,447	-	-	-	-	-	-	2,660	-	10,107
Trade and other payables	96,632	(2,080)	-	-	-	-	(2,080)	2,584	-	97,136
Contract liabilities	31,055	-	11,237	-	-	-	11,237	(9,058)	-	33,234
Provision for liabilities	15,873	-	(11,237)	-	-	-	(11,237)	-	-	4,636
Income tax payable	12,014	1,397	(751)	(612)	(844)	4,789	3,979	2,125	-	18,118
Total current liabilities	163,021	(683)	(751)	(612)	(844)	4,789	1,899	(1,689)	-	163,231

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

Consolidated statement of financial position (extract)	Original stated	PYA 1	PYA 2	PYA 3	PYA 4	PYA 5	PYA Subtotal	Other prior year errors	Adoption of IFRS9	Restated
	31 December 2017	Note 2.2 (a)	Note 2.2 (b)	Note 2.2 (c)	Note 2.2 (d)	Note 2.2 (e)		Note 2.2 (f)	Note 2.3	1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liability										
Deferred tax liability	2,125	-	-	-	-	-	-	(2,125)	-	-
Equity										
Share based payment reserve	528	-	-	-	-	-	-	(432)	-	96
Accumulated losses	(32,954)	9,865	(4,260)	(2,489)	(4,784)	(4,789)	(6,457)	432	(5,185)	(44,164)
Total equity	41,292	9,865	(4,260)	(2,489)	(4,784)	(4,789)	(6,457)	-	(5,185)	29,650

Consolidated statement of financial position (extract)	Original stated	PYA 1	PYA 2	PYA 3	PYA 4	PYA 5	PYA Subtotal	Other prior year errors	Adoption of IFRS9	Restated
	31 December 2016	Note 2.2 (a)	Note 2.2 (b)	Note 2.2 (c)	Note 2.2 (d)	Note 2.2 (e)		Note 2.2 (f)	Note 2.3	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets										
Property, plant and equipment	4,774	-	-	4,691	-	-	4,691	-	-	9,465
Land use rights	-	-	-	-	-	-	-	2,771	-	2,771
Intangible assets	14,541	-	-	(5,865)	-	-	(5,865)	(2,771)	-	5,905
Total non-current assets	19,315	-	-	(1,174)	-	-	(1,174)	-	-	18,141
Current assets										-
Inventories	3,438	-	2,181	-	-	-	2,181	-	-	5,619
Contract assets	35,713	361	(8)	-	(5,521)	-	(5,168)	(23,155)	(220)	7,170
Trade and other receivables	73,217	(260)	-	-	(16,719)	-	(16,979)	(1,644)	(2,207)	52,387
Total current assets	126,222	101	2,173	-	(22,240)	-	(19,966)	(24,799)	(2,427)	79,030

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

Consolidated statement of financial position (extract)	Original stated	PYA 1	PYA 2	PYA 3	PYA 4	PYA 5	PYA Subtotal	Other prior year errors	Adoption of IFRS9	Restated
	31 December 2016	Note 2.2 (a)	Note 2.2 (b)	Note 2.2 (c)	Note 2.2 (d)	Note 2.2 (e)		Note 2.2 (f)	Note 2.3	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities										
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Trade and other payables	91,976	(4,913)	-	-	-	-	(4,913)	(19,591)	-	67,472
Contract liabilities	30,215	-	11,237	-	-	-	11,237	(5,208)	-	36,244
Provision for liabilities	10,000	-	(3,388)	-	-	-	(3,388)	-	-	6,612
Income tax payable	8,776	29	(851)	(248)	(3,336)	4,687	281	-	-	9,057
Total current liabilities	140,967	(4,884)	6,998	(248)	(3,336)	4,687	3,217	(24,799)	-	119,385
Equity										
Accumulated losses	(63,039)	4,985	(4,825)	(926)	(18,904)	(4,687)	(24,357)	-	(2,427)	(89,823)
Total equity	4,570	4,985	(4,825)	(926)	(18,904)	(4,687)	(24,357)	-	(2,427)	(22,214)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

Consolidated statement of profit or loss (extract)	Original stated	PYA 1	PYA 2	PYA 3	PYA 4	PYA 5	PYA Subtotal	Other prior year errors	Adoption of IFRS9	Restated
	2017	Note 2.2 (a)	Note 2.2 (b)	Note 2.2 (c)	Note 2.2 (d)	Note 2.2 (e)		Note 2.2 (f)	Note 2.3	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	252,400	4,709	-	-	-	-	4,709	-	-	257,109
Cost of sales	(178,802)	1,539	(553)	(934)	-	-	52	(1,038)	-	(179,788)
Selling and distribution expenses	(5,890)	-	-	-	-	-	-	317	-	(5,573)
Administrative expenses	(5,044)	-	-	(993)	-	-	(993)	(8,297)	-	(14,334)
Share-based payment	(528)	-	-	-	-	-	-	432	-	(96)
Other income	7,642	-	(6,631)	-	-	-	(6,631)	50	-	1,061
Other gains/(expenses) – net	(7,150)	-	7,849	-	-	-	7,849	2,238	-	2,937
Net impairment losses on financial assets and contract assets	(26,828)	-	-	-	16,612	-	16,612	6,781	(2,758)	(6,193)
Finance income	57	-	-	-	-	-	-	30	-	87
Finance costs	(666)	-	-	-	-	-	-	(81)	-	(747)
Income tax expense	(5,106)	(1,368)	(100)	364	(2,492)	(102)	(3,698)	-	-	(8,804)
Profit for the year	30,085	4,880	565	(1,563)	14,120	(102)	17,900	432	(2,758)	45,659

2. Summary of significant accounting policies (cont'd)

2.2. Correction of prior year errors (cont'd)

2.2.a Adjustments in relation to revenue recognition from construction contracts

In prior years, the Group recognised revenue from construction contracts on the basis of actual services provided as a proportion of the expected total service to be provided, measured using costs as a percentage of total expected costs applied to expected revenue. On reviewing the estimates made and the information previously used to determine those estimates it has been determined that when actual costs were in excess of budget, but were recoverable due to associated increases in revenue, only a decline in margin had been recognised. It would have been more appropriate to reflect additional revenue at the actual margin that would still be achieved and the liabilities associated with the additional actual costs when these amounts were known or considered highly probable prior period ends. There was an accumulated impact identified across 2016 and 2017. The total impact for 2017 was that revenue in the year was understated by RMB4,709,000 and cost of sales were overstated by RMB1,539,000, leading to associated adjustments to contract assets, trade receivables and trade payables in line with the Group's accounting policies. The restated amounts better reflect management's best estimate of stage of completion and expected margin on construction contracts based on the information that was available at that time and the previous calculations are deemed to be in error. The increase in equity and net assets was RMB4,985,000 at 31 December 2016 and RMB9,865,000 at 31 December 2017 with an increase in profit for the year ended 31 December 2017 of RMB4,880,000.

2.2.b Adjustments related to litigation

In 2012, the Group was involved in a litigation with Tangshan Chenhong Industry Co. Ltd ("Tangshan Chenhong") as products sold under a contract failed to pass the trial test stated in the agreement signed by both parties. Therefore, the contract signed was terminated and the Group had to repay amounts that had already been recovered under the contract and also pay additional compensation to Tangshan Chenhong. The Group has re-assessed that the revenue earned under the contract of RMB11,237,000 should not have been recognised, and the need to repay this has been reflected in the balance sheet as a contract liability as at 1 January 2017 as the amount was repaid after this date. As part of agreeing to repay the revenue the Group still had the rights over the inventory associated with the contract, so this has been recognised as at 1 January 2017 at its recoverable amount whereas previously recovery of the inventory had been taken as a gain in the year to 31 December 2017 at its historic inventory value. The Group has then furthermore re-assessed the timings as to when it was probable compensation would be payable and the likely amounts. As at 1 January 2017 based on current court rulings this amount was deemed to be RMB6,612,000. Previously RMB10,000,000 was included in provisions as at 1 January 2017 to cover both repayments of revenue received and compensation, so the net adjustment of recognising the corrected liability to repay revenue, the associated inventory value and the appropriate level of provision reduced net assets as at 1 January 2017 by RMB4,825,000 after taxation.

Following a further court appeal and ruling in 2017 the compensation to Tangshan Chenhong was reduced to RMB4,636,000. Previously the original provision of RMB10,000,000 had been increased to the final known settlement amounts, where as now it is deemed more appropriate to recognise a reduction in the provision in the year, a reversal of the gain previously taken on recognising the inventory in 2017, and an adjustment to true up the actual recoverable value of the inventory as at 31 December 2017. Therefore as at 31 December 2017 net assets have been decreased by RMB4,260,000 as a net effect of the above, and net income for the year increased by RMB565,000.

2.2.c Adjustments in relation to research and development expenditure

The Group has re-reviewed certain costs that had been capitalised as research and development expenditure within intangible assets. Following this review it has been determined that a) certain items should have been more appropriately capitalised into property, plant and equipment in accordance with group accounting policies based on items being equipment purchased, or b) the amounts should not have been capitalised and should have been expensed as incurred for not meeting the required criteria under IAS 38 "Intangible Assets" for capitalisation of development costs. The decrease in equity and net assets was RMB926,000 at 31 December 2016 and RMB2,489,000 at 31 December 2017 with a decrease in profit for the year ended 31 December 2017 of RMB1,563,000.

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

2.2.d Adjustments in relation to impairment loss on trade receivables and contract assets

In 2018, management undertook a detailed review of its trade receivables and contract assets and it has been determined that certain receivables were not being provided for in accordance with Group accounting policies as at 1 January 2017, some of which had then been impaired during the year to 31 December 2017. This exercise was completed as part of the impact assessment prior to the adoption of IFRS 9, however where certain trade receivables and contract assets should have been provided for under previous policies these have been separately identified as prior year errors. Based on information available at the end of 2017 and 2016 management should have provided for specific debtors which would have deemed to have been non recoverable based on information available at that time considering specific disputes, credit risk analysis and ageing. As a consequence, provisions for the impairment loss on trade receivables and contract assets have been increased by RMB22,240,000 at 31 December 2016 and RMB5,628,000 at 31 December 2017 resulting in a decrease in equity and net assets of RMB18,904,000 at 31 December 2016 and RMB4,784,000 at 31 December 2017 together with an increase in profit for the year ended 31 December 2017 of RMB14,120,000.

2.2.e Adjustments in relation to income tax expenses

The Group has re-assessed the level of tax liability it should have recognised as at 31 December 2016 based on previous accounting for taxation and corrected the liability as certain deductions and timing differences had been accounted for in error. The correction increased the current tax liability and reduced net assets by RMB4,687,000 as at 1 January 2017, and increased the taxation charge by RMB102,000 in the year ended 31 December 2017 and increased the current taxation liability and reduced net assets by RMB4,789,000 as at 31 December 2017.

2.2.f Other prior year errors

In addition to the prior year adjustments referred to in 2.2a-2.2e certain comparative figures have been restated to show an appropriate presentation under IFRS. This does not have an impact on net assets, and the only item impacting net income is a share based payment adjustment which also has no impact on net assets. Details are as follows:

2.2.f.i) Intangible Assets and Land Use Rights
Land use rights have been disclosed as a separate asset on the face of the balance sheet rather than within intangible assets, as is permitted under IFRS, with this resulting in a reclassification of RMB2,691,000 at 31 December 2017 (2016: RMB2,771,000).

2.2.f.ii) Contract Assets
For 2017, a reclassification between contract assets and contract liabilities of RMB11,419,000 (2016: 24,222,000) was required which resulted in reducing both balances as amounts were being grossed up with certain customers which were entitled to be offset as they related to payments received in advance against levels of accrued income. In addition to this an RMB8,879,000 (2016: RMB 1,066,000) increase in contract assets was required as described in in 2.2 f v) below. This therefore has resulted in a decrease in contract assets RMB2,540,000 at 31 December 2017 (2016:RMB 23,155,000).

2.2.f.iii) Trade and other receivables
In 2016 and 2017 certain payments in advance had been included in other payables and contract liabilities whereas they should have been offset against applicable trade and other receivables. Therefore there is a reduction of RMB1,274,000 and RMB1,644,000 on trade and other receivables at 31 December 2017 and 31 December 2016 respectively.

2.2.f.iv) Short term-borrowings
In 2017 amounts borrowed by the Group from employees, under interest bearing loan arrangements were classified as other payables. However, on a review of these arrangements it has been determined that these ought to have been classified as short term borrowings and therefore a reclassification of RMB2,660,000 has been made at 31 December 2017 from other payables.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

2.2.f Other prior year errors (cont'd)

2.2.f.v) Trade and other payables

In 2017 an increase in other payables of RMB8,879,000 (2016: RMB1,066,000) was required to appropriately disclose VAT payable that had been incorrectly netted against contract assets, and a reduction of RMB2,660,000 resulted from 2.2f iv.

A further decrease of RMB3,635,000 (2016: RMB20,657,000) related to consideration received in advance which ought to have been reclassified to contract liabilities and trade and other receivables.

These resulted in a net increase of RMB2,584,000 in trade and other payables at 31 December 2017 (2016: decrease of RMB19,591,000)

2.2.f.vi) Contract liabilities

For 2017, there is a requirement to make an adjustment of RMB11,419,000 (2016: RMB24,222,000) to reduce contract liabilities as described in section ii) above. As a result of the adjustment referred to in section iii) and section v) relating to the amounts paid in advance by customers there was also a requirement to increase contract liabilities by RMB2,361,000.(2016: RMB19,014,000) Therefore at 31 December 2017 contract liabilities has been reduced by RMB9,058,000 (2016: RMB5,208,000).

2.2.f.vii) Income tax payable and deferred tax liability

In 2017 a deferred tax liability was recorded for RMB2,125,000 that has been reclassified as a current taxation liability.

2.2.f.viii) Selling and distribution expenses

Selling and distribution expenses have been decreased by RMB317,000 for the year ended 31 December 2017 as a result of certain expenses being more appropriately presented as an impairment loss on financial assets due to difficulty in recovering payment rather than as a sales expense.

2.2 f ix) Administrative expenses

Various costs and incomes within the 2017 income statement have been reanalysed as set out below with the corresponding adjustment being recognised in administration expenses. The net impact of these reclassifications was to increase administration expenses by RMB8,297,000.

2.2.f.x) Cost of sales

Included within administration expenses was RMB1,038,000 which related to operational and productions costs and has now been reclassified to cost of sales.

2.2.f.xi) Other income

Other income has been increased by RMB50,000 for the year ended 31 December 2017 with a corresponding increase in administrative expenses as a result of reclassifying the gain on disposals of vehicles as other income that was previously recognised within administrative expenses.

2.2.f.xii) Other gains and expenses

There has been an increase of RMB2,238,000 in other gains (previously shown as a net expense) as a result of reclassifying RMB1,248,000 R&D expenses as administrative expenses, RMB1,492,000 of bad debt expenses as impairment loss, offset by RMB502,000 relating to a release of a provision previously shown in administration expenses.

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

2.2.f Other prior year errors (cont'd)

2.2.f.xiii) Impairment loss on financial assets and contract assets

There has been an increase of RMB317,000 as referred to in section viii) above and RMB1,492,000 in section xii) above. There has also been a reduction of RMB8,590,000 in the impairment loss with the amount reclassified against administrative expenses with the overall impact for the year ended 31 December 2017 being a decrease of RMB6,781,000 in impairment loss.

2.2.f.xiv) Finance income

Finance income has been increased by RMB30,000 for the year ended 31 December 2017 as a result of ensuring only interest income was included and no exchange gains or losses were included in the amount. The reclassification was made against administrative expenses.

2.2.f.xv) Finance costs

Finance costs have been increased by RMB81,000 for the year ended 31 December 2017 as a result of ensuring interest costs were included and no exchange gains or losses were included in the amount. The reclassification was made against administrative expenses.

2.2.f.xvi) Share based payments

In 2017 the charge for share options under IFRS2 was spread over an incorrect vesting period. Therefore this has been restated in the current year, with this having no impact on the Group's equity as at 31 December 2017 but has resulted in an increase in profit for the year ended 31 December 2017 of RMB432,000.

2.2.g Impact on cash flow statement

The prior year cash flow statement has been restated as a result of the prior year errors detailed in notes 2.2a to 2.2f. Furthermore the definition of cash and cash equivalents has been restated to exclude short term borrowings of RMB7,447,000 at 31 December 2017 as previously presented.

In addition the directors have reanalysed the nature of certain cash flows and represented these in more appropriate categories between operating, investing and financing activities.

As a result of the above:

(i) The net cash used in operating activities increased for the year ended 31 December 2017 by RMB8,800,000.
(ii) The net cash used in investing activities decreased for the year ended 31 December 2017 by RMB995,000.
(iii) The net cash generated from financing activities increased for the year ended 31 December 2017 by RMB15,172,000.

2. Summary of significant accounting policies (cont'd)

2.2 Correction of prior year errors (cont'd)

2.2.h Impact on Earnings Per Share (EPS)

2017 (as previously stated)	Profit RMB'000	Weighted average number of shares shares'000	Earnings per share RMB
Basic	30,085	449,012	0.07
Diluted	30,085	488,312	0.06
2017 (restated)			
Basic	45,659	480,997	0.09
Diluted	45,659	480,997	0.09

As a result of the full retrospective application of IFRS 9 and also the prior year errors in note 2.2a-f the earnings per share have been restated as above.

In addition, on considering the weighted average number of shares management has noted this was calculated incorrectly and so has revised this calculation appropriately, as well as noting there is no expected dilutive impact of share options, as disclosed in note 28.

2.2.i Company Level Adjustments

The adjustments in the earlier sections of note 2.2 all relate to the Group with none of these items impacting the Company other than the item detailed below.

In 2017 the Company classified the share based payment as an expense in the Company. However, as the charge reflects the fair value of employee services provided to the subsidiaries then to be appropriately following IFRS 2 the amount ought to be recognised as a capital contribution, and therefore an investment in the Company with the charge being recognised in the subsidiaries. Therefore, investments in subsidiaries at 31 December 2017 has increased by RMB96,000 (consistent with the restated charge for the Group in note 2.2f.xvi following the spreading of the value of the share options over the vesting period) with the same increase noted in non-current assets, total assets and equity. There is also an increase noted in profit for the year of RMB528,000 (through a reduction in share based payment expense) while the share based payment reserve within equity has been reduced by RMB432,000.

As the share options were only granted during the year ended 31 December 2017 there is no impact from this adjustment on the statement of financial position as at 31 December 2016 and therefore no third balance sheet has been presented.

2. Summary of significant accounting policies (cont'd)

2.3. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

2.3.a IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments — Disclosures.

The Group has adopted IFRS 9 from 1 January 2018 applying the fully retrospective approach, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed the classification of the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories, that is, financial assets at amortised cost. There are no changes in the measurement basis of financial assets that occur as a result of this.

Impairment of financial and contract assets

The following financial assets are subject to the revised expected credit loss model under IFRS 9:

- Trade and other receivables
- Contract assets
- Cash and cash equivalents
- Amounts owed by group undertakings/related parties

The Group was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2.2.

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables and contract assets, the Group applies the simplified approach prescribed by IFRS 9 to provide for expected credit losses, which uses lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. See note 3c for the expected loss rates for trade receivables and the contract assets.

The table in note 2.2 shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

2.3.b IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces the provisions of IAS 18 Revenue ("IAS 18") and IAS 11 Construction Contracts ("IAS 11") that relate to the recognition, classification and measurement of revenue and costs.

2. Summary of significant accounting policies (cont'd)

2.3. Changes in accounting policies (cont'd)

2.3.b IFRS 15 *Revenue from Contracts with Customers (continued)*

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively but this has not caused the requirement to restate comparatives for the 2017 financial year as the impact was not material.

2.4 Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern.

The Group has made a profit after tax of RMB45.8 million in the year and has net current assets of RMB43.4 million, including RMB7.6 million of cash and cash equivalents.

The Group's forecasts show significant increases in revenue and profitability for 2019 and beyond. As indicated in the principle risks section of the Directors' Report, a key uncertainty in managing within our facilities and ensuring the liquidity of our business is the timing of when payments are received from customers. Due to the long term nature of our contracts, we rely on certain customer payments to be made in advance or at milestones in order that we can effectively manage our working capital within our facilities and fund the necessary outflows required for inventory and capital investment.

Based on the level of customer contracts in place, the contracted payment terms, and our ability to slow down expenditure to offset any deviations from cash inflows, the directors can not see any outcome that is reasonable to consider in which the Group would not be able to operate as a going concern and meet its liabilities as they fall due.

We expect our liquidity to be further strengthened by our expected Initial Public Offering in Asia, and the potential to raise further borrowings if required to fund growth, however we have forecasted on the basis that shows we are not reliant on either of these events in order to manage within our current facilities.

2.5. Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6. Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries arc accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets.

2. Summary of significant accounting policies (cont'd)

2.7. Segment reporting

Reporting segments are those reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM")

Executive directors, who assesse the financial performance and position of the Group and make strategic decisions, have been identified as being the chief operating decision maker.

Due to the similar risk, rewards and returns generated across the various operating parts of the group, only one reportable segment is reviewed by the CODM and therefore full IFRS 8 information is not considered applicable as the requirements are satisfied by the disclosures within these financial statements. Supplementary analysis of revenue streams and revenue by geography is given for information purposes in note 33.

2.8. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is Great Britain Pound ("GBP") and the functional currency of the two subsidiaries are RMB. The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The exchange rate for the year ended 31 December 2018 is £1: RMB 8.8178 with the closing exchange rate £1: RMB 8.7303.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other (losses)/gains.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2. Summary of significant accounting policies (cont'd)

2.9. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Machinery	5 – 10 years
Motor vehicles	5 – 10 years
Office equipment	3 – 5 years
Buildings	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains-net" in profit or loss.

2.10. Land use right

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.11. Intangible assets

(a) Computer software

Separately acquired computer software are shown at historical cost. The computer software has a finite useful life and is carried at cost less accumulated amortisation.

(b) Patent rights

Patent rights acquired are initially recognised at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the statement of profit or loss and other comprehensive income within cost of sales using the straight-line method over 10-20 years. Internally generated patent rights are amortised once the patent is granted on a straight-line basis over their estimated useful lives.

2. Summary of significant accounting policies (cont'd)

2.11. Intangible assets

(c) Internally generated intangible assets – research and development expenditure

Costs associated with maintaining patents are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique patents controlled by the Group are recognised as intangible assets when the following criteria are met:

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- it is technically feasible to complete the patent so that it will be available for use
- management intends to complete the patent and use or sell it
- there is an ability to use or sell the patent
- it can be demonstrated how the patent will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the patent are available, and
- the expenditure attributable to the patent during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the patents include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, at the moment when the patents are registered.

The patents have a finite useful life and is carried at cost less accumulated amortisation.

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	10 years
Self-developed patents	10-20 years

2.12. Impairment of non-financial assets

Development cost not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.13. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associate operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the same taxation authority Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (cont'd)

2.14. Financial assets

(a) Classification

The Group classifies its financial assets in the following category:

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment in held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassified debt investments when and only when its business model for managing those assets changes.

All financial assets and liabilities are measured at amortised cost with the book value equivalent to the fair value at each year end.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

2. Summary of significant accounting policies (cont'd)

2.15. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For contract assets and all trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

2.16. Inventories

Inventories comprised of raw material, work in progress and finish goods and are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17. Trade and bills receivables

Trade and bills receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.18. Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an assets and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.19. Restricted cash and cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks. Bank deposits which are restricted to use are included in "Restricted cash" which is part of cash and cash equivalents on the statement of financial position. Restricted cash is excluded from cash and cash equivalents included in the consolidated statement of cash flows.

2. Summary of significant accounting policies (cont'd)

2.20. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.21. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.23. Borrowing costs

General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2. Summary of significant accounting policies (cont'd)

2.24. Employee benefits

Pension obligations

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefits plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefits obligations payable to all existing and future retired employees under these plans and the Group has no further obligations for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

Housing funds, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurance are expensed as incurred.

Bonus entitlements

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination entitlements

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2. Summary of significant accounting policies (cont'd)

2.25. Share-based payments

The fair value of options granted under the Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.26. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.27. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. Summary of significant accounting policies (cont'd)

2.28. Revenue recognition

The Group is engaged in the equipment, procurement and construction services for manufacturers of ethanol, edible alcohol and acetic from a range of bio-resources including corn, sugarcane, cassava and other bio-resources. Revenue is recognised when control over the asset has been transferred to the customer. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The equipment generally has no alternative use for the Group and the Group has an enforceable right to payment for performance completed to date due to contractual restrictions and the interpretation of the applicable laws that apply to the contract.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, that is, the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

2.29. Interest income

Interest income on financial assets at amortised cost is calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

2.30. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Revenue recognition - Estimate

The Group's revenue from provision of ethanol production system technology integrated service in the ethanol fuel and alcoholic beverage industries is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group cannot change or substitute the product or redirect the product for another use as the product is tailor made to each customer's needs and thus the product does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. In assessing whether the Group has an enforceable right to payment for its contracts, the Group has performed an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgments to classify contracts into those with right to payment and those without the right. Management will reassess their judgments on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for contracts.

The Group recognises revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each product in the contract. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) Capitalisation and amortisation of internal development costs

The Group capitalises costs incurred on development projects as intangible assets when recognition criteria are met. Significant judgment is involved in assessing whether the criteria set out in the accounting standards required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits, and whether costs, including employment costs, were directly attributable to relevant projects. Notwithstanding that the Group has used all available information to make this estimation and judgment, inherent uncertainty exists and the capitalised costs may have to be expensed if there are significant changes from previous estimates.

Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives. The Group reviews the estimated useful lives of the assets semi-annually. The amortisation expense for future periods is adjusted if there are significant changes on the useful lives from previous estimates.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of intangible assets and the impairment charge in the period in which such estimate has been changed.

3. Critical accounting estimates and judgments (cont'd)

(c) Impairment of receivables - Estimate

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables and contract assets in addition to the specific provisions. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 10, 11 and note 31 to the financial statements.

State owned enterprises and non-state owned enterprises are deemed to have different credit risk based on experience of defaults and write offs. Expected credit losses for these customers is based on aging where there are no known disputes. Customers in dispute relates to those who may be disputing invoices or in bankruptcy and so 100% provision is made against these debtors.

Management assessed the ECLs based on the following provision matrix:

	2018 and 2017			
	Within 1 year	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**
State-owned enterprises	0%	5- 10%	20%	100%
Non-state owned enterprises	1-5%	15- 30%	40- 50%	85-100%
Customers in dispute	100%	100%	100%	100%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment

	Buildings	Office equipment	Machinery	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 31 December 2016 as originally presented	6,247	834	3,227	8,391	18,699
Correction of prior year errors, net of tax (note 2.2)	-	-	4,911	-	4,911
At 1 January 2017 as restated	6,247	834	8,138	8,391	23,610
Additions	-	69	405	213	687
Disposals	-	-	-	(600)	(600)
At 31 December 2017 as restated	6,247	903	8,543	8,004	23,697
Additions	-	71	818	-	889
Reclassification	(475)	-	475	-	-
Disposals	-	-	(29)	-	(29)
At 31 December 2018	5,772	974	9,807	8,004	24,557
Accumulated depreciation					
At 31 December 2016 as originally presented	(3,617)	(604)	(2,803)	(6,901)	(13,925)
Correction of prior year errors, net of tax (note 2.2)	-	-	(220)	-	(220)
At 1 January 2017 as restated	(3,617)	(604)	(3,023)	(6,901)	(14,145)
Charge for the year	(297)	(58)	(1,232)	(600)	(2,187)
Disposals	-	-	-	522	522
At 31 December 2017 as restated	(3,914)	(662)	(4,255)	(6,979)	(15,810)
Charge for the year	(272)	(65)	(1,277)	(702)	(2,316)
Reclassification	(81)	-	81	-	-
Disposals	-	-	26	-	26
At 31 December 2018	(4,267)	(727)	(5,425)	(7,681)	(18,100)
Carrying value					
At 31 December 2018	**1,505**	**247**	**4,382**	**323**	**6,457**
At 31 December 2017 (**Restated**)	**2,333**	**241**	**4,288**	**1,025**	**7,887**
At 1 January 2017 (**Restated**)	**2,630**	**230**	**5,115**	**1,490**	**9,465**

Assets pledged as security - Buildings in Boluo with a carrying amount of RMB1,506,000 as at 31 December 2018 (RMB1,778,000 as at 31 December 2017) have been pledged to secure borrowings of the Group (note 13).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Land use rights (restated, see note 2.2)

	Land use rights
	RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	3,613
Accumulated amortisation	
At 1 January 2017	(842)
Charge for the year	(80)
At 31 December 2017	(922)
Charge for the year	(83)
At 31 December 2018	(1,005)
Carrying value	
At 31 December 2018	**2,608**
At 31 December 2017	**2,691**
At 1 January 2017	**2,771**

All land use rights of the Group are located in Boluo, the PRC and are held on leases of 50 years.

Amortisation of land use rights has been charged to cost of sales in the consolidated statements of profit or loss and other comprehensive income.

Land use rights with a total carrying amount of RMB2,608,000 as at 31 December 2018 (RMB2,691,000 as at 31 December 2017) were pledged as collateral for the Group's borrowings (note 13).
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6. Intangible assets (Restated, see note 2.2)

	Computer software	Patents	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 31 December 2016 as previously* presented	60	6,936	5,865	12,861
Correction of prior year errors, net of tax (note 2.2)	-	-	(5,865)	(5,865)
At 1 January 2017 as restated	60	6,936	-	6,996
Additions	-	-	595	595
At 31 December 2017 as restated	60	6,936	595	7,591
Additions	-	1,374	5,954	7,328
Transfer	-	456	(456)	-
At 31 December 2018	60	8,766	6,093	14,919
Accumulated amortisation				
At 1 January 2017 as restated*	(57)	(1,034)	-	(1,091)
Charge for the year	(3)	(508)	-	(511)
At 31 December 2017 as restated	(60)	(1,542)	-	(1,602)
Charge for the year	-	(535)	-	(535)
At 31 December 2018	(60)	(2,077)	-	(2,137)
Carrying value				
At 31 December 2018	**-**	**6,689**	**6,093**	**12,782**
At 31 December 2017	**-**	**5,394**	**595**	**5,989**
At 1 January 2017	**3**	**5,902**	**-**	**5,905**

Amortisation of the intangible assets is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

*The above table does not include land use rights as these have been reclassified to be recorded separately within the statement of financial position, and therefore is no longer presented within intangible assets.

7. Investment in subsidiaries –Company (restated, see note 2.2)

	Company RMB'000
Cost	
At 1 January 2017	47,491
Additions	96
Exchange differences	1,375
At 31 December 2017	48,962
Additions	460
Exchange differences	(615)
At 31 December 2018	48,807
Accumulated impairment losses	
At 1 January 2017	(38,640)
Exchange differences	(1,119)
At 31 December 2017	(39,759)
Exchange differences	500
At 31 December 2018	(39,259)
Carrying amount	
At 31 December 2018	**9,548**
At 31 December 2017	**9,203**
At 1 January 2017	**8,851**

Additions relate to investments made by the Company into subsidiary entities in the form of long-term incentive plans for certain employees.

The details of the subsidiaries are as follows:

Name / place of incorporation	Principal activity	Effective equity interest held by the Group As at 31 December 2018	2017
Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd ("ZKTY") / PRC	Provision of ethanol production system technology integrated services	100%	100%
Guangdong Boluo Jiuneng High Technology Engineering Co Ltd ("Boluo") / PRC	Fabrication and manufacture of equipment in accordance with project requirements and designs	100%	100%

8. Deferred tax assets

The analysis of deferred tax assets is as follows:

	2018
	RMB'000
Deferred tax assets:	
- to be recovered after more than 12 months	4,090
- to be recovered within 12 months	1,662
	5,752

	2018
	RMB'000
At beginning of the year	-
Tax credited to profit or loss	5,752
At end of the year	5,752

The movements in deferred tax assets for year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Inventory impairment	Bad debt provision RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2018	-	-	-	-
Tax credited to profit or loss	1,228	2,862	1,662	5,752
At 31 December 2018	1,228	2,862	1,662	5,752

Temporary differences of RMB93,253,000 (2017: RMB9,664,000) have arisen as a result of trade receivables and contract assets written off as uncollectible. However, a deferred tax asset has not been recognised as there is difficulty in preparing the documents required by local tax authorities for deduction because the receivables written off are long-aged and there is uncertainty that local tax authorities will approve the deduction.

Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd has undistributed earnings of RMB35,515,000 (2017: RMB26,349,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

9. Inventories

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000 (Restated See note 2.2)	RMB'000 (Restated See note 2.2)
Raw materials	201	175	528
Work-in-progress	2,267	11,939	2,910
Finished goods	9,379	9,379	9,379
	11,847	21,493	12,817
Less: inventory provision	(8,186)	(7,751)	(7,198)
	3,661	13,742	5,619

9. Inventories (cont'd)

As discussed in note 15, the Group lost a court case in 2017 with a customer, Tangshan Chenhong. As part of the settlement, the Group received a return of inventories of RMB9,379,000 with an impairment provision of RMB8,186,000 as at 31 December 2018. The provision made at 31 December 2017 for this return of inventory was RMB7,751,000 (2016: RMB7,198,000).

All inventory costs are recorded in cost of sales. The impairment of inventory for 2018 was RMB435,000 (2017: RMB553,000).

10. Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000 (Restated See note 2.2)	RMB'000 (Restated See note 2.2)
Current contract assets relating to construction contracts	91,720	66,003	18,131
Loss allowance	(3,255)	(5,345)	(10,961)
Total contract assets	88,465	60,658	7,170
Contract liabilities relating to construction contracts	21,028	33,234	36,244

Contract assets have increased significantly as a result of higher activity at the end of 2018 and due to the timing of when retention payments are billed. In addition, timing of billing on major projects has also contributed to the significant increase in contract assets. Contract liabilities have decreased by RMB12,206,000 largely due to the settlement of the Tangshan Chenhong case (as referred to in note 2.2 and note 15) which required the Group to repay amounts previously received of RMB11,237,000.

11. Trade and other receivables

	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017
	RMB'000	RMB'000 (Restated See note 2.2)	RMB'000 (Restated See note 2.2)	RMB'000	RMB'000
Trade receivables (net of impairments)	103,629	62,211	29,108	-	-
Other receivables(net of impairments)	575	5,549	3,677	-	4,989
Due from subsidiaries	-	-	-	6,582	3,631
Advances to employees	5,684	6,658	3,079	-	-
Tendering deposits	258	388	2,012	-	-
Amounts due from related parties	-	3,481	11,595	-	-
Prepayments	11,463	4,259	2,916	-	-
	121,609	82,546	52,387	6,582	8,620

The carrying amounts of trade and other receivables approximate their fair values and are non-interest bearing. The amounts due from related parties and subsidiaries are unsecured, non-interest bearing and repayable on demand. Included in trade receivables is an amount of RMB15,000,000 which has been pledged to secure borrowings of the Group (note 13).

11. Trade and other receivables (cont'd)

Movements in impairments in the loss allowance presented withinin trade receivables are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000 (Restated See note 2.2)**
At 1 January	96,771	94,626
Provision for loss allowance recognised in profit or loss	3,109	7,803
Unused amounts reversed	(3,389)	(2,962)
Receivables written off during the year as uncollectible	(78,332)	(2,696)
At 31 December	18,159	96,771

12. Cash and cash equivalents

	Group As at 31 December		Company As at 31 December	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total Cash	7,588	19,368	22	240
Less: restricted cash	(1,230)	(11,188)	-	-
Cash at bank and on hand	6,358	8,180	22	240

Due to a quality dispute with a customer, Tangshan Chenhong, the court froze cash of RMB11,188,000 as at 31 December 2017. As the Group has settled the case in 2018, such restriction was relieved. Restricted cash of RMB1,230,000 as at 31 December 2018 was pledged as security for the Group's bank borrowings (note 13).

13. Short-term borrowings

Secured – at amortised cost	Group As at 31 December	
	2018	2017
	RMB'000	RMB'000 (Restated See note 2.2)
Bank loans – short term	6,140	7,447
Other borrowings	400	2,660
	6,540	10,107

As at 31 December 2017 and 2018, all of the Group's borrowings are denominated in RMB.

The Group's bank borrowings as at 31 December 2018 of RMB6,140,000 (2017:RMB7,447,000) were secured by the following:

	As at December 31	
	2018	2017
	RMB'000	RMB'000
Property, plant and equipment	1,506	1,778
Land use rights	2,608	2,691
Trade and bills receivables	15,000	15,000
Restricted cash	1,230	-
	20,344	19,469

In addition to pledge of assets, bank borrowings of RMB6,140,000 as at 31 December 2018. (2017: RMB7,447,000) were guaranteed by Mr. Yu Weijun, the chairman of the board.

The Group's borrowings were repayable within 1 year as at 31 December 2018 and 2017.

The weighted average effective interest rates as at 31 December 2017 and 2018 were as follows:

	As at December 31	
	2018	2017
	RMB'000	RMB'000
Bank borrowings	6.74%	6.09%
Other borrowings from employees	10.00%	10.00%
	6.94%	7.12%

The carrying amounts of the borrowings approximate their fair values as at 31 December 2018 and 2017 as the impact of discounting borrowings with fixed interest rates was not significant.

The Group entered into one-year loan agreements with fifty-two employees from 17 February 2017 to 17 August 2017, which amounted to RMB2,810,000. The interest rate of these borrowings was 10% per annum. For the years ended 31 December 2017 and 2018, RMB150,000 and RMB2,260,000 has been repaid, and the remaining borrowings were guaranteed by Mr. Yu Weijun and Mr. Jiang Xinchun.

14. Trade and other payables

	Group			Company	
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017
	RMB'000	RMB'000 (Restated See note 2.2)	RMB'000 (Restated See note 2.2)	RMB'000	RMB'000
Trade payables	69,250	52,097	35,853	-	-
Other payables:					
- Other payables	6,674	1,360	1,521	843	165
- VAT payable	37,195	29,857	19,118	-	-
- Accruals	11,354	10,519	8,882	276	279
- Due to subsidiaries	-	-	-	4,861	4,337
- Due to directors	2,922	2,064	1,543	2,267	1,546
- Due to related parties	500	600	-	-	-
- Wages payable	710	639	555	-	-
	128,605	97,136	67,472	8,247	6,327

The carrying amounts of trade and other payables approximate their fair values. The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

15. Provision for liabilities

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB'000	RMB'000 (Restated See note 2.2)	RMB'000 (Restated See note 2.2)
Provisions for legal case	-	4,636	6,612

The movements in provisions during the year are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000 (Restated See note 2.2)
At beginning of the year	4,636	6,612
Settlement of the court case	(4,636)	-
Released during the year	-	(1,976)
At end of the year	-	4,636

On June 26, 2015, an unfavourable judgement was handed down against the Group by the Intermediate Court in respect of a legal claim made by a customer, Tangshan Chenhong in relation to a project entered into in 2010. However, after taking appropriate legal advice, the directors decided to appeal against the decision. The Intermediate Court reopened the case in 2016 and concluded on January 20, 2017 that the Group should compensate Tangshan Chenhong for its loss, which amounted to RMB6,612,000. The Group appealed to the Supreme Court, which concluded on December 25, 2017 that the compensation should be reduced to RMB4,636,000. The Group settled the case by paying the compensation amount during the year.

The recognised provision reflects the directors' best estimate of the most likely outcome at respective balance sheet dates.

16. Share capital – Company and Group

	Number of	Share capital		Share premium	
	shares	£'000	RMB'000	£'000	RMB'000
As at 1 January 2017	444,447,541	111	1,441	893	62,905
Placing on 22 March 2017	46,808,809	12	100	690	5,925
As at 31 December 2017	491,256,350	123	1,541	1,583	68,830
As at 31 December 2018	491,256,350	123	1,541	1,583	68,830

On 22 March 2017, the Group placed 46,808,809 new ordinary shares of 0.025pence (RMB0.22) each at a price of 1.5 pence (RMB12.9) per share, raising gross proceeds of £702,132 (RMB6,025,000) for the Group.

There are 40,000,000,000 authorised shares. The number of shares issued and fully paid with a par value of 0.025pence (RMB0.22) are shown above.

The Group has one class of ordinary shares which carry rights to dividends.

17. Combination reserve

Combination reserve represents the differences between the nominal amount of net assets of the combining entities under common control at the date on which they were acquired by the Group and the nominal amount of the consideration for the acquisition, which amounted to RMB33,156,000.

18. Statutory reserve

(a) Statutory surplus reserve

According to the relevant PRC regulations and the Articles of Association of the subsidiary, it is required to transfer 10% of its profit after enterprise income tax to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(b) Statutory public welfare fund

According to the relevant PRC regulations and the Articles of Association of the subsidiary, it is required to transfer 5% of its profit after income tax to the statutory public welfare fund. The statutory public welfare fund is established for the purpose of providing employee facilities and other collective benefits to its employees.

19. Share-based payment reserve (restated, see note 2.2)

On 20 October 2017, the Group granted two share option schemes for the long-term incentive of directors and senior employees of the Group. An aggregate of 39,300,508 options were granted to allow directors and senior employees to acquire ordinary shares at a price of 1.5 pence per share subject to vesting conditions under these schemes while there are 27,633,167 options being accepted. The options may be exercised at any time from the date of vesting to the date of their expiry on 20 October 2020.

19. Share-based payment reserve (continued)

Set out below are summaries of options granted under the plan:

	2018 Number of options	2017 Number of options
As at 1 January	39,300,508	-
Granted during the year	-	39,300,508
As at 31 December	39,300,508	39,300,508
Vested and exercisable at 31 December	-	-

Fair value of options granted

The fair value of the options was RMB1,381,000, which was calculated using the Black Scholes option pricing mode, with this amount to be charged over the vesting period. The share-based payment charge of RMB460,000 (2017: RMB96,000) is included within expense in the consolidated statement of profit or loss and other comprehensive income and in the share-based payment reserve in equity.

The model inputs for options granted during the year ended 31 December 2017 included:

a. Exercise price: GBP0.015
b. Time to maturity: 3 years
c. Grant date: 20 October 2017
d. Expiry date: 20 October 2020
e. Expected price volatility of the company's shares: 20%
f. Risk-free interest rate: 0.76%

The expected volatility is based on the historic share prices to the management's best estimate. The expected lift used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction and behavioural considerations.

20. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

21. Treasury share reserve

Treasury shares reserve is used to recognise the consideration paid when group companies purchase the Company's shares and the shares are not yet cancelled or reissued.

On January 18, 2018, the Company repurchased its 46,808,809 ordinary shares each at a price of £0.012 per share, paying gross proceeds of £561,706 (approximately RMB4,680,881). As at December 31, 2018, the Company made no plans for treasury shares cancellation.

This repurchase of shares had been paid for during 2017 with this then being approved and registered in early 2018 as disclosed above.

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FOR THE YEAR ENDED 31 DECEMBER 2018

22. Other income (restated see note 2.2)

	Group	
	2018	2017
	RMB'000	RMB'000
Subsidy income	1,685	975
Sundry income	-	86
	1,685	1,061

23. Other gains (restated see note 2.2)

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gains on disposal	-	20	-	-
Exchange gain	4	80	233	-
Release of overprovision for court case	-	1,976	-	-
Other	259	861	-	-
	263	2,937	233	-

Gains on disposal arose from the settlement of liabilities with suppliers through fixed assets, where the book value of the assets is lower than the liability being settled.

24. Finance costs and finance income (restated see note 2.2)

	Group	
	2018	2017
	RMB'000	RMB'000
Bank and other borrowings	(1,094)	(747)
Interest income	22	87
	(1,072)	(660)

The Company had no finance costs or finance income in 2018 (2017: exchange gains of RMB80,000).

25. Profit before tax (restated)

Profit before taxation is arrived at after charging:	Group 2018 RMB'000	Group 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000
Costs of engineering services	28,247	36,126	-	-
Raw materials and consumables used	140,520	132,696	-	-
Employee benefit expenses (note 26)	11,094	11,922	900	964
Depreciation charges	2,316	2,187	-	-
Amortisation charges	618	591	-	-
Office utilities	2,631	1,804	553	476
Travel and transportation and business entertainment expenses	6,618	7,754	98	236
Rental expense	693	2,038	-	-
Impairment of inventories	435	553	-	-
Auditors' remuneration				
- Audit services	913	274	913	320
- Non-audit assurance services	939	-	-	-
Legal and professional fees	753	1,424	-	-
Other expenses	3,425	2,422	204	318
Listing expenses – non recurring expenses	4,191	-	-	-
Total cost of sales, selling and distribution expenses, administrative expenses and share-based payment	203,393	199,791	2,668	2,314

The directors consider that profit before taxation and non-recurring listing expenses to be the key profit measure used to monitor performance. The non-audit assurance fees relate to work performed in relation to the listing of the Company. The total to be paid to the auditor is RMB3,000,000 of which RMB658,000 is to be captialised against the cost of the raising the shares. For the year ended 31 December 2018, RMB939,000 was recognised in the statement of profit or loss and other comprehensive income with a further RMB1,403,000 expected to be recognised in the statement of profit or loss and other comprehensive income during 2019.

26. Employee benefit expense (restated, see note 2.2)

	Group 2018 RMB'000	Group 2017 RMB'000
Wages and salaries	11,827	11,361
Social security costs	1,087	910
Share-based payments	460	96
	13,374	12,367
Less: capitalised in intangible assets	(2,280)	(445)
	11,094	11,922
Included in:		
Cost of sales	2,031	1,942
Selling and distribution expenses	2,473	2,522
Administrative expenses	6,590	7,458
	Number	**Number**
Average number of employees (including directors)	86	79

The directors received remuneration of RMB900,000 (2017: RMB964,000) in respect of their services to the Company (Nil). Directors' remuneration is disclosed within the directors' report showing remuneration for the services of the directors to the Group. The Company had no employees during the year (2017: Nil), other than the directors.

27. Income tax expense (restated see note 2.2)

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Current income tax		
- PRC corporate income tax	6,714	8,804
- PRC withholding income tax	316	-
Deferred income tax	(5,752)	-
Total tax charge for year	1,278	8,804

Reconciliation of the total tax charge for the year at the effective tax rate is as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Profit before tax	47,099	54,463
Income tax using PRC tax rate of 25%	11,775	13,616
Tax effects of:		
Difference in tax rates	(4,110)	(5,124)
Utilisation of previously unrecognised tax losses	(470)	-
Recognition of previously unrecognised temporary differences	(6,215)	-
Effect of unrecognised temporary differences	-	309
Expenses not deductible for tax purposes	172	209
Research and development expenditure	(190)	(206)
Income tax	962	8,804
Withholding tax	316	-
Total tax charge for year	1,278	8,804

	Company	
	2018	**2017**
	RMB'000	**RMB'000**
Profit/(loss) before tax	728	(2,234)
Income tax using Jersey tax rate of 0%	-	-
Withholding tax	316	-
	316	-

Overseas income tax

The Company is regarded as resident for tax purposes in Jersey and on the basis that the Group is neither a financial services Group nor a utility Group for the purposes of the Income Tax (Jersey) Law 1961, as amended; the Group is subject to income tax in Jersey at a rate of zero per cent.

The Company is subject to income tax in Jersey at a rate of zero percent. Therefore, there is no income tax recognised in the Company with the exception of withholding tax as shown above..

PRC corporate income tax

The operating subsidiaries are regarded as resident for tax purposes in PRC and subject to national income tax rate at 25% (2017: 25%). The main operating subsidiary, ZKTY is entitled to a reduction in tax rate at 15% due to its high technology enterprise status which is the reason for the impact of different tax rates as can be seen in the reconciliation above. Tax losses carried forward in the subsidiary Boluo amounted to RMB1 million at the year end. No deferred tax asset has been provided on these tax losses due to insufficient certainty over future taxable profits to utilise these losses against.

27. Income tax expense (restated see note 2.2) (con'td)

PRC corporate income tax (cont'd)

The Group produces and files its annual local tax returns on a basis in line with generally accepted practices for companies in the same industry, especially those where accrued income can be recognised ahead of invoicing and there may be long settlement periods until invoices are paid. There can exist a difference between this basis and the basis on which profits are recognised in accordance with IFRS accounting principles, and further timing differences in when certain deductions are recognised within the accounts versus claimed for local tax purposes. Taxation is provided in these accounts on a basis that aligns to IFRS accounting principles and in line with adherence to local tax legislation, and therefore the taxation charges arising are generally recognised as current taxation due as opposed to deferred taxation, but as a result the taxation shown as paid within the cash flow statement in generally lower than the current taxation charge within the financial statements.

PRC withholding income tax

According to CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008.

28. Earnings per share (restated see note 2.2)

The calculation of earnings per share is based on Group's profit for the year and the weighted average number of shares in issue after adjusting for movement in own shares during the financial year as disclosed in note 21. There are no potentially dilutive shares or share options outstanding and therefore, the diluted earnings per share is the same as basic earnings per share.

	Profit	Weighted average number of shares	Earnings per share
2018	**RMB'000**	**shares'000**	**RMB**
Basic/Diluted	45,821	449,319	0.10
2017			
Basic/Diluted (Restated)	45,659	480,997	0.09

The Company has one category of dilutive potential ordinary shares: share options granted under the Share Option Scheme. As at 31 December 2018 the exercise price of the share options in issue were in excess of the current market price and therefore there is no dilution to the earnings per share as presented.

29. Operating lease commitments

At the end of the year, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognized as liabilities, are as follows:

	As at 31 December	
	2018	**2017**
	RMB'000	**RMB'000**
No later than 1 year	1,409	971
Later than 1 year and no later than 5 years	4,610	74
	6,019	1,045

Operating lease payments represent rents payable by the Group for office premises and other operating facilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

30. Significant related party transactions

(a) Name and relationship with related parties

Name	**Relationship**
Guangdong Zhongke Tianyuan Regeneration Energy Co., Ltd 广东中科天元再生资源工程有限公司	Controlled by the key management
Guangdong Tianyuan Green Food Co., Ltd 广东中科天元绿色食品有限公司	Controlled by the key management
Bengbu Boerte Biotechnology Co., Ltd 蚌埠靳而特生物科技有限公司	Controlled by the key management
Mr. Jiang Xinchun	General manager of the Group
Ms. Yu Huiya	A close family member of a director

(b) Transactions with related parties

	Year ended December 31	
	2018	**2017**
	RMB'000	**RMB'000**
Receipt of intangible asset (i)	1,374	-

(i) The Group received a patent with carrying amount of RMB1,374,000 from Guangdong Zhongke Tianyuan Regeneration Energy Co., Ltd during the year ended 31 December 2018 as settlement of receivables amounting to RMB1,374,000. There was no gains or losses from the transaction.

(c) Amounts due from/to related parties

	Year ended December 31	
	2018	**2017**
	RMB'000	**RMB'000**
Loans from Mr. Jiangxinchun		
Beginning of the year	100	-
Loans advanced	400	1,160
Loan repayments received	(500)	(1,060)
End of year	-	100
Amounts due from Ms. Yu Huiya		
Beginning of the year	-	1,000
Additions	-	-
Repayments	-	(1,000)
End of year	-	-
Amounts due to directors		
Beginning of the year	2,064	1,543
Additions	1,508	1,020
Repayments	(650)	(499)
End of year	2,922	2,064

30. Significant related party transactions (cont'd)

(c) Amounts due from/to related parties (cont'd)

	Year ended December 31	
	2018	**2017**
	RMB'000	**RMB'000**
Amounts due to Ms. Yu Huiya		
Beginning of the year	500	-
Additions	-	500
Repayments	-	-
End of year	500	500
Amounts due from Guangdong Zhongke Tianyuan Regeneration Energy Co., Ltd and and Bengbu Boerte Biotechnology Co., Ltd		
Beginning of the year	3,481	10,595
Cash advanced	10,015	41,616
Cash repayments received	(13,496)	(48,730)
End of year	-	3,481

Amounts due from related parties are interest free, unsecured and repayable on demand.

(d) Key management compensation

Key management is defined as the executive directors, the CFO, vice-president and secretary to the president.

	Year ended December 31,	
	2018	**2017**
	RMB'000	**RMB'000**
Salaries, wages, bonuses and other benefits	2,533	2,320
Share-based compensation	343	71
	2,876	2,391

Directors' remuneration

	2018	**2017**
	RMB'000	**RMB'000**
		(restated)
Yu Weijun	630	671
Tang Zhaoxing	705	742
Richard Bennett	177	233
Nicholas Brooks	133	252
Total	**1,645**	**1,898**

Included within the remuneration for each director is RMB51,000 (2017:RMB11,000) in respect of long term incentive schemes.

31. Financial risk management (restated)

The Group's principal financial instruments comprise interest-bearing loans and cash and cash equivalents. The main purpose of these instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and trade payables, contract assets and contract liabilities, which arise directly from its operation.

31. Financial risk management (cont'd)

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Fair value interest rate risk

The Group's main interest rate risk arises from short-term borrowings with fixed rates, which expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. All borrowings are short term in nature and are due to contractually reprice within 1 year (2017: 1 year).

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks. There is no fair value interest rate risk exposure in the Company.

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The Company was incorporated in Jersey and the investment and financing activities were mainly carried out in GBP and United States Dollar ("USD"). The Company was exposed to insignificant foreign exchange risk arising from foreign currency transactions, primarily with respect to RMB.

The group entities located in the PRC operate in the PRC with most of the transactions denominated and settled in RMB, which is the functional currency of the relevant group entities. Therefore, the PRC group entities are not exposed to material foreign exchange risk.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated balance sheets are as follows:

	As at December 31	
	2018	**2017**
	RMB'000	**RMB'000**
GBP		
- Other receivables	-	4,989
- Cash and cash equivalents	22	235
- Other payables	3,386	1,991
USD		
- Cash and cash equivalents	65	6
- Restricted cash	-	21

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2018

31. Financial risk management (cont'd)

Foreign exchange risk (cont'd)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on post-tax profit for the years would be as follows:

	Change of post-tax profit increase/(decrease)	
	As at December 31	
	2018	**2017**
	RMB'000	**RMB'000**
RMB against GBP:		
Strengthened by 5%	143	(138)
Weakened by 5%	(143)	138
RMB against USD:		
Strengthened by 5%	(3)	(1)
Weakened by 5%	3	1

31. Financial risk management (cont'd)

The Company has intercompany receivables and payables that are denominated in USD. However, this risk is mitigated by holding balances which largely offset to leave an immaterial net balance, with these balances holding no foreign exchange risk for the group due to the fact the intercompany balances are held in USD which is not the functional currency of any of the entities and so any exchange gains or losses therefore net off within the statement of profit or loss and other comprehensive income.

Credit risk

The Group is exposed to credit risk in relation to its contract assets, trade receivables, other receivables and cash at banks. The carrying amounts of contract assets, trade receivables, other receivables and cash deposits at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company is exposed to credit risk in relation to its balances due from subsidiaries and cash at banks. The carrying amounts of balances due from subsidiaries and cash deposits at banks represent the Company's maximum exposure to credit risk in relation to financial assets.

The Group and the Company expect that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In order to minimise the credit risk, management of the Group has delegated a team responsible for credit risk management. Management assessed the provision of impairment on the basis of expected credit losses model ("ECL"). ECL for contract assets and trade receivables is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue, customers' repayment history and financial position and an assessment of both the current and forecast general economic environment.

Contract assets and trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade and bills receivables.

As at December 31 2018 and 2017, to measure the expected credit losses of contract assets and trade receivables, contract assets and trade receivables have been assessed for impairment.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments, in addition to the length of time the debtor has been overdue. However, before writing off a debtor, management consider balances on an individual basis as to whether there is any potential recovery based on their knowledge of the customer and circumstances relating to the failure to receive payment.

Customers are billed during the performance of a contract, based on the stage of completion of the work. There is a requirement for customers to make an advanced payment with further payments then required on the delivery of the equipment and materials, installation of the equipment and it remaining in operation.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

31. Financial risk management (cont'd)

Credit risk (cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 36 months prior to 31 December 2018 or 1 January 2018 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified that the GDP and the unemployment rate of the countries in which it sells its goods and services are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Generally, trade receivables are written off if past due for more than three years.

The credit quality of other financial assets is considered to be "normal" when they are not past due and there is no information indicating that other financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of other financial assets is considered to be "doubtful".

Trade receivables and contract assets	**Within 1 year**	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At January 1, 2017					
Gross carrying amount – trade receivables and contracts assets – SOEs	9,152	-	7	4,882	14,041
Expected loss rate	0%	10%	20%	100%	
Loss allowance provision	-	-	(1)	(4,882)	(4,883)
Net carrying amount	**9,152**	**-**	**6**	**-**	**9,158**
Gross carrying amount – trade receivables and contracts assets – Non-SOEs	23,163	3,264	3,000	13,059	42,486
Expected loss rate	4%	15%	49%	96%	
Loss allowance provision	(885)	(482)	(1,470)	(12,529)	(15,366)
Net carrying amount	**22,278**	**2,782**	**1,530**	**530**	**27,120**
Gross carrying amount – trade receivables and contracts assets – Customers in disputes	759	6,629	11,935	66,015	85,338
Expected loss rate	100%	100%	100%	100%	100%
Loss allowance provision	(759)	(6,629)	(11,935)	(66,015)	(85,338)
Net carrying amount	**-**	**-**	**-**	**-**	**-**
Total gross carrying amount - trade receivables and contracts assets	33,074	9,893	14,942	83,956	141,865
Loss allowance provision	(1,644)	(7,111)	(13,406)	(83,426)	(105,587)
Net carrying amount	**31,430**	**2,782**	**1,536**	**530**	**36,278**
At 31 December 2017					
Gross carrying amount – trade receivables and contracts assets – SOEs	87,589	236	-	4,305	92,130
Expected loss rate	0%	10%	20%	100%	
Loss allowance provision	-	(24)	-	(4,305)	(4,329)
Net carrying amount	**87,589**	**212**	**-**	**-**	**87,801**

31. Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets	Within 1 year RMB'000	Over 1 year and within 2 years RMB'000	Over 2 years and within 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2017					
Gross carrying amount – trade receivables and contracts assets – Non-SOEs	26,942	7,911	4,327	2,868	42,048
Expected loss rate	2%	29%	41%	86%	
Loss allowance provision	(418)	(2,314)	(1,768)	(2,480)	(6,980)
Net carrying amount	**26,524**	**5,597**	**2,559**	**388**	**35,068**
Gross carrying amount – trade receivables and contracts assets – Customers in disputes	1,379	7,284	4,127	78,017	90,807
Expected loss rate	100%	100%	100%	100%	100%
Loss allowance provision	(1,379)	(7,284)	(4,127)	(78,017)	(90,807)
Net carrying amount	**-**	**-**	-	**-**	**-**
Total gross carrying amount - trade receivables and contracts assets	115,910	15,431	8,454	85,190	224,985
Loss allowance provision	(1,797)	(9,622)	(5,895)	(84,802)	(102,116)
Net carrying amount	**114,113**	**5,809**	**2,559**	**388**	**122,869**
At 31 December 2018					
Gross carrying amount – trade receivables and contracts assets – SOEs	58,804	20,196	-	337	79,337
Expected loss rate	0%	10%	20%	100%	
Loss allowance provision	-	(2,020)	-	(337)	(2,357)
Net carrying amount	**58,804**	**18,176**	**-**	**-**	**76,980**
Gross carrying amount – trade receivables and contracts assets – Non-SOEs	108,470	6,080	3,067	8,470	126,087
Expected loss rate	1%	4%	48%	96%	
Loss allowance provision	(1,098)	(267)	(1,475)	(8,133)	(10,973)
Net carrying amount	**107,372**	**5,813**	**1,592**	**337**	**115,114**
Gross carrying amount – trade receivables and contracts assets – Customers in disputes	22	904	7,158	-	8,084
Expected loss rate	100%	100%	100%	100%	100%
Loss allowance provision	(22)	(904)	(7,158)	-	(8,084)
Net carrying amount	**-**	**-**	**-**	**-**	**-**
Total gross carrying amount - trade receivables and contracts assets	167,296	27,180	10,225	8,807	213,508
Loss allowance provision	(1,120)	(3,191)	(8,633)	(8,470)	(21,414)
Net carrying amount	**166,176**	**23,989**	**1,592**	**337**	**192,094**

31. Financial risk management (cont'd)

Credit risk (cont'd)

As at December 31 2018 and 2017, the loss allowance provision for contract assets and trade and bills receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Contract assets	Total
	RMB'000	RMB'000	RMB'00 0
At January 1, 2017 (under IAS39), as restated	92,419	10,741	103,160
Impact of adoption of IFRS 9	2,207	220	2,427
At January 1, 2017 (under IFRS 9)	94,626	10,961	105,587
Provision for loss allowance recognised in profit or loss	7,826	1,585	9,411
Unused amounts reversed	(2,962)	(256)	(3,218)
Receivables written off during the year as uncollectible	(2,719)	(6,945)	(9,664)
At December 31, 2017	96,771	5,345	102,116
At January 1, 2018	96,771	5,345	102,116
Provision for loss allowance recognised in profit or loss	3,109	1,078	4,187
Unused amounts reversed	(3,389)	(436)	(3,825)
Receivables written off during the year as uncollectible	(78,332)	(2,732)	(81,064)
At December 31, 2018	18,159	3,255	21,414

As at December 31, 2017 and 2018 and 1 January 2017, the Group has assessed that the expected loss rate for other receivables. The impaired other receivables related to receivables that were in financial difficulties.

Other receivables and advances to employees have historically had low levels of default. Based on past experience, the directors of the Company are of the opinion that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The directors have considered the concentration of credit risk based on the profile of the customer base. There is only one customer whose total trade receivables and contract assets are greater than 10% of the overall balances. As this is a state owned enterprise with no history of default the directors have concluded that there is no concentration of credit risk.

Cash and cash equivalents are held with reputable financial institutions with strong credit ratings and a minimal history of default and therefore no impairment provision has been recognised as at 31 December 2018, 31 December 2017 and 1 January 2017.

For the years ended December 31 2018 and 2017, the provision for loss allowance were recognised in profit or loss in net impairment losses in financial assets and contract assets.

The Company's financial assets are amounts owed by subsidiary undertakings, which are supported by their net assets and trading operations, with the only other financial asset held by the company being cash and cash equivalents which are held with reputable financial institutions with strong credit ratings and a minimal history of default and therefore no impairment provision has been recognised as at 31 December 2018, 31 December 2017 and 1 January 2017.

31. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through financial support of business partners and suppliers.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and long term. At present, the Group is financed by advance payments from customers.

The maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted payments are all less than one year. The carrying amounts in the statement of financial position are consistent with the undiscounted future cash flows for all financial liabilities, with the exception of bank borrowings. The minimum undiscounted future cash flow for borrowings as at 31 December 2018 was RMB6,827,000 (2017: RMB10,683,000).

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheets plus net debt. The gearing ratios as at the end of the reporting periods were as follows:

	Group		Company	
	As at December 31		As at December 31	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Total borrowings	6,540	10,107	-	-
Less: Cash and cash equivalents (excluding restricted cash)	(6,358)	(8,180)	(22)	(240)
Net debt	182	1,927	(22)	(240)
Total equity	71,026	29,650	7,589	11,736
Total capital	71,208	31,577	7,567	11,496
Gearing ratio	0.00	0.06	(0.00)	(0.02)

32. Fair value of financial instruments

The carrying amount of the financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the consolidated financial statements.

Fair value hierarchy

The Group's and the Company's financial instruments carried at fair value are analysed as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market date (unobservable inputs).

As at reporting date, the Group and the Company do not have any financial instruments classified as Level 1, Level 2 and Level 3.

33. Segment reporting (restated)

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's revenue breakdown by geographical location is determined based on its customers' country of incorporation. The Group's cost of sales and operating expenses are aggregated on a cumulative basis and are not attributable to specific geographical regions. Therefore, a breakdown of gross profit for the financial years by geographical regions is not shown.

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
PRC	233,945	254,427
Canada	-	2,521
Russia	16,008	-
Thailand	-	161
Myanmar	25	-
	249,978	257,109

33. Segment reporting (cont'd)

Business segment

The Group's revenue, assets, liabilities and capital expenditure are attributable to a single business segment of provision of technology and engineering services to ethanol, ethanol downstream product and biobutanol producers. Therefore, the Group does not have separately reportable business segments under IFRS 8 'Segmental Reporting'. Nonetheless the Group's revenue can be classified into the following streams:

	Alcoholic beverage construction services	Ethanol fuel construction services	other construction services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Year ended 31 December 2018	88,697	145,273	16,008	249,978
Year ended 31 December 2017	42,210	212,378	2,521	257,109

"Other construction services" refers to revenue generated from projects relating to the industry of ethyl acetate and vital fibre oligosaccharide.

Revenue recognised in relation to contract liabilities:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	21,997	25,007

At inception, all contracts are for periods of one year or less and are expected to be completed within this timeframe. Therefore as permitted under IFRS15, the transaction price still to be recognised in relation to contracts not yet completed at the year end is not disclosed. As revenue is recorded on a stage of completion basis there is not considered to be any revenue that has been recognised in either year as a result of satisfying performance conditions in previous periods.

Performance obligation

The performance obligation is satisfied over time as services are rendered and invoices are raised at certain milestones in the contract.

Information about major customers

Included in revenue arising from the sales of projects is approximately RMB178 million (2017: RMB225 million) which arose from sales to the Group's 5 top largest customers. Customers which contributed more than 10% of the Group's total revenue for the year ended 31 December 2018 were Heilongjiang Hongzhan Bio Science Technology Co Ltd and Jilin Xintianlong Wines Co Ltd (2017: Jilin Boda Bio Chemical Co Ltd and COFCO Bio Chemical (Anhui) Co Ltd).

34. Post balance sheet events

On 7 January 2019, the Group drew down RMB8,800,000 loan from Bank of China. The loan is repayable within 12 months and bears interest at the benchmark interest rate published by National Interbank Funding Centre plus 189 basis point.

On 1 February 2019 the company entered into a Convertible Loan Agreement with Double River Limited for HKD11,500,000 (c. £1,118,000). The Loan will be converted automatically into ordinary shares of the Company at a price of approximately HKD0.481 (approximately 4.7 pence) per share on the Company obtaining regulatory approval from the relevant authority for the new listing before the Maturity Date (as defined herein below). The Loan has a term of 12 months from the date the Company receives the sum of the Loan from the Lender (the "Maturity Date"), and, in the event that the Loan is not converted, carries an interest at a rate of 12 per cent. per annum due on the Maturity Date. If the Loan is converted, no interest will be applied.

On 21 February 2019 the Company changed broker to Cairn Financial Services LLP.

On 5 March 2019, Tewin Capital Holding Limited, a company owned by Mr Yu Weijun, a director of the Company, purchased 8,079,728 shares in the Company, representing 1.64% of the Company's issued ordinary share capital. Following the purchase of ordinary shares, Mr Yu Weijun is interested in 99,012,168 ordinary shares, representing 20.15% of the Company's issued share capital.

On 4 April 2019, Mr Yu Weijun, a director of the Company, notified the company that he had consolidated his shareholding which was previously held by two companies into one holding. Leader Vision Investments Limited transferred its shareholding of 64,000,000 ordinary shares to Tewin Capital Holding Limited, a company owned by Mr Yu Weijun. Mr Yu Weijun's interest in 99,012,168 ordinary shares, representing 20.15% of the Company's issued share capital, remained unchanged.