26 March 2020

China New Energy Limited
("CNE" or "the Company")

Final Results for the Year Ended 31 December 2019

The Board of CNE (AIM: CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, presents its final results for the year ended 31 December 2019.

Highlights for the year include:

- Revenue has substantially increased to RMB398.6 million (c.£45.9 million) from RMB250.0 million (c. £28.4 million) in prior year increase of 59.4%
- Net profit increases by 29.3% to RMB59.2 million (c. £6.8 million) from RMB45.8 million (c. £5.2 million) for the year ended 31 December 2018
- Order book and contract backlog increase by 77.5% to RMB584.9 million (c. £67.4 million) from RMB329.6 million (c. £37.4 million) for the year ended 31 December 2018

The full version of the report and accounts for the year ended 31 December 2019 will be available from the Company's website www.chinanewenergy.co.uk and notification of posting of the accounts, together with the Notice of AGM, will shortly be sent to all shareholders.

Mr. Yu commented, "I am very pleased to report our best financial results since our listing on AIM and 4th consecutive net profit. We continue to have a strong order book which we attribute to the 13th Five Year Plan for Renewable Energy Development that clearly demonstrates the intention of the PRC government to develop the ethanol fuel industry.

As widely reported in the press, business activities in China have been disrupted by the COVID-19 outbreak. We are confident and are of the view that the potential impact on our Group's business operations and financial conditions caused by the outbreak of COVID-19 will only be temporary and short-term.

We continue to pursue our strategy of re-listing the Company on the mainboard of the Hong Kong Stock Exchange, and I am very confident about the outlook for 2020 and the investment value of our shares which is expected to be reflected in our medium to long term market valuation.".

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information, please visit www.chinanewenergy.co.uk or contact:

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CHAIRMAN'S STATEMENT

I am pleased to report that the Group recorded its best ever financial performance and 4th consecutive year of generating profit after tax ("net profit").

Our total revenue has substantially increased from RMB250.0 million (c. £28.4 million) for the year ended 31 December 2018 to RMB398.6 million (c.£45.9 million) for the year ended 31 December 2019, representing an increase of 59.4% which was due to completing projects in our order book for the provision of ethanol production system technology integrated services in the ethanol fuel, alcoholic beverages and other industries respectively.

Our net profit substantially increased from RMB45.8 million (c. £5.2 million) for the year ended 31 December 2018 to RMB59.2 million (c. £6.8 million) for the year ended 31 December 2019, representing an increase of 29.3%. This would have been higher, if not for exceptional expenses such as fees relating to the proposed re-listing of the Company on the Main Board of the Hong Kong Stock Exchange ("HKSE").

The significant growth in our revenue and net profit from 2017 to 2019 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 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 systems in the alcoholic beverage industry in the PRC. We believe that, with our extensive experience and expertise in the ethanol production system industry, we are well positioned to capture growth opportunities in the PRC. For the year ended 31 December 2019, ethanol production system technology integrated services projects for the ethanol fuel industry included Inner Mongolia Zhongneng Biological Technology Co., Ltd, Heilongjiang Province Wanlirunda Biotechnology Co., Ltd and for the alcoholic beverage industry included Fuyu Huihai Wine Industry Co., Ltd.

The gross profit increased by 50.7% to RMB109.4 million (c. £12.6 million) for the year ended 31 December 2019 from RMB72.6 million (c. £8.2 million) for the year ended 31 December 2018. Our overall gross profit margin decreased slightly from 29.0% for the year ended 31 December 2018 to 27.4% for the year ended 31 December 2019.

The net profit for the year increased by 29.3% to RMB59.2 million (£6.8 million) for the year ended 31 December 2019 from RMB45.8 million (c. £5.2 million) for the year ended 31 December 2018.

Net profit margin decreased from 18.3% for the year ended 31 December 2018 and 14.9% for the year ended 31 December 2019.

Order Book and Contract Backlog

We entered 2020 with a strong order book of RMB584.9 million (c. £67.4 million) for the year ended 31 December 2019. 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 77.5% from RMB329.6 million (c. £37.4 million) for the year ended 31 December 2018.

The following table sets forth the movement of backlog of our projects during the years ended 31 December 2017, 2018 and 2019:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Contract value (exclusive of value-added tax) of the beginning of the year	138,142	98,565	329,577
Contract value (exclusive of value-added tax) of new contracts awarded during the year	217,532	480,990	653,882
Less:			
Revenue recognised during the year	(257,109)	(249,978)	(398,558)

Contract value (exclusive of value-added tax) at the end of year	98,565	329,577	584,901

Business

The Group is a leading ethanol production system technology integrated service provider in the PRC. The Group primarily provided 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 has gained substantial experience and established a solid reputation in terms of advanced technology skills and proven track records in the 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 the first in terms of revenue with a market share of 7.2%, in the ethanol production system industry in the PRC in 2018.

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 32 patented technologies, which we have incorporated into our production procedures. In addition, as at the date of this report, the Group has submitted 14 patent registrations in the PRC and 1 in Brazil and are engaging in 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.

COVID-19 and Business Continuity

Recently, there has been an outbreak of COVID-19, a respiratory illness which was first emerged in Wuhan city, Hubei province, China in late 2019 and later continues to spread within the PRC and globally. On 23 January 2020, the PRC government announced the lockdown of Wuhan city in an attempt to quarantine the city. Since then, draconian measures including travel restrictions have been imposed in other major cities in the PRC, as well as other countries and territories, in an effort to control the outbreak.

As at the date of this report, confirmed cases of COVID-19 have been reported in various provinces in the PRC and had spread across countries and territories globally. The outbreak of COVID-19, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people and the economy in the PRC, particularly Wuhan city and Hubei province.

Impact on our business operation

While our office was temporarily closed during the Chinese New Year holiday and until 9 February 2020 in accordance with the extension of the Chinese New Year holiday and delay in resumption of work announced by the PRC government, we have resumed our operation on 10 February 2020.

Although a majority of our income during the year ended 31 December 2019 and 2019 was generated in the PRC and our customers are mainly based in the PRC, our Directors, after careful and due consideration, confirm that the business, financial conditions and result of operations of our Group would not be materially affected by the outbreak of COVID-19 for the following reasons:

i. As at the date of the report, we had been able to honour all of our obligations under the existing contracts with our customers, and we did not have loss of existing contracts due to the outbreak of COVID-19;
ii. all of our principal business operations and major customers during the year ended 31 December 2019 and 2018 were not located in Wuhan city or Hubei province. As at date of this report, we did not have any customer based in Wuhan city or Hubei province; and
iii. we have not encountered and do not expect to encounter any disruption of our supplies of raw materials and equipment in light of the outbreak of COVID-19 and we do not have reliance on any particular suppliers in Wuhan city or Hubei province for the above raw materials and equipment.

Impact on our employees

In line with our continuing efforts to provide a safe and healthy working environment to our own employees, we have prepared an internal manual on prevention of spread of COVID-19 and have implemented epidemic prevention measures in response to the outbreak of COVID-19:

i. we have set up an epidemic prevention group led by our general manager, Mr. Jiang Xinchun, to coordinate the implementation of epidemic prevention measures in accordance with the requirements of the PRC government;
ii. before an employee returns to work, we will obtain information and keep record on his/her travelling history in the past 14 days, health conditions and whether he/she has close contact with persons with symptoms of respiratory diseases; and
iii. we will carry out disinfection of our office area on a daily basis.

We believe such measures are effective in reducing the risk of spreading of COVID-19 among our employees. As at the date of this report, none of our employees had been suspected or confirmed to have contracted COVID-19.

We are confident and are of the view that the potential impact on our Group's business operations and financial conditions caused by the outbreak of COVID-19 will only be temporary and short-term. We will continue to assess the impact of COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the epidemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and where necessary.

We have confirmed that, since 31 December 2019 and up to the date of this report, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect subsequent to the reporting period.

Preparation for Submission of an Application for Listing on the Main Board of the Hong Kong Stock Exchange

The Company continues to make good progress with its application to re-list on the HKSE, which is being undertaken to improve shareholder value and to raise additional capital to expand the business. The Company intends to immediately resubmit the application to list on the HKSE with the inclusion of the 2019 financial results which should substantially support our application. Subject to acceptance of the application by the HKSE listing committee, Admission to HKSE is now expected to be in the first half of 2020.

The Company expects to imminently convene an AGM or extraordinary general meeting to re-seek shareholder approval for resolutions in relation to its proposed listing on the Main Board of HKSE which will include shareholders approving the cancellation of trading of the Company's shares on AIM simultaneous with admission to HKSE.

We continue to stress that should application to the HKSE not be successful, 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 2020 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 2020 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

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
ASSETS		
Non-current assets		
Financial assets at fair value through other comprehensive income	5,015	-
Investment in an associate	-	-
Property, plant and equipment	11,589	6,457
Land use rights	-	2,608
Intangible assets	18,252	12,782
Right-of-use assets	6,281	-
Deferred tax assets	4,325	5,752
	45,462	**27,599**
Current assets		
Inventories	3,358	3,661
Contract assets	118,108	88,465
Trade and bills receivables	94,628	103,629
Other receivables and prepayments	110,688	17,980
Restricted cash	2,321	1,230
Cash and cash equivalents	26,466	6,358
	355,569	**221,323**
Total assets	**401,031**	**248,922**
LIABILITIES		
Non-current liability		
Lease liabilities	2,889	-
Current liabilities		
Contract liabilities	15,140	21,028
Bank and other borrowings	18,941	6,540
Convertible notes	11,847	-
Trade payables	114,755	69,250
Other payables	72,916	59,355
Lease liabilities	1,073	-
Current income tax liabilities	33,040	21,723
	267,712	**177,896**

Total liabilities	**270,601**	**177,896**
Equity		
Equity attributable to Owners of the Company		
Share capital	1,444	1,541
Reserves	128,986	69,485
	130,430	**71,026**
Total equity and liabilities	**401,031**	**248,922**
Net current assets	**87,857**	**43,427**

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

	Year ended 31 December	
	2019	**2018**
	RMB'000	**RMB'000**
Revenue	398,558	249,978
Cost of sales	(289,141)	(177,374)
Gross profit	109,417	72,604
Selling and marketing expenses	(8,617)	(5,801)
Administrative expenses	(27,700)	(20,218)
Net impairment losses on financial assets and contract assets	(3,555)	(362)
Other income	1,836	1,685
Other gains - net	2,409	263
Operating profit	**73,790**	**48,171**
Finance income	49	22
Finance costs	(1,384)	(1,094)
Finance costs – net	(1,335)	(1,072)
Profit before income tax	**72,455**	**47,099**
Income tax expenses	(13,287)	(1,278)
Profit for the year attributable to Owners of the Company	**59,168**	**45,821**
Other comprehensive income		
Item that may not be reclassified to profit or loss		
- Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	13	-
Item that may be reclassified to profit or loss		
- Exchange differences on translation of foreign operations	(238)	(224)
Other comprehensive income for the year, net of tax	**(225)**	**(224)**
Total comprehensive income for the year attributable to Owners of the Company	**58,943**	**45,597**
Earnings per share for profit attributable to Owners of the Company (expressed in RMB per share)		
Basic earnings per share	0.133	0.102
Diluted earnings per share	0.128	0.102

Note: The exchange rate used in 2018 is £1:RMB 8.6842 (2018: £1:RMB 8.8178).

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Other reserves	(Accumulated losses)/ retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	**1,541**	**72,273**	**(44,164)**	**29,650**
Comprehensive income				
- Profit for the year	-	-	45,821	45,821
- Other comprehensive income	-	(224)	-	(224)
Total comprehensive income for the year	-	(224)	45,821	45,597
Transactions with owners, recognised directly in equity				
Share-based payment expenses	-	460	-	460
Buy-back of shares	-	(4,681)	-	(4,681)
Total transactions with owners	-	(4,221)	-	(4,221)
Balance at 31 December 2018	**1,541**	**67,828**	**1,657**	**71,026**
Balance at 1 January 2019	**1,541**	**67,828**	**1,657**	**71,026**
Comprehensive income				
- Profit for the year	-	-	59,168	59,168
- Other comprehensive income	-	(225)	-	(225)
Total comprehensive income for the year	-	(225)	59,168	58,943
Transfer to statutory reserves	-	7,498	(7,498)	-
Share-based payment expenses	-	461	-	461
Cancellation of treasury shares	(97)	97	-	-
Total transactions with owners	(97)	8,056	(7,498)	461
Balance at 31 December 2019	**1,444**	**75,659**	**53,327**	**130,430**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	24,935	10,069
Income tax paid	(545)	(3,425)
Interest paid	(1,335)	(1,072)
Net cash generated from operating activities	**23,055**	**5,572**
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,526)	(889)

Purchase of intangible assets	(6,192)	(5,954)
Proceeds from disposal of property, plant and equipment	-	3
Investment in financial assets at fair value through other comprehensive income	(5,000)	-
Net cash used in investing activities	**(18,718)**	**(6,840)**
Cash flows from financing activities		
Proceeds from bank and other borrowings	23,060	6,800
Proceeds from convertible notes	10,606	-
Repayments of bank and other borrowings	(10,659)	(10,367)
Principal elements of lease payments	(842)	-
Cash advance from related parties	-	15,404
Repayment to related parties	(1,949)	(11,165)
Payment for listing related expenses	(4,098)	-
Increase in guarantee deposits for borrowings	(1,091)	(1,230)
Net cash generated from/(used in) financing activities	**15,027**	**(558)**
Net increase/(decrease) in cash and cash equivalents	**19,364**	**(1,826)**
Cash and cash equivalents at beginning of year	6,358	8,180
Translation differences on cash and cash equivalents	744	4
Cash and cash equivalents at end of year	**26,466**	**6,358**

NOTES TO THE FINANCIAL STATEMENTS

The financial information above and the notes to the accounts have been extracted from the Annual Report and Financial Statements for the year ended 31 December 2019. As such, note references and page numbers may not appear correctly in this announcement. Shareholders are advised to read the Annual Report and Financial Statements for the year ended 31 December 2019 in full which will shortly be available from the Company's website, www.chinanewenergy.co.uk.

1. General information

The consolidated financial statements of China New Energy Limited (the "Company") and its subsidiaries (the "Group") 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 8 Floor, Zone B, Energy Saving and Environmental Protection Building of GIEC, No 2, Nengyuan Road, 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 ("IFRSs") issued by the International Accounting Standards Board ("IASB"), including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

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 preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Save as disclosed below, all standards, amendments to standards and interpretations, which are effective during the year beginning on 1 January 2019 have been adopted by the Group.

2.1.1. New and revised standard adopted

IFRS 16 Lease

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated the 2018 reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(i) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.53%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	6,019
Less: short-term leases recognised on a straight-line basis as expense	(423)
	5,596
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,804
Lease liability recognised as at 1 January 2019	4,804
Of which are:	
Current lease liabilities	1,489
Non-current lease liabilities	3,315
	4,804

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to properties.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- land use rights – decreased by RMB2,608,000
- right-of-use assets – increased by RMB7,412,000
- lease liabilities – increased by RMB4,804,000

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(iii) The Group's leasing activities and how these are accounted for

The Group leases an office, the rental contract for which is made for a fixed period of 55 months. The lease agreement does not impose any covenants, but leased asset may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.1.2. New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the year beginning on 1 January 2019 and have not been early adopted

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 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 (Amendments)	Definition of material	1 January 2020
IFRS 7, IFRS 9 and IAS 39 (Amendments)	Interest rate benchmark reform	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
IAS 1 (Amendment)	Classification of liabilities	1 January 2022
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

There are no new and revised standards, amendments and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2. Principles of consolidation and equity accounting

(a) Subsidiaries

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.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

3. Earnings per share

(a) Basic earnings per share

	2019	2018
	RMB'000	**RMB'000**
Profit attributable to Owners of the Company	59,168	45,821
Weighted average number of ordinary shares in issue (thousand shares)	444,448	449,319
Basic earnings per share	0.133	0.102

(b) Diluted earnings per share

	2019	2018
	RMB'000	**RMB'000**
Profit attributable to Owners of the Company	60,409	45,821
Weighted average number of ordinary shares in issue (thousand shares)	471,402	449,319
Dilutive earnings per share	0.128	0.102

(c) Reconciliations of earnings used in calculating earnings per share

	2019	2018
	RMB'000	**RMB'000**
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	59,168	45,821
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company:		

	2019	2018
Used in calculating basic earnings per share	59,168	45,821
Add: fair value loss on convertible notes	1,241	-
Used in calculating diluted earnings per share	60,409	45,821

(d) Weighted average number of shares used as the denominator

	2019	**2018**
	RMB'000	**RMB'000**
Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share	444,448	449,319
Adjustments for calculation of diluted earnings per share:		
Share options granted under the Pre-IPO Share Option Scheme (thousand shares) (note i)	5,979	-
Convertible notes (thousand shares) (note ii)	20,975	-
Weighted average number of ordinary shares (thousand shares) and potential ordinary shares used as the denominator in calculating diluted earnings per share	471,402	449,319

Note i

On 20 October 2017, the Group granted 39,300,508 share options for the long-term incentive of directors and senior employees of the Group. For details, please refer to Note 21.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The share options granted under the Pre-IPO Share Option Scheme are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 31 December 2018.

Note ii

The Company issued 12% convertible notes for HKD5,250,000 and HKD6,250,000 on 8 February 2019 and 15 February 2019 respectively. For details, please refer to Note 17. Convertible notes are included in the determination of dilutive earnings per share from their date of issue.

4. Subsequent events

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.