Sino Energy International Holdings Group Limited
中能國際控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1096)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

- Revenue decreased by 22.1% from approximately RMB290.5 million for the year ended 31 December 2015 to approximately RMB226.4 million for the year ended 31 December 2016.
- Gross profit decreased by 188.7% from approximately RMB24.8 million for the year ended 31 December 2015 to gross loss of approximately RMB22.0 million for the year ended 31 December 2016, while gross profit margin decreased from 8.5% to -9.7%.
- Loss attributable to owners of the Company amounted to approximately RMB324.2 million for the year ended 31 December 2016, as compared to a loss of approximately RMB544.4 million for the corresponding period of 2015.
- Loss per share decreased from RMB0.37 per share for the year ended 31 December 2015, to loss per share of RMB0.20 for the year ended 31 December 2016.
- The board (the "Board") of directors (the "Directors") does not recommend the payment of a final dividend for the year ended 31 December 2016.

The Board would like to announce the annual results of the Group for the year ended 31 December 2016 together with the comparative figures for 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Renminbi)

	Notes	2016 RMB'000	2015 RMB'000
Revenue	3	**226,440**	290,545
Cost of sales		**(248,406)**	(265,705)
Gross (loss)/profit		**(21,966)**	24,840
Other income	4	**10,234**	2,607
Distribution and selling expenses		**(7,158)**	(9,652)
Administrative expenses		**(210,365)**	(494,503)
Loss from operation		**(229,255)**	(476,708)
Finance costs	6	**(91,504)**	(54,845)
Loss before tax		**(320,759)**	(531,553)
Income tax	7	**(3,655)**	(11,115)
Loss for the year	8	**(324,414)**	(542,668)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Renminbi)

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Loss for the year		**(324,414)**	(542,668)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(20,544)**	5,465
Total comprehensive loss for the year		**(344,958)**	(537,203)
(Loss)/income for the year attributable to:			
Owners of the Company		**(324,196)**	(544,403)
Non-controlling interests		**(218)**	1,735
		(324,414)	(542,668)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(344,740)**	(538,938)
Non-controlling interests		**(218)**	1,735
		(344,958)	(537,203)
Loss per share			
Basic and diluted *(RMB)*	*9*	**(0.20)**	(0.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Renminbi)

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**148,969**	144,876
Intangible assets		**–**	1,645
Prepaid land lease payments		**5,093**	5,174
Other assets	*10*	**96,692**	31,692
Prepayment for new subsidiaries		**119,872**	83,780
Goodwill	*11*	**68,898**	49,363
		439,524	316,530
Current assets			
Inventories	*12*	**125,546**	171,731
Trade and other receivables	*13*	**653,025**	887,146
Prepaid land lease payments		**105**	129
Amount due from a director		**170,709**	174,449
Pledged deposits		**7,654**	78,083
Bank and cash balances		**586,834**	262,202
		1,543,873	1,573,740
Current liabilities			
Trade and other payables	*14*	**230,136**	454,234
Tax payables		**24,725**	23,436
Bank loans		**302,440**	198,627
Debentures	*15*	**24,294**	1,676
Promissory notes	*16*	**83,301**	–
		664,896	677,973

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Net current assets		**878,977**	895,767
Total assets less current liabilities		**1,318,501**	1,212,297
Non-current liabilities			
Debentures	*15*	**870,887**	862,436
Promissory notes	*16*	**97,859**	83,780
Convertible bonds	*17*	**320,173**	–
		1,288,919	946,216
NET ASSETS		**29,582**	266,081
Capital and reserves			
Share capital		**130,258**	130,258
Reserves		**(103,218)**	133,063
Equity attributable to owners of the Company		**27,040**	263,321
Non-controlling interests		**2,542**	2,760
TOTAL EQUITY		**29,582**	266,081

1. GENERAL INFORMATION

Sino Energy International Holdings Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Flat 4201, 42/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in manufacturing and sale of casual footwear, apparel and related accessories, and operating gas station in the People's Republic of China (the "PRC").

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group's revenue recognised during the year represents manufacturing and sale of casual footwear, apparel and related accessories, and operating of gas station for the year. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Footwear, apparel and related accessories	**122,631**	283,615
Operating of gas station	**103,809**	–
Online mobile game	**–**	6,930
	226,440	290,545

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,280**	2,470
Net foreign exchange gain	**1,821**	–
Government subsidies	**111**	–
Gain on fair value changes on derivative financial instrument	**3,456**	–
Sundry income	**566**	137
	10,234	2,607

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has two reportable segments: manufacturing and sale of casual footwear, apparel and related accessories and operating of gas station.

Segment profits or losses do not include unallocated corporate income and expenses.

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

	Operation of gas station	Manufacturing and sale of causal footwear, apparel and related accessories and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2016:			
Reportable segment revenue derived from the Group's external customers	**103,809**	**122,631**	**226,440**
Inter-segment revenue	**–**	**4,827**	**4,827**
Reportable segment revenue	**103,809**	**127,458**	**231,267**
Reportable segment (loss)/profit	**8,932**	**(104,944)**	**(96,012)**
Other material non-cash items:			
Impairment loss of goodwill	**–**	**28,033**	**28,033**
Reversal of impairment loss of trade and other receivables	**–**	**(8,060)**	**(8,060)**
Impairment loss of inventories	**–**	**28,014**	**28,014**
Year ended 31 December 2015:			
Reportable segment revenue derived from the Group's external customers	–	290,545	290,545
Inter-segment revenue	–	15,090	15,090
Reportable segment revenue	–	305,635	305,635
Reportable segment loss	–	(490,248)	(490,248)
Other material non-cash items:			
Reversal impairment of other receivables	–	(880)	(880)
Reversal impairment of construction in progress	–	(48,151)	(48,151)
Impairment loss of trade and other receivables	–	456,825	456,825
Impairment loss of intangible assets	–	2,798	2,798
Impairment loss of inventories	–	34,507	34,507

Reconciliations of reportable segment revenue and profit or loss:

	2016	2015
	RMB'000	*RMB'000*
Revenue:		
Reportable segment revenue	**231,267**	305,635
Elimination of inter-segment revenue	**(4,827)**	(15,090)
Consolidated revenue	**226,440**	290,545
Loss:		
Reportable segment loss	**(96,012)**	(490,248)
Elimination of inter-segment revenue	**721**	2,195
Reportable segment loss derived from the Group's external customers	**(95,291)**	(488,053)
Other revenue and other net income	**6,781**	1
Unallocated head office and corporate expenses	**(235,904)**	(54,616)
Consolidated loss for the year	**(324,414)**	(542,668)

Geographical information:

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

	2016	2015
	RMB'000	*RMB'000*
The PRC (place of domicile)	**223,654**	236,161
Korea	**2,786**	48,245
Other countries	**–**	6,139
Consolidated revenue	**226,440**	290,545

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on		
– Interests on bank loans	**16,194**	14,055
– Interests on debentures *(note 15)*	**50,434**	40,790
– Interests on promissory notes *(note 16)*	**21,993**	–
– Interests on convertible bonds *(note 17)*	**2,883**	–
	91,504	54,845

7. INCOME TAX

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
– Hong Kong Profits Tax for the year	**–**	–
– PRC Enterprise Income Tax for the year	**3,655**	1,181
	3,655	1,181
Deferred tax	**–**	9,934
	3,655	11,115

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profit's raising in Hong Kong during the year (2015: Nil).

According to the Law of the People's Republic of China on Enterprise Income Tax, the tax rate for all PRC subsidiaries of the Company is 25% from 1 January 2008 onwards.

At the end of the reporting period, the Group has unused tax losses of approximately RMB92,782,000 (2015: approximately RMB34,146,000) available for offset against future assessable profit. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The reconciliation between the income tax and the loss before tax are as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(320,759)**	(531,553)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(62,794)**	(127,908)
Tax effect of non-taxable income	**(8,304)**	(12,994)
Tax effect of non-deductible expenses	**53,837**	133,797
Tax effect of tax losses not recognized	**20,916**	8,286
Tax effect of temporary differences not recognised	**–**	9,934
Income tax for the year	**3,655**	11,115

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2016	2015
	RMB'000	*RMB'000*
Auditor's remuneration	**1,287**	1,448
Cost of inventories sold	**248,406**	265,705
Depreciation	**3,852**	3,931
Amortisation of intangible assets	**1,645**	2,539
Amortisation of prepaid land lease payments	**105**	107
Loss on disposal of property, plant and equipment	**–**	95
Equity-settled share-based payment on issuance of convertible bonds	**81,758**	–
Loss on fair value changes on modification of debentures *(note 15)*	**9,415**	–
Gain on fair value changes on derivative financial instrument	**(3,456)**	–
Minimum lease payments under operating leases in respect of office premises	**2,627**	1,836
Impairment loss of goodwill	**28,033**	–
Impairment loss of trade receivables	**13,412**	184,988
Impairment loss of trade prepayments	**–**	192,283
Reversal of impairment loss of trade prepayments	**(21,674)**	–
Impairment loss of prepayments	**–**	79,554
Impairment loss of intangible assets	**–**	2,798
Impairment loss of inventories	**28,014**	34,507
Impairment loss of other receivables	**202**	–
Reversal of impairment loss of other receivables	**–**	(880)
Reversal of impairment loss of construction in progress	**–**	(48,151)
Equity-settled share-based payment expenses for business partners and consultants	**12,302**	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**17,587**	43,397
Equity-settled share-based payment expenses	**17,842**	–
Contributions to defined contribution retirement schemes	**1,287**	1,213

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB324,196,000 (2015: approximately RMB544,403,000) and the weighted average of 1,606,498,000 ordinary shares (2015: 1,462,093,000) in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 December 2016 and 2015.

10. OTHER ASSETS

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Deposits paid for construction in progress		**31,692**	31,692
Investments			
– Agricultural cooperation project in Fujian	*(a)*	**40,000**	–
– Investment products	*(b)*	**25,000**	–
		96,692	31,692

Notes:

(a) The amount represents an investment amount in relation to an agricultural cooperation agreement entered into between a subsidiary of the Company and a local partner who has an agricultural land of approximately 20,000 acre in Fujian. According to the cooperation agreement, the amount is mainly for expansion of agricultural infrastructure and development of green houses which are under construction and in healthy progress in align with the expectation of the Company.

(b) The amount represented the money placed with a local capital investment and fund management company for investing into real-estate related projects and/or some other short-term financial products with good potential of profits growth/yield.

11. GOODWILL

	RMB'000
Cost	
At 1 January 2015	–
Acquisition of a subsidiary	49,363
At 31 December 2015 and 1 January 2016	49,363
Acquisition of subsidiaries	47,568
At 31 December 2016	96,931
Accumulated impairment losses	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Impairment loss recognised in the current year	28,033
At 31 December 2016	28,033
Carrying amount	
At 31 December 2016	68,898
At 31 December 2015	49,363

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the cash generating units as follows:

	2016	2015
	RMB'000	*RMB'000*
Online mobile game business	**21,330**	49,363
Operating of gas station	**47,568**	–
	68,898	49,363

Impairment testing of goodwill

Online mobile game cash-generating unit

Goodwill is tested for impairment for this cash-generating unit by the management by estimating the recoverable amount of the cash-generating unit based on the fair value less costs of disposal with reference to the consideration amount as stated in the acquisition agreement signed by the Group and the acquirer, resulting in an impairment loss on goodwill of RMB28,033,000 being recognised for the year ended 31 December 2016.

Gas station cash-generating unit

Goodwill is tested for impairment for this cash-generating unit by the management by estimating the recoverable amount of the cash-generating unit based on value in use calculations.

As at 31 December 2016, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period with the residual period using the growth rate of 5% and with reference to an independent valuation performed by BMI Appraisals Limited. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 12.89%.

The assumptions have been determined based on past performance and management's expectations in respect of the operating of gas station in the PRC.

No impairment loss has been recognised on gas station for the year ended 31 December 2016 as a result of the impairment test.

12. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**112,379**	65,068
Work in progress	**1,056**	3,024
Finished goods	**12,111**	103,639
	125,546	171,731

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**448,571**	511,468
Less: allowance for trade receivables	**(236,500)**	(223,088)
	212,071	288,380
Bills receivables	**53,469**	15,240
Deposit, prepayments and other receivables	**387,485**	583,526
	653,025	887,146

Included in deposits, prepayments and other receivables are mainly (i) advances to suppliers for purchases of raw materials and finished goods amounting to approximately RMB230,277,000, net of impairment provision of approximately RMB188,568,000 (2015: approximately RMB517,635,000, net of impairment provision of approximately RMB210,242,000); (ii) other loans receivables of approximately RMB52,739,000 (2015: Nil) to independent third parties which were secured over respective personal guarantees; and (iii) the amount receivable from the vendor in relation to the acquisition of gas station amounting to approximately RMB89,523,000 (2015: Nil) as determined in accordance with the terms of the profit guarantee arrangement.

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aging analysis of trade receivables and bills receivables, net of allowance for trade receivables and bills receivables, presented based on the invoice date at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**86,683**	82,359
91 days – 180 days	**4,917**	44,442
181 days – 360 days	**31,473**	49,644
Over 360 days	**142,467**	127,175
	265,540	303,620

Trade receivables and bills receivables are normally due within 90-180 days (2015: within 90-180 days) from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on factors such as the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration.

14. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**66,004**	111,829
Bills payables	**88,154**	267,770
Advance payments from customers	**10,282**	17,083
Other payables and accruals	**65,696**	57,552
	230,136	454,234

(a) An aging analysis of the trade payables and bills payables at the end of the reporting period, based on invoice dates, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 2 months	**44,258**	61,085
More than 2 months but within 3 months	**13,661**	89,311
More than 3 months but within 12 months	**46,648**	176,822
More than 12 months	**49,591**	52,381
	154,158	379,599

(b) Bills payables are normally issued with a maturity of not more than six months.

(c) At 31 December 2016, bills payables totalling approximately RMB38,140,000 (2015: approximately RMB186,540,000) were secured by pledged deposits of approximately RMB7,654,000 (2015: approximately RMB78,083,000).

(d) At 31 December 2016, bills payables totalling approximately RMB1,560,000 (2015: approximately RMB48,930,000) were secured by certain assets of the Group.

15. DEBENTURES

(a) The debentures are repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
As 1 January	**864,112**	373,214
Addition	**230,175**	478,021
Repayment	**(295,439)**	–
Loss on fair value changes on modification of debentures	**9,415**	–
Interests charge	**50,434**	40,790
Interests paid	**(21,570)**	(40,790)
Exchange difference	**58,054**	12,877
At 31 December	**895,181**	864,112
Current portion	**(24,294)**	(1,676)
Non-current portion	**870,887**	862,436

During the year, the Company has repaid a total amount of approximately RMB295,439,000 which included an early repayment of coupon interests of approximately RMB257,272,000 in accordance with modification of the terms for certain debentures, resulting in a loss on fair value changes on modification of the debentures amounting to approximately RMB9,415,000 recognised for the year ended 31 December 2016.

(b) Significant terms and repayment schedule of debentures:

As at 31 December 2016, the Company issued a number of HKD denominated debentures with an aggregate principal of approximately HK$1,257,470,000 (2015: approximately HK$1,031,405,000). The debentures are unsecured, bearing interest rate at a range of 3.4%-10.5% per annum (2015: 3.3%-9% per annum), and repayable during the period from February 2017 to August 2024. The interest expenses are calculated using the effective interest method by applying the effective rates at a range of 3.4%-10.5%. The aging of the carrying amount of the debentures is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**24,294**	1,676
In the second year	**24,750**	17,451
In the third to fifth years, inclusive	**121,597**	41,639
After five years	**724,540**	803,346
	895,181	864,112

At 31 December 2016, interest expense totalling of approximately RMB21,570,000 (2015: approximately RMB40,790,000) were paid to debenture holders.

16. PROMISSORY NOTES

In relation to the acquisition of the subsidiaries, the Promissory Note A ("PN-A") with a principal amount of HK$100,000,000 and the Promissory Note B ("PN-B") with a principal amount of HK$115,000,000 was issued on 5 November 2015 and 22 January 2016, respectively. PN-A and PN-B bear interest at 5% per annum. PN-A is mature on 5 November 2017 while PN-B is mature on 22 January 2018.

The movement of the carrying amount of promissory notes is set out below:

	2016
	RMB'000
Fair value of the promissory notes on acquisition completion date#	**153,583**
Interests charged calculated at an effective interest rate	**21,993**
Accrued coupon interest	**(4,288)**
Exchange difference	**9,872**
At the end of reporting period	**181,160**
Current portion	**(83,301)**
Non-current portion	**97,859**

The fair value was assessed by the directors of the Company with reference to the independent valuation as performed by independent valuer, BMI Appraisals Limited.

17. CONVERTIBLE BONDS

(a) Convertible Bonds CB-A and CB-B

On 21 November 2016, the Company issued CB-A and CB-B with a principal amount of HK$92,000,000 and HK$120,000,000, respectively. Both CB-A and CB-B have a maturity period of two years from the date of completion to 20 November 2018 and entitle the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.4378 and HK$0.46805 per share, respectively, subject to adjustments as stipulated in the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 127% of the principal amount and deduct the interest paid or payable in respect of the convertible bond.

(b) Convertible Bonds CB-C

On 28 December 2016, the Company issued CB-C with a principal amount of HK$150,000,000. The CB-C has a maturity period of 22th month from the date of completion and entitles the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.48 per share, subject to adjustments in accordance with the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 122% of the principal amount and deduct the interest paid or payable in respect of the convertible bond.

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, as follows:

	CB-A	**CB-B**	**CB-C**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nominal value of convertible bonds issued	78,908	102,923	128,654	310,485
Less: transaction cost	(2,573)	(3,088)	(4,404)	(10,065)
Equity-settled share-based payments	22,478	25,722	33,558	81,758
Equity component #	(20,763)	(23,577)	(33,975)	(78,315)
Liability component at date of issue #	78,050	101,980	123,833	303,863
Interests charged	1,173	1,523	187	2,883
Exchange difference	3,460	4,486	5,481	13,427
Liability component at 31 December 2016	82,683	107,989	129,501	320,173

The interest charged for the year is calculated by applying an effective interest rate of 12.51%-12.73% to the liability component for the 20-24 month period since the bonds were issued.

The directors estimate the fair value of the equity and liability components of the convertible bonds at the issuance date with reference to the independent valuation performed by an independent valuer, BMI Appraisals Limited, by discounting the future cash flows at the specific discount rate under level 2 fair value measurement.

18. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

AUDIT OPINION

The auditors of the Company will issue a qualified of opinion on the consolidated financial statements of the Group for the year under review. An extract of the auditor's report is set out in the section headed "Extract of report of the auditor" below.

EXTRACT OF REPORT OF THE AUDITOR

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016.

Basis for Qualified Opinion

1. Trade receivables and advances to suppliers

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of trade receivables of RMB12,004,000 as at 31 December 2015; (ii) the recoverability of advances to suppliers of RMB9,649,000 as at 31 December 2015; and (iii) whether the allowance for non-recovery for the trade receivables and advances to suppliers amounting to RMB12,004,000 and RMB9,649,000 respectively for the year ended 31 December 2016 and the allowance for non-recovery for the trade receivables and advances to suppliers amounting to RMB184,988,000 and RMB192,283,000 respectively for the year ended 31 December 2015 are properly recorded in that year or the previous years.

2. Prepayments for development of online marketplace

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment provision of RMB79,554,000 for the year ended 31 December 2015 is properly recorded in 2015 or the previous years.

3. Construction in progress

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the reversal of impairment provision of RMB48,151,000 for the year ended 31 December 2015 is properly recorded in 2015 or the previous years.

Any adjustments to the figures as described from points 1 to 3 above might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2016 and 2015 and the financial positions of the Group as at 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In view of the persistently weak retail market, the Group continues to closely monitor its business segments with a low profit or even a loss. It does not rule out the possibility of decreasing or even disposing the holdings when appropriate and will actively develop the energy business with exciting growth potential to enhance our overall and long-term market competitiveness.

Weak retail spending and rapid development of e-commerce have brought keen competition and challenges to brick-and-mortar shops. Revenue from the Group's footwear business decreased by RMB161.0 million to RMB122.6 million from the previous year. During the year, the Group further optimised its retail store network and tightened the cost control measures and capex plan of its footwear business.

In the year under review, the Group has strategically allocated more resources into the energy business as it has stronger potential for development. Towards that end it acquired a company in the first half of the year which develops the gas station business in China contributing a revenue of RMB103.8 million to the Group. As the gas and energy-related business enjoys strong support from national policies for its long-term development, the Group has expanded its shareholder base. In July 2016, Huarong Overseas Investment Holdings Co., Limited has become our controlling shareholder to further accelerate business transformation, and through its extensive business and rich resources, we can more proactively explore opportunities to further expand our energy-related business.

To facilitate this expansion, the Group issued convertible bonds which can be converted to up to 312,500,000 convertible shares at the initial conversion price of HK$0.48 per conversion share to six subscribers in December 2016, with Central China International Investment Company Limited as the largest subscriber.

In the same month, the Group signed an agreement to acquire Wealthy Fortress Investment Corporation, through which it would hold 16% equity interests indirectly in 福建新捷天然氣有限公司(“福建新捷”). 福建新捷 has nine gas stations in operation, and has entered into a strategic cooperation agreement with a subsidiary of PetroChina Company Limited pursuant to which the parties would cooperate to set up 100 gas stations. To seize business opportunities arising from the West to East Natural Gas Transmission Project, 福建新捷 is to be engaged in the sales and transportation of pipeline gas in Fujian Province with target sales of 1.3 billion cubic meters of gas in 2017. As a natural gas distributor of Kunlun Energy Company Limited in Fujian Province, 福建新捷 is to be responsible for the sales of pipeline gas from West Line No.3.

Upon the completion of acquisition, it would immediately benefit the Group financially, as 福建新捷’s profit is expected to increase notably in 2017. Besides, the acquisition provides an opportunity to work with Kunlun Energy Company Limited, a subsidiary of PetroChina Company Limited, one of the leaders in the natural gas industry in China, so it will facilitate our further expansion of our energy-related business. Through this acquisition, the Group would solidify its foundation to become a leader in the industry and capture the development opportunities in the energy market by adhering to its development strategy of focusing on higher margin businesses.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year ended 31 December 2016 was approximately RMB226.4 million, representing a decrease of 22.1% as compared to that of 2015. The decrease in revenue was mainly as a result of the decline of revenue of footwear apparel and related accessories business caused by the rapid development of online shopping, the consistent deterioration of the market conditions, and the continuous sluggish retail environment which is partly offset by the contribution from newly acquired operation of gas station business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The decline in revenue of footwear business, combined with the rising raw material costs, continued to pose challenges to the Group and weakened its profitability of footwear business. This is partly offset by the good profit contribution from newly acquired operation of gas station business. The gross loss of the Group for the year ended 31 December 2016 was RMB22.0 million, as compared with the gross profit of RMB24.8 million for the year ended 31 December 2015. The gross loss margin of the Group for the year ended 31 December 2016 was 9.7% (2015: gross profit margin of 8.5%).

DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for the sales and marketing staff, and other costs related to sales and distribution. Distribution and selling expenses was RMB7.2 million, accounted for approximately 3.2% of revenue for the year ended 31 December 2016 (2015: 3.3%). The distribution and selling expenses decreased from RMB9.7 million for the year ended 31 December 2015 to RMB7.2 million for the year ended 31 December 2016, primarily as a result of the decrease in revenue of footwear business and cost control effort of the Group.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB284.1 million to RMB210.4 million for the year ended 31 December 2016 from RMB494.5 million for the year ended 31 December 2015, which was mainly attributable to decreased in impairment loss of trade receivables by RMB171.6 million to RMB13.4 million for the year ended 31 December 2016 (2015: RMB185 million) and have a turnaround effect in impairment loss of trade prepayments by RMB214 million to RMB21.7 million of reversal of impairment of trade prepayments for the year ended 31 December 2016 (2015: RMB192.3 million of impairment loss of trade prepayments), and the overall effect was partly offset by equity-settled share-based payment expenses in current year amounting to RMB30.1 million (2015: Nil) and equity-settled share-based payment on issuance of convertible bonds amounting to RMB81.8 million (2015: Nil).

OTHER INCOME

The increase in other income from RMB2.6 million for the year ended 31 December 2015 to RMB10.2 million for the year ended 31 December 2016 was mainly due to gain on fair value changes on derivative financial instrument and net foreign exchange gain amounting to RMB3.5 million and 1.8 million respectively for the year ended 31 December 2016 while no such items in 2015.

FINANCE COSTS

Finance costs represented interest expenses on interest-bearing short-term bank loans, debentures, promissory notes and convertible bonds. Interest expenses increased by approximately 67.0% from approximately RMB54.8 million for the year ended 31 December 2015 to approximately RMB91.5 million for the year ended 31 December 2016, primarily due to increase in issuance of debentures, promissory notes and convertible bonds during the current year.

INCOME TAX

Income tax recorded for the year ended 31 December 2016 mainly represented provision of PRC corporate income tax for approximately RMB3.7 million.

LOSS FOR THE YEAR

Loss for the year was approximately RMB324.4 million, as compared to a loss of approximately RMB542.7 million during the corresponding period in 2015. The significant decrease in loss was mainly due to the decrease in impairment loss for the year which was explained in administrative expenses above.

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2016, the Group had net current assets of approximately RMB879.0 million (31 December 2015: approximately RMB895.8 million), of which bank and cash balances and pledged deposits were RMB594.5 million (2015: RMB340.3 million). The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position. The gearing ratio, calculated as total borrowings (including bank loans, debentures, promissory notes and convertible bonds) divided by total assets, increased from 60.7% as at 31 December 2015 to 85.7% as at 31 December 2016.

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the year ended 31 December 2016, the net cash generated from operating activities and net cash generated from financing activities were RMB69.7 million (2015: used in operating activities of RMB286.8 million) and RMB300.3 million (2015: net cash generated from financial activities of RMB562.3 million) respectively. The total bank borrowings increased to RMB302.4 million (2015: RMB198.6 million). The bank loans were repayable within one year. The Group's bank borrowings were mainly denominated in RMB with the remaining denominated in HK$.

During the year ended 31 December 2016, the Group newly issued unlisted debentures of RMB230.2 million (2015: RMB478.0 million) and made a settlements of RMB295.4 million (2015: Nil). As at 31 December 2016, the outstanding unlisted debentures amounted to RMB895.2 million (31 December 2015: RMB864.1 million). The debentures are repayable from February 2017 to June 2024.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2016.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in RMB. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During the year, the Group did not hedge any foreign exchange exposure against foreign currency risk. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

PLEDGE OF ASSETS

As at 31 December 2016, the Group secured its bank loans and bills payables by a charge over land use rights with an aggregate carrying amount of approximately RMB5.2 million (2015: approximately RMB5.3 million), buildings with net book value of approximately RMB35.5 million (2015: approximately RMB37.9 million) and pledged deposits with an aggregate carrying amount of approximately RMB7.7 million (2015: approximately RMB78.1 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 22 January 2016, Sino Africa Energy Holdings Company Limited, a wholly-owned subsidiary of the Company completed the acquisition of the 100 shares in Peak Business Asia Limited, a company incorporated under the laws of British Virgin Islands with limited liability (the "Target Company"), representing 100% equity interest in the Target Company, at the consideration of HK$215,000,000. The consideration was satisfied by the issue of the promissory notes by the Company. The Target Company and its subsidiary was principally engaged in the business of operating the gas stations in the PRC. The acquisition was detailed in the announcements of the Company dated 5 November 2015 and 22 January 2016.

On 23 December 2016, Sino Africa Energy Holdings Company Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), and the Company entered into the acquisition agreement with Hyper Venture Group Limited (the "Vendor"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the 100% equity interest in Wealthy Fortress Investment Corporation (the "Target Company 2"), at the initial consideration of HK$300 million, which will be satisfied in cash.

Upon the completion, the Target Company 2 will become an indirect wholly-owned subsidiary of the Company and 福建新捷will be indirectly owned by the Company as to 16%.

As at the date of this announcement, the abovementioned acquisition is in the progress.

Save as disclosed above, there was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Company during the year ended 31 December 2016.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2016, the Group employed a total of 514 full-time employees in the PRC and Hong Kong, which included management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to approximately RMB36.7 million for the reporting year, which is equivalent to 16.2% of the Group's revenue. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. In addition, the Company adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to directors and eligible employees.

PROSPECTS

Looking ahead, the Group remains optimistic about the prospects of the natural gas industry despite the slowing economic growth in China and a global economy continuously clouded by uncertainty. The national energy policy provides strong support for the development of natural gas and the government has stepped up controls on air pollution in the country, which will present a huge demand for highly efficient and clean-burning natural gas. Under the "Energy Development under the 13th Five Year Plan" directive published by the National Development and Reform Commission and the National Energy Administration, the consumption proportion of natural gas is expected to reach 10% during the period of the 13th Five Year Plan. The International Energy Agency also believes that the CAGR of demand for natural gas in China will be around 10% annually in the next five years and reach 315 billion cubic meters by 2020.

As such, the Group has adjusted its strategy to aggressively and continuously shift its business focus, and pave the way for development of the energy business, so as to tap the huge business opportunities stemming from policies favorable to the development of the gas industry. In the meantime, the Group is streamlining its operations as it implements cost control measures. The management believes that the cooperation with the leader in the gas industry and the abundant cash flow and extensive business network and rich resources brought by the quality shareholders will accelerate our business transformation, facilitate the exploration of chances to further expand the energy-related business as the Group actively searches for diverse business opportunities with high growth potential, and subsequently increases the returns for shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company complied with all the code provisions of the Corporate Governance Code, except for deviation from Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. Mr. Chen Jianbao (the chairman of the Board), Mr. Chen Yonghua and Mr. Gu Renliang (independent non-executive Directors) were unable to attend the Company's annual general meeting held on 28 June 2016 due to other business engagement. Mr. Chen Jianbao (the chairman of the Board) and Mr. Gu Renliang (independent non-executive Director) were unable to attend the Company's extraordinary general meeting held on 9 November 2016 due to other business engagement. Other Board members who attended that general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at that general meetings. An executive director chaired that annual general meeting and answered questions from the Shareholders.

MODEL CODE

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year ended 31 December 2016.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee, comprising three of the independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

FINAL DIVIDENDS

The Directors does not recommend the payment of a final dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the Annual General Meeting, the register of members of the Company will be closed from 25 May 2017 to 1 June 2017 (both days inclusive), during which period no transfer of Shares can be registered. The holders of Shares whose names appear on the register of members of the Company on 1 June 2017 will be entitled to attend and vote at the Annual General Meeting. In order to qualify for attending the Annual General Meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 24 May 2017.

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

This announcement is published on the websites of the Company and the Stock Exchange. The Company's annual report for the year ended 31 December 2016 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the websites of the Company and the Stock Exchange in due course.

CHANGE OF AUTHORISED REPRESENTATIVE

The Board announces that Ms. Cai Xiuman ("Ms. Cai"), the executive Director, has resigned as an authorised representative to accept service of process or notice on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 31 March 2017. Mr. Yip Hing Fai has been appointed as the new authorized representative in replacement of Ms. Cai with effect from 31 March 2017.

DEFINITIONS

"Annual General Meeting"	an annual general meeting of the Company to be held in respect of the financial year ended 31 December 2016 or any adjournment thereof
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Company"	Sino Energy International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Corporate Governance Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan

"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By order of the Board of
Sino Energy International Holdings Group Limited
Chen Jianbao
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the executive Directors are Mr. Chen Jianbao, Mr. Wang Wei, Ms. Cai Xiuman, Mr. Zhang Wenbin and Mr. Wang Qingshan; the non-executive Director is Mr. Song Pengcheng; and the independent non-executive Directors are Mr. Chen Jinzhong, Roy, Mr. Lee Ho Yiu Thomas, Mr. Gu Renliang and Mr. Wang Xianzhang.