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 2017

HIGHLIGHTS OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

- Revenue decreased by 14.9% from approximately RMB226.4 million for the year ended 31 December 2016 to approximately RMB192.7 million for the year ended 31 December 2017.
- Gross profit increased by 135% from approximately gross loss of RMB22.0 million for the year ended 31 December 2016 to gross profit of approximately RMB7.7 million for the year ended 31 December 2017, while gross profit margin increased from -9.7% to 4%.
- Loss attributable to owners of the Company amounted to approximately RMB322.3 million for the year ended 31 December 2017, as compared to a loss of approximately RMB324.2 million for the corresponding period of 2016.
- Loss per share was RMB0.20 per share for the year ended 31 December 2017, which had no change from 2016.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

The Board would like to announce the annual results of the Group for the year ended 31 December 2017 together with the comparative figures for 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Revenue	*4*	**192,717**	226,440
Cost of sales		**(184,998)**	(248,406)
Gross profit/(loss)		**7,719**	(21,966)
Other income	*5*	**15,334**	10,234
Distribution and selling expenses		**(4,177)**	(7,158)
Administrative expenses		**(202,721)**	(210,365)
Loss from operation		**(183,845)**	(229,255)
Finance costs	*7*	**(139,196)**	(91,504)
Loss before tax		**(323,041)**	(320,759)
Income tax	*8*	**(4,203)**	(3,655)
Loss for the year	*9*	**(327,244)**	(324,414)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Loss for the year		**(327,244)**	(324,414)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**52,120**	(20,544)
Total comprehensive loss for the year		**(275,124)**	(344,958)
Loss for the year attributable to:			
Owners of the Company		**(322,344)**	(324,196)
Non-controlling interests		**(4,900)**	(218)
		(327,244)	(324,414)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(270,224)**	(344,740)
Non-controlling interests		**(4,900)**	(218)
		(275,124)	(344,958)
Loss per share			
Basic and diluted *(RMB)*	*10*	**(0.20)**	(0.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**155,796**	148,969
Prepaid land lease payments		**4,988**	5,093
Other assets	*11*	**65,000**	96,692
Prepayment for new subsidiaries		**–**	119,872
Goodwill	*12*	**47,568**	68,898
		273,352	439,524
Current assets			
Inventories	*13*	**19,541**	125,546
Trade and other receivables	*14*	**320,626**	653,025
Prepaid land lease payments		**105**	105
Amount due from a director		**64,672**	170,709
Pledged deposits		**–**	7,654
Bank and cash balances		**592,838**	586,834
		997,782	1,543,873
Current liabilities			
Trade and other payables	*15*	**112,924**	230,136
Tax payables		**22,266**	24,725
Amount due to a director		**14,792**	–
Bank loans		**105,881**	302,440
Debentures	*16*	**42,217**	24,294
Promissory notes	*17*	**–**	83,301
Convertible bonds	*18*	**316,720**	–
		614,800	664,896

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Net current assets		**382,982**	878,977
Total assets less current liabilities		**656,334**	1,318,501
Non-current liabilities			
Debentures	*16*	**901,876**	870,887
Promissory notes	*17*	**–**	97,859
Convertible bonds	*18*	**–**	320,173
		901,876	1,288,919
NET (LIABILITIES)/ASSETS		**(245,542)**	29,582
Capital and reserves			
Share capital		**130,258**	130,258
Reserves		**(373,442)**	(103,218)
Equity attributable to owners of the Company		**(243,184)**	27,040
Non-controlling interests		**(2,358)**	2,542
TOTAL (DEFICIT)/EQUITY		**(245,542)**	29,582

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 27/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong, changed from 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. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of RMB322,344,000 for the year ended 31 December 2017 and as at 31 December 2017 the Group had net liabilities of RMB245,542,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder and major shareholders, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder and major shareholders have agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. 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 2017. 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.

4. REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Footwear, apparel and related accessories	**69,402**	122,631
Operation of gas station	**123,315**	103,809
	192,717	226,440

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**1,780**	4,280
Interest income from other loan receivables	**3,913**	–
Net foreign exchange gain	**–**	1,821
Government subsidies	**–**	111
Gain on fair value changes on derivative financial instrument	**–**	3,456
Sundry income	**9**	566
Gain on early redemption of debenture	**4,035**	–
Penalty income from early redeemed debenture	**5,597**	–
	15,334	10,234

6. 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 operation of gas station.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. 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 2017:			
Reportable segment revenue	**123,315**	**69,402**	**192,717**
Reportable segment (loss)/profit	**12,277**	**(156,544)**	**(144,267)**
Other material non-cash items:			
Impairment loss of goodwill	**–**	**21,330**	**21,330**
Impairment loss of trade and other receivables	**–**	**48,926**	**48,926**
Impairment loss of other assets	**–**	**26,692**	**26,692**
Impairment loss of inventories	**–**	**52,680**	**52,680**
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

Reconciliations of reportable segment revenue and profit or loss:

	2017	2016
	RMB'000	*RMB'000*
Revenue:		
Reportable segment revenue	**192,717**	231,267
Elimination of inter-segment revenue	**–**	(4,827)
Consolidated revenue	**192,717**	226,440
Loss:		
Reportable segment loss	**(144,267)**	(96,012)
Elimination of inter-segment revenue	**–**	721
Reportable segment loss derived from the Group's external customers	**(144,267)**	(95,291)
Other revenue and other net income	**5,702**	6,781
Unallocated head office and corporate expenses	**(188,679)**	(235,904)
Consolidated loss for the year	**(327,244)**	(324,414)

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.

	2017	2016
	RMB'000	*RMB'000*
The PRC (place of domicile)	**192,717**	223,654
Korea	**–**	2,786
Consolidated revenue	**192,717**	226,440

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on		
– Interests on bank loans	**15,738**	16,194
– Interests on debentures *(note 16)*	**63,188**	50,434
– Interests on promissory notes *(note 17)*	**17,063**	21,993
– Interests on convertible bonds *(note 18)*	**43,207**	2,883
	139,196	91,504

8. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
– Hong Kong Profits Tax for the year	**–**	–
– PRC Enterprise Income Tax for the year	**4,098**	3,655
– PRC Enterprise Income Tax under-provision in the prior year	**105**	–
	4,203	3,655

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 (2016: 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 RMB132,951,000 (2016: approximately RMB92,782,000) 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:

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(323,041)**	(320,759)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(70,531)**	(62,794)
Tax effect of non-taxable income	**(1,662)**	(8,304)
Tax effect of non-deductible expenses	**65,954**	53,837
Under-provision in prior years	**105**	–
Tax effect of tax losses not recognized	**10,337**	20,916
Income tax for the year	**4,203**	3,655

9. LOSS FOR THE YEAR

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

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**1,218**	1,287
Cost of inventories sold	**184,998**	248,406
Depreciation	**5,534**	3,852
Amortisation of intangible assets	**–**	1,645
Amortisation of prepaid land lease payments	**105**	105
Equity-settled share-based payment on		
issuance of convertible bonds	**–**	81,758
Loss on fair value changes on modification of debentures *(note 16)*	**–**	9,415
Loss/(gain) on fair value changes on derivative financial instrument	**2,824**	(3,456)
Minimum lease payments under operating leases		
in respect of office premises	**8,003**	2,627
Impairment loss of goodwill	**21,330**	28,033
Impairment loss of trade receivables	**39,766**	13,412
Impairment/(reversal of impairment) loss of trade prepayments	**8,580**	(21,674)
Impairment loss of inventories	**52,680**	28,014
Impairment loss of other receivables	**580**	202
Impairment loss of other assets	**26,692**	–
Loss on early redemption of promissory note	**283**	–
Gain on early redemption of debenture *(note 16)*	**(4,035)**	–
Equity-settled share-based payment expenses		
for business partners and consultants	**–**	12,302
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**17,544**	17,587
Equity-settled share-based payment expenses	**–**	17,842
Contributions to defined contribution retirement schemes	**111**	1,287

10. 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 RMB322,344,000 (2016: approximately RMB324,196,000) and the weighted average of 1,606,498,000 ordinary shares (2016: 1,606,498,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2016 and 2017.

11. OTHER ASSETS

		2017	2016
	Notes	***RMB'000***	*RMB'000*
Deposits paid for construction in progress		**–**	31,692
Investments			
– Agricultural cooperation project in Fujian	*(a)*	**40,000**	40,000
– Investment products	*(b)*	**25,000**	25,000
		65,000	96,692

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 Group.

(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.

12. GOODWILL

	RMB'000
Cost	
At 1 January 2016	49,363
Acquisition of subsidiaries	47,568
At 31 December 2016 and 31 December 2017	96,931
Accumulated impairment losses	
At 1 January 2016	–
Impairment loss recognised	28,033
At 31 December 2016 and 1 January 2017	28,033
Impairment loss recognised	21,330
At 31 December 2017	49,363
Carrying amount	
At 31 December 2017	47,568
At 31 December 2016	68,898

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:

	2017	2016
	RMB'000	*RMB'000*
Online mobile game business	**–**	21,330
Operation of gas station	**47,568**	47,568
	47,568	68,898

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. During the year ended 31 December 2017, the acquisition agreement signed by the Group and the acquirer was postponed, resulting in an impairment loss on goodwill of RMB21,330,000 (2016: RMB28,033,000) being recognised for the year ended 31 December 2017.

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. The value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period. The performance of gas station during the year ended 31 December 2017 met with the forecast, hence no impairment loss has been recognised on gas station for the year ended 31 December 2017 as a result of the impairment test. 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%.

13. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**4,340**	112,379
Work in progress	**1,420**	1,056
Finished goods	**13,781**	12,111
	19,541	125,546

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**388,078**	448,571
Less: allowance for trade receivables	**(276,266)**	(236,500)
	111,812	212,071
Bills receivables	**–**	53,469
Deposit, prepayments and other receivables	**208,814**	387,485
	320,626	653,025

Included in deposits, prepayments and other receivables are mainly (i) advances to suppliers for purchases of raw materials and finished goods amounting to approximately RMB94,840,000, net of impairment provision of approximately RMB197,148,000 (2016: approximately RMB230,277,000, net of impairment provision of approximately RMB188,568,000); (ii) other loans receivables of approximately RMB96,506,000 (2016: RMB27,296,000) to independent third parties with effective interest rate of 0% to 8% per annum and (iii) the amount receivable from the vendor in relation to the acquisition of gas station amounting to approximately RMB Nil (2016: RMB89,523,000) 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.

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**26,211**	86,683
91 days – 180 days	**1,641**	4,917
181 days – 360 days	**9,972**	31,473
Over 360 days	**73,988**	142,467
	111,812	265,540

Trade receivables and bills receivables are normally due within 90-180 days (2016: 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.

15. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**39,748**	66,004
Bills payables	**–**	88,154
Advance payments from customers	**9,051**	10,282
Other payables and accruals	**64,125**	65,696
	112,924	230,136

(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:

	2017	2016
	RMB'000	*RMB'000*
Within 2 months	**1,083**	44,258
More than 2 months but within 3 months	**616**	13,661
More than 3 months but within 12 months	**10,316**	46,648
More than 12 months	**27,733**	49,591
	39,748	154,158

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

(c) At 31 December 2017, bills payables totalling approximately RMB Nil (2016: approximately RMB38,140,000) were secured by pledged deposits of approximately RMB Nil (2016: approximately RMB7,654,000).

(d) At 31 December 2017, bills payables totalling approximately RMB Nil (2016: approximately RMB1,560,000) were secured by certain assets of the Group.

16. DEBENTURES

(a) The debentures are repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
As 1 January	**895,181**	864,112
Addition	**122,013**	230,175
Repayment	**(51,461)**	(295,439)
Loss on fair value changes on modification of debentures	**–**	9,415
Gain on early redemption of debentures	**(4,035)**	–
Interests charge	**63,188**	50,434
Interests paid	**(13,746)**	(21,570)
Exchange difference	**(67,047)**	58,054
At 31 December	**944,093**	895,181
Current portion	**(42,217)**	(24,294)
Non-current portion	**901,876**	870,887

During the year, the Group has repaid a total amount of RMB51,461,000 (2016: RMB295,439,000) which included an early redemption of debetures approximately RMB39,900,000 (2016: Nil), resulting in a gain on early redemption of debentures amounting to approximately RMB4,035,000 (2016: Nil) recognised for the year ended 31 December 2017.

(b) Significant terms and repayment schedule of debentures:

As at 31 December 2017, the Group issued a number of HKD denominated debentures with an aggregate principal of approximately HK$1,361,497,000 (2016: approximately HK$1,257,470,000). The debentures are unsecured, bearing interest rate at a range of 3.4%-10.5% per annum (2016: 3.4%-10.5% per annum), and repayable during the period from March 2018 to November 2025. 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:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**42,217**	24,294
In the second year	**47,641**	24,750
In the third to fifth years, inclusive	**392,550**	121,597
After five years	**461,685**	724,540
	944,093	895,181

At 31 December 2017, interest expense totalling of approximately RMB13,746,000 (2016: approximately RMB21,570,000) were paid to debenture holders.

17. 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.

During the year ended 31 December 2017, PN-A was settled with the receivable from the vendor in relation to the acquisition of gas station amounting to RMB80,456,000 (2016: RMB:89,523,000) as determined in accordance with the terms if the terms of the profit guarantee arrangement.

During the year ended 31 December 2017, PN-B was early redeemed in consideration of HK$120,000,000 (equivalent to approximately RMB104,081,000), which arised a loss on early redemption of promissory note amounting to RMB283,000.

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**181,160**	–
Fair value of the promissory notes on acquisition completion date #	**–**	153,583
Interests charged calculated at an effective interest rate	**17,063**	21,993
Loss on early redemption of promissory note	**283**	–
Accrued coupon interest	**(4,987)**	(4,288)
Settlement with receivable from profits guarantee arrangement	**(80,456)**	–
Repayment	**(104,081)**	–
Exchange difference	**(8,982)**	9,872
At 31 December	**–**	181,160
Current portion	**–**	(83,301)
Non-current portion	**–**	97,859

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

18. CONVERTIBLE BONDS

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

On 21 November 2016, the Group 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 Group 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 Group issued CB-C with a principal amount of HK$150,000,000. The CB-C has a maturity period of 22nd 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 Group 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*
At 1 January 2016	–	–	–	–
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
At 31 December 2016 and 1 January 2017	82,683	107,989	129,501	320,173
Interests charged	10,992	14,264	17,951	43,207
Interest paid	(5,985)	(7,805)	(9,758)	(23,548)
Exchange difference	(5,966)	(7,788)	(9,358)	(23,112)
At 31 December 2017	81,724	106,660	128,336	316,720

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.*

19. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 2017.

Qualified Opinion

We have audited the consolidated financial statements of Sino Energy International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Corresponding figures

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss for non-recovery of the trade receivables and advances to suppliers amounting to RMB12,004,000 and RMB9,649,000 respectively for the year ended 31 December 2016 are properly recorded in the year ended 31 December 2016 or prior years. Any adjustments to the figures as described might have a consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2016, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB322,344,000 for the year ended 31 December 2017 and as at 31 December 2017 the Group had net liabilities of RMB245,542,000. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Business Review

During the review period, the Group has continued to implement its strategic transformation plan; actively seeking opportunities to expand its revenue sources, as well as boost its overall long-term profitability by seizing business opportunities in the energy business.

During the year ended 31 December 2017, revenue from the gas station business increased by 18.8% to RMB123.3 million, bringing a satisfactory profit contribution to the Group.

Although the overall retail market in China has improved during the year, companies in the industry have had to face a transformed landscape arising from the integration of online and offline operations in their quest for innovation, which has resulted in more intense market competition. Moreover, cost pressures including the constant rise in rental expenses and staff costs have brought challenges to the operating environment. During the period, through careful examination and review of the Group's store network, gross profit rose by 135% for the year ended 31 December 2017 from a gross loss for the corresponding period in 2016.

Prospects

Looking ahead, the global economy and geopolitical developments will continue to bring challenges. Nonetheless, with rising consumption of natural gas in China, the industry outlook remains optimistic. The National Development and Reform Commission, which published "Opinions on Accelerating the Promotion of Natural Gas Utilisation" last year, stated that natural gas will gradually become one of the main energy sources of China's modern clean-energy system. With support from national policies and continuous improvements in energy-saving and energy-efficient technologies, further development will be seen in the natural gas consumer market in China, leading to bright prospects. In view of this, the Group will continue its established business diversification strategies, moving from operating a traditional retail business to expanding to the energy business and allocating more resources for the latter, so as to proactively tap huge opportunities emerging from the development of the natural gas industry.

On the other hand, the Group will continue to closely monitor market trends and prudently decrease its holdings in or dispose of business segments that underperform when appropriate, in order to enhance business performance. At the same time, the Group will continue to employ stringent cost control measures to support its long-term development. In the future, the Group will continue to implement established business strategies, accelerate business transformation and strive to generate promising returns for its Shareholders.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year ended 31 December 2017 was approximately RMB192.7 million, representing a decrease of 14.9% as compared to that of 2016. 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 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 offset by the good profit contribution from gas station business. The gross profit of the Group for the year ended 31 December 2017 was RMB7.7 million, as compared with the gross loss of RMB22.0 million for the year ended 31 December 2016. The gross profit margin of the Group for the year ended 31 December 2017 was 4% (2016: gross loss margin of 9.7%).

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 RMB4.2 million, accounted for approximately 2.2% of revenue for the year ended 31 December 2017 (2016: 3.2%). The distribution and selling expenses decreased from RMB7.2 million for the year ended 31 December 2016 to RMB4.2 million for the year ended 31 December 2017, 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 RMB7.7 million to RMB202.7 million for the year ended 31 December 2017 from RMB210.4 million for the year ended 31 December 2016, which was mainly attributable to no equity-settled share-based payment expenses in current year (2016: RMB30.1 million) and equity-settled share-based payment on issuance of convertible bonds (2016: RMB81.8 million) were incurred.

And the overall effect was partly offset by increased in impairment loss of inventories by RMB24.7 million to RMB52.7 million for the year ended 31 December 2017 (2016: RMB28.0 million), increased in impairment loss of trade receivables by RMB26.4 million to RMB39.8 million for the year ended 31 December 2017 (2016: RMB13.4 million), increased in impairment loss of other assets by RMB26.7 million for the year ended 31 December 2017 (2016: RMB Nil) and have a turnaround effect in impairment loss of trade prepayments by RMB30.3 million to RMB8.6million of impairment of trade prepayments for the year ended 31 December 2017 (2016: RMB21.7 million of reversal of impairment loss of trade prepayments).

Other Income

The increase in other income from RMB10.2 million for the year ended 31 December 2016 to RMB15.3 million for the year ended 31 December 2017 was mainly due to gain on early redemption of debenture and penalty income from early redeemed debenture of RMB4.0 million and 5.6 million respectively for the year ended 31 December 2017.

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 52.1% from approximately RMB91.5 million for the year ended 31 December 2016 to approximately RMB139.2 million for the year ended 31 December 2017, primarily due to increase in convertible bonds interests which covered 12 months in current year, while in 2016 only covered approximately 1 month.

Income Tax

Income tax recorded for the year ended 31 December 2017 mainly represented provision of PRC corporate income tax for approximately RMB4.2 million.

Loss for the Year

Loss for the year was approximately RMB327.2 million, as compared to a loss of approximately RMB324.4 million during the corresponding period in 2016.

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 2017, the Group had net current assets of approximately RMB383.0 million (31 December 2016: approximately RMB879.0 million), of which bank and cash balances and pledged deposits were RMB592.8 million (2016: RMB594.5 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 85.7% as at 31 December 2016 to 107.5% as at 31 December 2017.

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the year ended 31 December 2017, the net cash generated from operating activities and net cash used in financing activities were RMB92.6 million (2016: operating activities of RMB69.7 million) and RMB273.3 million (2016: net cash generated from financial activities of RMB300.3 million) respectively. The total bank borrowings decreased to RMB105.9 million (2016: RMB302.4 million). The bank loans were repayable within one year. The Group's bank borrowings were denominated in RMB.

During the year ended 31 December 2017, the Group newly issued unlisted debentures of RMB122.0 million (2016: RMB230.2 million) and made a settlements of RMB51.5 million (2016: RMB295.4 million). As at 31 December 2017, the outstanding unlisted debentures amounted to RMB944.1 million (31 December 2016: RMB895.2 million). The debentures are repayable from March 2018 to November 2025.

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 2017.

CAPITAL STRUCTURE

During the year ended 31 December 2017, the Company did not issue new Shares. As at 31 December 2017, the total number of issued Shares was 1,606,498,422.

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 2017, the Group secured its bank loans and bills payables by a charge over land use rights with an aggregate carrying amount of approximately RMB1.1 million (2016: approximately RMB5.1 million), buildings with net book value of approximately RMB 103.1 million (2016: approximately RMB35.5 million) and pledged deposits with an aggregate carrying amount of approximately RMB Nil million (2016: approximately RMB7.7 million).

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

On 23 December 2016, the Purchaser and the Group entered into the acquisition agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the 100% equity interest in the Target Company, at the initial consideration of HK$300 million, which would be satisfied in cash. Upon the completion, the Target Company would become an indirect wholly-owned subsidiary of the Company and 福建新捷 would be indirectly owned by the Group as to 16%.

On 18 August 2017, the Group, the Purchaser, and the Vendor entered into a termination agreement by way of rescinding the above-mentioned acquisition and making provisions for the refund of the sum of HK$90 million as part of the consideration for the acquisition. The refund was fully received during 2017.

For details of the acquisition and termination, please refer to the Company's announcements dated 23 December 2016 and 18 August 2017, respectively.

There was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group currently does not have any firm intention or specific plans for material investment or capital assets. Apart from strengthening the Group's current business, the Group will explore new business opportunities which may benefit the Shareholders.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

EMPLOYEES AND EMOLUMENTS

As at 31 December 2017, the Group employed a total of 186 full-time employees in the PRC and Hong Kong, which included directors, management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to approximately RMB17.5 million for the reporting year, which is equivalent to 9.1% 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 Group adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to directors and eligible employees.

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.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2017 up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company complied with all the code provisions of the Corporate Governance Code, except for the following deviations:

Code Provisions A.6.7 and E.1.2

Code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders; while code provision E.1.2 of the Corporate Governance Code stipulates that the chairman of the board should attend the annual general meeting.

Mr. Chen Jianbao (the chairman of the Board), Mr. Song Pengcheng (the non-executive Director), Mr. Gu Renliang and Mr. Wang Xianzhang (the independent non-executive Directors) were unable to attend the annual general meeting of the Company which was held on 1 June 2017 due to their other business engagement.

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 2017.

SCOPE OF WORK PERFORMED BY AUDITOR

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 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. 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 2017 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 Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

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 18 May 2018 to 25 May 2018 (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 25 May 2018 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 17 May 2018.

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 2017 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.

DEFINITIONS

"Annual General Meeting"	an annual general meeting of the Company to be held in respect of the financial year ended 31 December 2017 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" or "China"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
"Purchaser"	Sino Africa Energy Holdings Company Limited, a company incorporated in the Republic of Vanuatu with limited liability and a wholly-owned subsidiary of the Company
"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
"Target Company"	Wealthy Fortress Investment Corporation, a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the date of this announcement

"Vendor"	Hyper Venture Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is the registered and beneficial owner of the 100 shares in the Target Company, which represents 100% equity interests in the Target Company as at the date of this announcement
"%"	per cent
"福建新捷"	福建新捷天然氣有限公司

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

Hong Kong, 29 March 2018

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.